

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

**TÜRKİYE HALK BANKASI
ANONİM ŞİRKETİ**

Unconsolidated Financial Statements

As of 30 June 2019

With Limited Review Report Thereon

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

8 August 2019

*This report contains “Review Report” comprising 3
pages and; “Unconsolidated Interim Financial
Statements and Related Disclosures and Footnotes”
comprising 99 pages.*

REPORT ON REVIEW OF UNCONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying unconsolidated statement of financial position of Türkiye Halk Bankası A.Ş. (“the Bank”) as at 30 June 2019, and the unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders’ equity and unconsolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying unconsolidated interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this unconsolidated interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

1. During the current period, the Bank reversed the total amount of general reserve amounting to TRY 414.000 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 414.000 thousand and net profit for the period would be lower by TRY 414.000 thousand as at 30 June 2019.

2. The Bank reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard (“TFRS”) 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9. The government bonds reclassified into financial assets measured at amortised cost as at 30 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 unconsolidated interim financial information does not present fairly, in all material respects, the financial position of Türkiye Halk Bankası A.Ş. 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 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 Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the Bank. The Bank is also closely following this trial by hiring external legal counsel resident in the USA.

Separate from this trial, there is an uncertainty of any negative decisions by the USA authorities against the Bank affecting its financial position, if any. The Bank’s management indicated that there are no enforcement or other actions against the Bank at this stage. No provision has been made in the accompanying unconsolidated financial statements related to this matter. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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

Additional paragraph for English translation:

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

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

Hasan Kılıç
Partner

Istanbul, 8 August 2019

TÜRKİYE HALK BANKASI AŞ
THE UNCONSOLIDATED 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 unconsolidated 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 BANK
- **Section Two** : UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES
- **Section Four** : INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- **Section Five** : EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** : LIMITED REVIEW REPORT
- **Section Seven** : INTERIM ACTIVITY REPORT

The unconsolidated 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 Tiltak	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 : Arman Acar / Manager
Tel : 0216 503 57 59
Fax No : 0212 340 09 90

SECTION ONE

General Information about the Bank

	Page No
I. Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including The Changes of These Articles	3
II. Capital Structure of the Bank, Shareholders That Retain Direct or Indirect Control and Management of the Bank, Solely or Together, Changes About These Issues During the Year and Disclosures About The Group	3
III. Explanations Regarding the Bank's Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents and Their Shares Attributable to the Bank, if any	4
IV. Information About the Persons and Institutions that Have Qualified Shares Attributable to the Bank	5
V. Explanations on the Bank's Functions and Lines of Activity	5
VI. Differences Between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation About the Institutions Subject to Line-by-Line Method or Proportional Consolidation and Institutions Which are Deducted From Equity or Not Included in These Three Methods	6
VII. The Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholder's Equity Between the Bank and Its Subsidiaries or the Reimbursement of Liabilities	7

SECTION TWO

Unconsolidated Financial Statements

I. Balance Sheet (Statement of Financial Position)	9
II. Statement of Off-Balance Sheet Items	11
III. Statement of Profit or Loss	12
IV. Statement of Profit or Loss and Other Comprehensive Income	13
V. Statement of Changes in Shareholders' Equity	14
VI. Statement of Cash Flows	15

SECTION THREE

Explanations on Accounting Policies

I. Explanations on Basis of Presentation	16
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	17
III. Explanations on Associates, Subsidiaries and Joint Ventures	17
IV. Explanations on Forward and Option Contracts and Derivative Products	18
V. Explanations on Interest Income and Expenses	18
VI. Explanations on Fee and Commission Income and Expenses	18
VII. Explanations on Financial Assets	18
VIII. Explanations on Impairment of Financial Assets	23
IX. Explanations on Offsetting Financial Instruments	25
X. Explanations on Sales and Repurchase Agreements (Repos) and Transactions on Securities Loaned	26
XI. Explanations on Assets Held For Sale, Assets of Discontinued Operations and Related Liabilities	26
XII. Explanations on Goodwill and Other Intangible Assets	26
XIII. Explanations on Property, Plant and Equipment	27
XIV. Explanations on Investment Properties	27
XV. Explanations on Leasing Transactions	28
XVI. Explanations on Provisions and Contingent Liabilities	28
XVII. Explanations on Employee Benefit Liabilities	29
XVIII. Explanations on Taxation	30
XIX. Additional Explanations on Borrowings	31
XX. Explanations on Shares Issued	31
XXI. Explanations on Bill Guarantees and Acceptances	31
XXII. Explanations on Government Incentives	31
XXIII. Explanations on Segment Reporting	31
XXIV. Explanations on TFRS 16 Leases Standard	32
XXV. Explanations on Other Matters	33

SECTION FOUR

Information Related to Financial Position and Risk Management of the Bank

I.	Explanations on Capital	34
II.	Explanations on Currency Risk	41
III.	Explanations on Interest Rate Risk	43
IV.	Explanations on Position Risk of Shares	47
V.	Explanations on Liquidity Risk Management and Liquidity Coverage Ratio	48
VI.	Explanations on Leverage Ratio	53
VII.	Explanations on Business Segmentation	54
VIII.	Explanations on Risk Management and Risk Weighted Amounts	57

SECTION FIVE

Explanations and Notes Related to the Unconsolidated Financial Statements

I.	Explanation and Notes Related to the Assets	62
II.	Explanation and Notes Related to the Liabilities	78
III.	Explanation and Notes Related to the Off-Balance Sheet Items	84
IV.	Explanation and Notes Related to Profit or Loss	85
V.	Explanations Related to the Risk Group of the Bank	90
VI.	Explanation and Notes Related to the Subsequent Events	92
VII.	Other Explanations on the Bank's Other Activities	92

SECTION SIX

Limited Review Report

I.	Explanations on Independent Review Report	93
II.	Explanations and notes prepared by independent auditors	93

SECTION SEVEN

Interim Activity Report

I.	Interim Period Activity Report included Chairman of the Board of Directors and CEO's assessments for the interim activities	94
----	---	----

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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 BANK

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

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

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

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

As of 30 June 2019 the shareholders’ structure and their respective ownerships are summarized as follows:

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

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

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

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

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

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

Name	Title
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 Bank's capital.

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

Title	Name	Starting Date
Member of the Board of Directors	Sezai UÇARMAK	27 February 2019
Executive Vice President	Erkan KİLİMCİ	22 February 2019
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 Bank's top management members who have left their position in 2019 are listed with titles and dates of leaving.

Title	Name	Leaving Date
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 UNCONSOLIDATED 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 BANK (continued)

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

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

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

a) General information about the Bank:

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

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

As of 30 June 2019, the 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 Bank has also 3 representative office in England, Singapore and Iran.

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

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

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

Demir-Halkbank NV ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Turk P ve I Sigorta A.Ş which are qualified as investments in associates, are included in the financial statements based on equity method of accounting. Domestic and foreign subsidiaries which invested in Parent bank's equity, have significant influence 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 Bank has no control over these entities.

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

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

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2019
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

ASSETS	Note	Reviewed			Audited		
		Current Period			Prior Period		
		TRY	FC	TOTAL	TRY	FC	TOTAL
		30 June 2019			31 December 2018		
I. FINANCIAL ASSETS (NET)		30.275.631	37.403.275	67.678.906	21.189.525	38.439.541	59.629.066
1.1 Cash and Cash Equivalents		4.184.952	32.837.835	37.022.787	4.149.691	35.934.002	40.083.693
1.1.1 Cash and Balances with Central Bank	(1)	4.017.326	30.194.321	34.211.647	3.982.876	30.974.174	34.957.050
1.1.2 Banks	(3)	183.497	2.643.514	2.827.011	180.915	4.959.828	5.140.743
1.1.3 Money Markets		-	-	-	-	-	-
1.1.4 Expected Loss Provision (-)		15.871	-	15.871	14.100	-	14.100
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	17.085.783	22.902	17.108.685	14.475.244	21.455	14.496.699
1.2.1 Government Debt Securities		17.070.627	22.902	17.093.529	14.409.039	21.455	14.430.494
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		15.156	-	15.156	66.205	-	66.205
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	9.004.832	3.310.823	12.315.655	2.564.581	1.422.613	3.987.194
1.3.1 Government Debt Securities		8.391.506	3.195.466	11.586.972	2.389.866	1.339.997	3.729.863
1.3.2 Equity Instruments		69.194	115.357	184.551	58.724	82.616	141.340
1.3.3 Other Financial Assets		544.132	-	544.132	115.991	-	115.991
1.4 Derivative Financial Assets	(2)(11)	64	1.231.715	1.231.779	9	1.061.471	1.061.480
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		64	1.231.715	1.231.779	9	1.061.471	1.061.480
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		238.125.765	108.691.974	346.817.739	210.751.960	95.936.717	306.688.677
2.1 Loans	(5)	196.442.826	90.376.518	286.819.344	174.099.895	84.974.331	259.074.226
2.2 Lease Receivables	(10)	-	-	-	-	-	-
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortised Cost	(6)	51.453.871	18.315.456	69.769.327	45.110.667	10.962.386	56.073.053
2.4.1 Government Debt Securities		51.403.394	18.315.456	69.718.850	45.060.153	10.962.386	56.022.539
2.4.2 Other Financial Assets		50.477	-	50.477	50.514	-	50.514
2.5 Expected Credit Loss (-)		9.770.932	-	9.770.932	8.458.602	-	8.458.602
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(13)	2	-	2	39.377	-	39.377
3.1 Held for Sale Purpose		2	-	2	39.377	-	39.377
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		3.443.808	1.657.208	5.101.016	3.367.602	1.403.197	4.770.799
4.1 Investments in Associates (Net)	(7)	23.365	449.383	472.748	22.490	415.828	438.318
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		23.365	449.383	472.748	22.490	415.828	438.318
4.2 Subsidiaries (Net)	(8)	3.420.443	1.207.825	4.628.268	3.345.112	987.369	4.332.481
4.2.1 Unconsolidated Financial Subsidiaries		3.363.297	1.207.825	4.571.122	3.287.966	987.369	4.275.335
4.2.2 Unconsolidated Non- Financial Subsidiaries		57.146	-	57.146	57.146	-	57.146
4.3 Joint Ventures (Net)	(9)	-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. PROPERTY AND EQUIPMENT (Net)		5.936.726	109	5.936.835	3.147.814	100	3.147.914
VI. INTANGIBLE ASSETS (Net)		132.177	-	132.177	140.250	-	140.250
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		132.177	-	132.177	140.250	-	140.250
VII. INVESTMENT PROPERTIES (Net)	(12)	355.248	-	355.248	356.848	-	356.848
VIII. CURRENT TAX ASSET		1.446	-	1.446	6,042	-	6,042
IX. DEFERRED TAX ASSET		-	-	-	-	-	-
X. OTHER ASSETS	(14)	2.639.718	310.985	2.950.703	2.742.059	901.023	3.643.082
TOTAL ASSETS		280.910.521	148.063.551	428.974.072	241.741.477	136.680.578	378.422.055

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2019
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	Note	Reviewed			Audited		
		Current Period			Prior Period		
		30 June 2019	31 December 2018				
LIABILITIES	TRY	FC	TOTAL	TRY	FC	TOTAL	
I. DEPOSITS	(1)	127.871.251	135.708.922	263.580.173	140.018.439	108.836.815	248.855.254
II. FUNDS BORROWED	(3)	363.702	10.624.165	10.987.867	372.398	11.543.629	11.916.027
III. MONEY MARKETS		61.523.995	4.947.237	66.471.232	32.759.788	5.402.273	38.162.061
IV. SECURITIES ISSUED (Net)	(4)	5.294.676	10.186.725	15.481.401	3.023.139	12.024.839	15.047.978
4.1 Bills		3.647.086	-	3.647.086	2.011.697	-	2.011.697
4.2 Assets Backed Securities		1.010.910	-	1.010.910	1.011.442	-	1.011.442
4.3 Bonds		636.680	10.186.725	10.823.405	-	12.024.839	12.024.839
V. FUNDS		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
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL ASSETS	(2) (7)	70	587.627	587.697	16	410.422	410.438
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		70	587.627	587.697	16	410.422	410.438
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES	(6)	474.920	97.013	571.933	-	-	-
X. PROVISIONS	(8)	1.106.160	-	1.106.160	1.853.914	-	1.853.914
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		717.139	-	717.139	887.228	-	887.228
10.3 Insurance for Technical Provision (Net)		-	-	-	-	-	-
10.4 Other Provisions		389.021	-	389.021	966.686	-	966.686
XI. CURRENT TAX LIABILITY	(9)	976.595	78	976.673	669.903	106	670.009
XII. DEFERRED TAX LIABILITIES	(9)	178.552	-	178.552	452.769	-	452.769
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(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
XV. OTHER LIABILITIES	(5)	23.135.791	1.362.637	24.498.428	22.085.654	891.011	22.976.665
XVI. SHAREHOLDERS' EQUITY	(11)	29.350.321	224.252	29.574.573	28.896.436	124.299	29.020.735
16.1 Paid-in Capital		1.250.000	-	1.250.000	1.250.000	-	1.250.000
16.2 Capital Reserves		1.077.234	59.881	1.137.115	1.230.674	-	1.230.674
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		1.077.234	59.881	1.137.115	1.230.674	-	1.230.674
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		1.334.345	-	1.334.345	1.334.345	-	1.334.345
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		1.371.681	164.371	1.536.052	1.379.793	124.299	1.504.092
16.5 Profit Reserves		23.701.624	-	23.701.624	20.475.295	-	20.475.295
16.5.1 Legal Reserves		2.252.739	-	2.252.739	1.864.266	-	1.864.266
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		21.401.704	-	21.401.704	18.563.848	-	18.563.848
16.5.4 Other Profit Reserves		47.181	-	47.181	47.181	-	47.181
16.6 Income or (Loss)		615.437	-	615.437	3.226.329	-	3.226.329
16.6.1 Prior Periods' Income or (Loss)		-	-	-	704.534	-	704.534
16.6.2 Current Period Income or (Loss)		615.437	-	615.437	2.521.795	-	2.521.795
16.7 Minority Shares		-	-	-	-	-	-
TOTAL LIABILITIES		259.326.519	169.647.553	428.974.072	239.188.661	139.233.394	378.422.055

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

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

II. STATEMENT OF OFF-BALANCE SHEET ITEMS

OFF-BALANCE SHEET	Note	Reviewed			Audited		
		Current Period			Prior Period		
		30 June 2019	FC	TOTAL	31 December 2018	FC	TOTAL
A.		92.356.040	120.388.888	212.744.928	70.717.925	86.627.054	157.344.979
I.		39.621.383	51.160.316	90.781.699	37.167.935	45.871.890	83.039.825
I.1		37.142.581	39.284.338	76.426.919	35.165.366	35.686.852	70.852.218
1.1.1		1.953.870	12.130.779	14.084.649	1.982.722	12.444.947	14.427.669
1.1.2		-	-	-	-	-	-
1.1.3		35.188.711	27.153.559	62.342.270	33.182.644	23.241.905	56.424.549
1.2		12.571	8.021.566	8.034.137	11.845	7.038.415	7.050.260
1.2.1		-	66.225	66.225	-	94.572	94.572
1.2.2		12.571	7.955.341	7.967.912	11.845	6.943.843	6.955.688
1.3		115.461	3.740.296	3.855.757	119.895	3.016.499	3.136.394
1.3.1		115.461	3.740.296	3.855.757	119.895	3.016.499	3.136.394
1.3.2		-	-	-	-	-	-
1.4		-	-	-	-	-	-
1.5		-	-	-	-	-	-
1.5.1		-	-	-	-	-	-
1.5.2		-	-	-	-	-	-
1.6		-	-	-	-	-	-
1.7		-	-	-	-	-	-
1.8		2.350.770	114.116	2.464.886	1.870.829	130.124	2.000.953
1.9		-	-	-	-	-	-
II.		23.280.732	2.114.036	25.394.768	24.243.824	1.853.816	26.097.640
2.1		23.027.177	1.468.672	24.495.849	24.091.686	1.680.920	25.772.606
2.1.1		20.819	980.212	1.001.031	807.737	1.228.932	2.036.669
2.1.2		-	-	-	-	-	-
2.1.3		-	-	-	-	-	-
2.1.4		2.089.766	488.460	2.578.226	4.159.896	451.988	4.611.884
2.1.5		-	-	-	-	-	-
2.1.6		-	-	-	-	-	-
2.1.7		3.314.963	-	3.314.963	2.661.413	-	2.661.413
2.1.8		73.060	-	73.060	65.280	-	65.280
2.1.9		13.632.795	-	13.632.795	12.674.648	-	12.674.648
2.1.10		29.203	-	29.203	31.409	-	31.409
2.1.11		-	-	-	-	-	-
2.1.12		-	-	-	-	-	-
2.1.13		3.866.571	-	3.866.571	3.691.303	-	3.691.303
2.2		253.555	645.364	898.919	152.138	172.896	325.034
2.2.1		-	-	-	-	-	-
2.2.2		253.555	645.364	898.919	152.138	172.896	325.034
III.		29.453.925	67.114.536	96.568.461	9.306.166	38.901.348	48.207.514
3.1		-	-	-	-	-	-
3.1.1		-	-	-	-	-	-
3.1.2		-	-	-	-	-	-
3.1.3		-	-	-	-	-	-
3.2		29.453.925	67.114.536	96.568.461	9.306.166	38.901.348	48.207.514
3.2.1		2.309.771	6.134.745	8.444.516	1.806.188	5.243.125	7.049.313
3.2.1.1		1.574.728	3.526.066	5.100.794	1.553.375	3.068.338	4.621.713
3.2.1.2		735.043	2.608.679	3.343.722	252.813	2.174.787	2.427.600
3.2.2		18.125.572	48.741.101	66.866.673	5.202.187	27.857.299	33.059.486
3.2.2.1		470.729	23.732.655	24.203.384	1.012.983	6.973.576	7.986.559
3.2.2.2		17.654.843	6.145.250	23.800.093	4.189.204	3.490.839	7.680.043
3.2.2.3		-	9.431.598	9.431.598	-	8.696.442	8.696.442
3.2.2.4		-	9.431.598	9.431.598	-	8.696.442	8.696.442
3.2.3		2.363.373	3.667.278	6.030.651	2.297.791	3.561.455	5.859.246
3.2.3.1		1.007.545	1.996.070	3.003.615	1.148.905	1.780.728	2.929.633
3.2.3.2		1.355.828	1.671.208	3.027.036	1.148.886	1.780.727	2.929.613
3.2.3.3		-	-	-	-	-	-
3.2.3.4		-	-	-	-	-	-
3.2.3.5		-	-	-	-	-	-
3.2.3.6		-	-	-	-	-	-
3.2.4		6.655.209	6.105.099	12.760.308	-	-	-
3.2.4.1		2.029.799	4.198.314	6.228.113	-	-	-
3.2.4.2		4.625.410	1.906.785	6.532.195	-	-	-
3.2.5		-	-	-	-	-	-
3.2.5.1		-	-	-	-	-	-
3.2.5.2		-	-	-	-	-	-
3.2.6		-	2.466.313	2.466.313	-	2.239.469	2.239.469
B.		1.045.814.245	347.964.814	1.393.779.059	954.219.496	310.868.814	1.265.088.310
IV.		519.624.633	50.500.875	570.125.508	432.711.289	42.627.039	475.338.328
4.1		-	-	-	-	-	-
4.2		187.003.349	1.258.952	188.262.301	161.920.322	1.017.194	162.937.516
4.3		15.802.820	30.906.715	46.709.535	15.226.267	26.439.655	41.665.922
4.4		265.842.965	6.740.558	272.583.523	239.240.554	5.575.684	244.816.238
4.5		-	-	-	-	-	-
4.6		-	-	-	-	-	-
4.7		3.047.461	817.895	3.865.356	4.280.917	486.438	4.767.355
4.8		47.928.038	10.776.755	58.704.793	12.043.229	9.108.068	21.151.297
V.		526.189.612	297.463.939	823.653.551	521.508.207	268.241.775	789.749.982
5.1		5.963.724	805.086	6.768.810	5.608.542	733.250	6.341.792
5.2		7.842.202	1.206.591	9.048.793	7.595.289	1.024.377	8.619.666
5.3		25.812	-	25.812	25.812	-	25.812
5.4		-	-	-	-	-	-
5.5		413.175.074	243.713.707	656.888.781	384.287.726	224.420.837	608.708.563
5.6		76.251.052	40.335.320	116.586.372	76.477.704	39.614.525	116.092.229
5.7		22.931.748	11.403.235	34.334.983	47.513.134	2.448.786	49.961.920
VI.		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		1.138.170.285	468.353.702	1.606.523.987	1.024.937.421	397.495.868	1.422.433.289

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

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

III. STATEMENT OF PROFIT OR LOSS

		Reviewed Current Period	Reviewed Prior Period	Reviewed Current Period	Reviewed Prior Period
		1 January- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2019	1 April- 30 June 2018
	INCOME AND EXPENSES				
	Note				
I.	INTEREST INCOME	(1)	22.891.751	14.805.586	12.148.713
1.1	Interest on Loans		17.737.893	12.236.473	9.297.428
1.2	Interest on Reserve Requirements		66.929	69.065	41.191
1.3	Interest on Banks		234.233	195.331	97.428
1.4	Interest on Money Market Transactions		-	24.452	-
1.5	Interest on Marketable Securities Portfolio		4.807.589	2.267.646	2.680.391
1.5.1	Fair Value Through Profit or Loss		6.598	5.480	2.499
1.5.2	Fair Value Through Other Comprehensive Income		727.540	60.652	458.359
1.5.3	Measured at Amortized Cost		4.073.451	2.201.514	2.219.533
1.6	Financial Lease Interest Income		-	-	-
1.7	Other Interest Income		45.107	12.619	32.275
II.	INTEREST EXPENSE (-)	(2)	18.896.151	10.681.140	9.881.137
2.1	Interest on Deposits		12.400.125	7.960.363	6.132.533
2.2	Interest on Funds Borrowed		149.577	216.475	73.994
2.3	Interest Expense on Money Market Transactions		5.005.812	1.858.066	2.936.754
2.4	Interest on Securities Issued		1.152.888	532.915	644.598
2.5	Interest on Leases		48.668	-	25.016
2.6	Other Interest Expenses		139.081	113.321	68.242
III.	NET INTEREST INCOME (I - II)		3.995.600	4.124.446	2.267.576
IV.	NET FEES AND COMMISSIONS INCOME		1.336.403	907.220	720.168
4.1	Fees and Commissions Received		1.893.760	1.188.510	1.031.987
4.1.1	Non – cash Loans		459.351	250.435	242.231
4.1.2	Other	(11)	1.434.409	938.075	789.756
4.2	Fees and Commissions Paid (-)		557.357	281.290	311.819
4.2.1	Non – cash Loans		68	38	21
4.2.2	Other	(11)	557.289	281.252	311.798
V.	DIVIDEND INCOME		421.328	374.321	44.214
VI.	TRADING INCOME / LOSS (Net)	(3)	(1.845.725)	59.830	(1.414.500)
6.1	Trading Gains / (Losses) on Securities		31.406	12.591	13.673
6.2	Gains / (Losses) on Derivate Financial Transactions		(52.558)	303.098	(508.582)
6.3	Foreign Exchange Gains / (Losses)		(1.824.573)	(255.859)	(919.591)
VII.	OTHER OPERATING INCOME	(4)	1.871.732	374.240	1.440.120
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII)		5.779.338	5.840.057	3.057.578
IX.	EXPECTED LOSS PROVISIONS (-)	(5)	2.482.770	911.907	1.435.696
X.	OTHER PROVISION EXPENSES (-)	(5)	478	103.336	(31.831)
XI.	PERSONNEL EXPENSE (-)		1.289.936	1.149.532	577.191
XII.	OTHER OPERATING EXPENSES (-)	(6)	1.622.063	1.393.508	807.995
XIII.	NET OPERATING INCOME /LOSS (VIII-IX-X-XI-XII)		384.091	2.281.774	268.527
XIV.	INCOME AFTER MERGER		-	-	-
XV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-	-
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-	-
XVII.	PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)	(7)	384.091	2.281.774	268.527
XVIII.	TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(8)	231.346	(379.070)	41.722
18.1	Current Tax Provision		6.423	3.587	3.810
18.2	Deferred Tax Income Effect (+)		519.452	760.780	(166.835)
18.3	Deferred Tax Expense Effect (-)		757.221	385.297	(121.303)
XIX.	CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)	(9)	615.437	1.902.704	310.249
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-
20.1	Income from non- Current Assets Held for Sale		-	-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-
20.3	Income from Other Discontinued Operations		-	-	-
XXI.	EXPENSES FOR DISCONTINUED OPERATIONS (-)		-	-	-
21.1	Expenses for Non-current Assets Held for Sale		-	-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-
21.3	Expenses for Other Discontinued Operations		-	-	-
XXII.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-
23.1	Current Tax Provision		-	-	-
23.2	Deferred Tax Expense Effect (+)		-	-	-
23.3	Deferred Tax Income Effect (-)		-	-	-
XXIV.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX±XXII)		-	-	-
XXV.	NET PROFIT/(LOSS) (XVIII±XXIV)	(10)	615.437	1.902.704	310.249
25.1	Profit / (Loss) of Group		615.437	1.902.704	310.249
25.2	Profit / (Loss) of Minority Shares (-)		-	-	-
	Profit / (Loss) Per Share (full TRY)		0,4923496	1,5221632	0,2481992

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

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

	Reviewed	Reviewed
	Current Period	Prior Period
	1 January - 30 June	1 January – 30 June
	2019	2018
STATEMENT OF PROFIT OR LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
I. CURRENT PERIOD INCOME/LOSS	615.437	1.902.704
II. OTHER COMPREHENSIVE INCOME	31.960	216.098
2.1 Not Reclassified Through Profit or Loss	-	(4.486)
2.1.1 Property and Equipment Revaluation Increase/Decrease	-	(4.985)
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
2.2 Reclassified Through Profit or Loss	31.960	220.584
2.2.1 Foreign Currency Translation Differences	6.601	(57.618)
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(11.088)	370.489
2.2.3 Cash Flow Hedge Income/Loss	-	-
2.2.4 Foreign Net Investment Hedge Income/Loss	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Loss	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	36.447	(92.287)
III. TOTAL COMPREHENSIVE INCOME (I+II)	647.397	2.118.802

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2019
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. 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/Decr ease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other(Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)						
Reviewed (1 January– 30 June 2018)																		
I. Prior Period End Balance	1.250.000	-	-	1.176.589	1.273.315	(10.263)	-	52.631	972.898	-	16.936.107	3.725.462	-	-	-	25.376.739	-	25.376.739
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	704.534	-	-	-	704.534	-	704.534
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	704.534	-	-	-	704.534	-	704.534
III. Adjusted Beginning Balance (I-II)	1.250.000	-	-	1.176.589	1.273.315	(10.263)	-	52.631	972.898	-	16.936.107	4.429.996	-	-	-	26.081.273	-	26.081.273
IV. Total Comprehensive Income	-	-	-	-	(4.486)	-	-	(57.618)	278.202	-	-	-	1.902.704	-	-	2.118.802	-	2.118.802
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase / Decrease by Other Changes	-	-	-	57.618	-	-	-	-	-	-	-	-	-	-	-	57.618	-	57.618
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+X+XI)	1.250.000	-	-	1.234.207	1.268.829	(10.263)	-	(4.987)	1.251.100	-	16.936.107	4.429.996	1.902.704	-	-	28.257.693	-	28.257.693
(1 January – 30 June 2019)																		
I. Prior Period End Balance	1.250.000	-	-	1.230.674	1.324.802	9.543	-	(1.454)	1.505.546	-	20.475.295	704.534	2.521.795	-	-	29.020.735	-	29.020.735
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I-II)	1.250.000	-	-	1.230.674	1.324.802	9.543	-	(1.454)	1.505.546	-	20.475.295	704.534	2.521.795	-	-	29.020.735	-	29.020.735
IV. Total Comprehensive Income	-	-	-	-	-	-	-	6.601	25.359	-	-	-	615.437	-	-	647.397	-	647.397
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase / Decrease by Other Changes	-	-	-	(93.559)	-	-	-	-	-	-	-	-	2.521.795	(2.521.795)	-	(93.559)	-	(93.559)
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	3.226.329	(3.226.329)	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	3.226.329	(3.226.329)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+X+XI)	1.250.000	-	-	1.137.115	1.324.802	9.543	-	5.147	1.530.905	-	23.701.624	-	615.437	-	-	29.574.573	-	29.574.573

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2019
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Reviewed Current Period	Reviewed Prior Period
	1 January- 30 June 2019	1 January- 30 June 2018
Note		
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	(6.095.653)	(4.626.600)
1.1.1 Interest received	20.778.007	13.050.260
1.1.2 Interest paid	(18.840.899)	(10.090.619)
1.1.3 Dividend received	421.328	374.321
1.1.4 Fees and commissions received	1.891.998	1.191.987
1.1.5 Other income	864.681	140.127
1.1.6 Collections from previously written off loans	721.393	623.466
1.1.7 Cash payments to personnel and service suppliers	(1.308.702)	(1.161.450)
1.1.8 Taxes paid	(475.090)	(388.172)
1.1.9 Other	(10.148.369)	(8.366.520)
1.2 Changes in Assets and Liabilities Subject to Banking Operations	9.246.785	(2.665.507)
1.2.1 Net Increase / decrease in financial assets at fair value through profit or loss	(2.613.047)	(94.288)
1.2.2 Net (increase) / decrease in due from banks	(5.730)	(2.725)
1.2.3 Net (increase) / decrease in loans	(26.128.356)	(35.381.490)
1.2.4 Net (increase) / decrease in other assets	(6.140.135)	(4.481.700)
1.2.5 Net increase / (decrease) in bank deposits	(3.047.394)	6.382.618
1.2.6 Net increase / (decrease) in other deposits	17.803.487	21.310.912
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	(944.916)	(575.788)
1.2.9 Net increase / (decrease) in matured payables	-	-
1.2.10 Net increase / (decrease) in other liabilities	30.322.876	10.176.954
I. Net cash provided from banking operations	3.151.132	(7.292.107)
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II. Net cash provided from/ (used in) investing activities	(22.444.055)	(5.790.106)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries	(89.974)	(142.652)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries	39.375	-
2.3 Fixed assets purchases	(2.483.538)	(644.293)
2.4 Fixed assets sales	268.015	134.214
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income	(9.479.916)	(5.274.321)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income	1.759.789	2.301.906
2.7 Cash paid for purchase of investment securities	(14.231.803)	(3.865.471)
2.8 Cash obtained from sale of investment securities	1.740.454	1.683.298
2.9 Other	33.543	17.213
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities	5.143.842	2.051.384
3.1 Cash obtained from loans borrowed and securities issued	10.123.546	3.071.044
3.2 Cash used for repayment of loans borrowed and securities issued	(4.585.202)	(1.019.660)
3.3 Bonds issued	-	-
3.4 Dividends paid	-	-
3.5 Payments for leases	(132.118)	-
3.6 Other	(262.384)	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	1.209.206	2.262.701
V. Net increase / (decrease) in cash and cash equivalents	(12.939.875)	(8.768.128)
VI. Cash and cash equivalents at beginning of the period	23.631.619	27.121.864
VII. Cash and cash equivalents at end of the period	10.691.744	18.353.736

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

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

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

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

Additional paragraph for convenience translation to English

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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)

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

a) The Bank's strategy on financial instruments:

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

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

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

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

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

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

The Bank started to apply fair value hedge accounting as at 1 July 2015 by designating the exchange rate risk of Halkbank A.D. Beograd (subsidiary), Halk Banka A.D. Skopje (subsidiary), Demirhalkbank NV (associate), foreign investments that are recognized under fair value accounting as hedged item, in compliance with TAS 39 standard. Accordingly, the effective portion of the foreign exchange differences is recorded under statement of profit or loss in the current period.

III. EXPLANATIONS ON ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

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

Pledges arises derivative transactions recorded in off-balance sheet accounts with their agreement amounts. Derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under “derivative financial assets” or “derivative financial liabilities”, respectively depending on the fair values being positive or negative. Fair value changes of derivative instruments are recorded under 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 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 bank has credit default conditioned cross currency swap transaction amounting to USD 310 million with 5 year maturity. In this transactions the Bank sells protection.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

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

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

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

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

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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)

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

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

Assessment of Business Model

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

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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)

3. Other Business Models:

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

Measurement Categories of Financial Assets and Liabilities

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

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

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

Included in its securities portfolio; the 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 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 Bank determines its expected inflation rates similarly. The estimated inflation rate according to the Central Bank of Turkey and the Bank's 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 CPI-indexed securities was made according to the reference index valid for 30 June 2019, the revaluation differences of financial assets within the equity of the Bank would increase 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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. 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 Bank may irrevocably prefer to apply to the financial assets at fair value through other comprehensive income for reflecting future changes in fair value for certain investments in equity instruments that would normally be measured at fair value through profit or loss at the time of initial inception in the financial statements.

Cash Equivalents and Banks

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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)

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

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.

Associates and subsidiaries:

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

Calculation of expected credit losses

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

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 Bank has been collectively calculating and accounting for expected credit loss provisions. As of 30 June 2019, the Bank has individually assessed a portion of the loans, which were classified as the 3rd stage lifetime expected credit loss-default whose ECL was collectively calculated since the date of transition to TFRS 9 standard as of 01.01.2018, on a prudent basis by assessing alternative cash flows and possible sales of collaterals, and adjusted the results of this assessment in the expected credit loss provisions which are reflected in the financial statements.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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)

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

Loss given Default (LGD):

This is the parameter indicates the expected economic loss of the bank if the credit defaults. In the case of the credit defaults and the Bank collects the entire amount of the default, LGD is zero, in the case of no collection, LGD is 100%. 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 Bank shall measure at the provision for loss of the related financial instrument as equal as 12 month expected credit losses.

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Lifetime Probability of Default (continued)

“The definition of default used for these purposes applies consistently to all financial instruments unless information can be obtained that demonstrates that another definition of default is more appropriate for a particular financial instrument.” in line with Article 90 of the Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk by Internal-ratings Based Approaches assumes that debt defaulted if at least one of the following two conditions occurs.

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

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

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

Low Credit Risk

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

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

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

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

c) Treasury Loans

d) Loans guaranteed by Treasury of Republic of Turkey

The Rules of Significant Increase in Credit Risk

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

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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)

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 Bank’s portfolio and they are valued according to the valuation principles of the related portfolios.

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

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

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 a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the 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 unconsolidated balance sheet of the Bank.

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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)

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

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

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

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

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

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

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

Classification of Investment Properties:

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

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

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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)

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 Bank 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 “Lease Liabilities” as a liability. Impact and application of IFRS 16 concerning this transition were explained in Section three, footnote XXIV.

XVI. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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)

XVII. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

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

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

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

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the present value of the actuarial liabilities will be calculated with the technical interest rate of 9,8%. Moreover, after the transfer to SII, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2018 no technical deficit has been reported.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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)

XVIII. 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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)

XIX. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

XX. EXPLANATIONS ON SHARES ISSUED

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

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

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

XXI. 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.

XXII. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXIII. EXPLANATIONS ON SEGMENT REPORTING

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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)

XXIV. EXPLANATIONS ON TFRS 16 LEASES STANDARD

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

The Bank 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 Bank 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 Bank 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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)

XXIV. EXPLANATIONS ON TFRS 16 LEASES STANDARD (continued)

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 the Official Gazette to be applied in the accounting period starting on 31 December 2018. The Bank 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 Bank 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	513.592	560.177
Vehicles	85.867	86.311
Total	599.459	646.488

In accordance with TFRS 16, The Bank recognised a lease liability and right-of-use asset amounting to TRY 591.596 as of 1 January 2019 for leases previously classified as operating leases.

In accordance with TFRS 16, the Bank 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	1.012.188
Contracts that are excluded from the scope of TFRS 16 (-)	111.608
Total Leasing Liability	900.580
Discounted Lease Obligation	591.596

XXV. EXPLANATIONS ON OTHER MATTERS

None.

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

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

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

I. EXPLANATIONS ON CAPITAL

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 30 June 2019, the Bank's capital adequacy ratio in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy" is 14,64% (31 December 2018: 13,80%), The equity is calculated as TRY 43.796.343 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2018: TRY 37.119.404).

(1) Information on Equity items:

Current Period	Amount	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	23.701.682	
Other Comprehensive Income according to TAS	3.005.688	
Profit	615.437	
Current Period Profit	615.437	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	184.137	
Common Equity Tier 1 Capital Before Deductions	29.977.395	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	140.438	
Leasehold Improvements on Operational Leases (-)	68.755	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	132.177	132.177
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 (-)	-	
Total Deductions from Common Equity Tier 1 Capital	603.754	
Total Common Equity Tier 1 Capital	29.373.641	

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

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

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

I. EXPLANATIONS ON CAPITAL (continued)

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.861.520
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Additional Tier I Capital before Deductions	5.861.520
Deductions from Additional Tier I Capital	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA	-
Items to be Deducted from Tier I Capital during the Transition Period	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
Total Deductions From Additional Tier I Capital	-
Total Additional Tier I Capital	5.861.520
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	35.235.161
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.645.649
Tier II Capital Before Deductions	8.575.444
Deductions From Tier II Capital	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	8.575.444
Total Equity (Total Tier I and Tier II Capital)	43.810.605
Total Tier I and Tier II Capital (Total Equity)	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-
Other items to be defined by the BRSA (-)	14.262

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

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

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

I. EXPLANATIONS ON CAPITAL (continued)

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
TOTAL CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	43.796.343
Total Risk Weighted Assets	299.114.178
Capital Adequacy Ratios	
CET1 Capital Ratio (%)	9,82
Tier I Capital Ratio (%)	11,78
Capital Adequacy Ratio (%)	14,64
BUFFERS	
Bank-specific total CET1 Capital Ratio (a+b+c)	2,527
a) Capital Conservation Buffer Ratio (%)	2,500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,027
c) Systemic significant bank buffer ratio (%)**	0,000
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,320
Amounts Lower Than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	131.605
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	463.396
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	2.167.156
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.645.649
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.645.649
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
(effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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

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

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

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

I. EXPLANATIONS ON CAPITAL (continued)

Prior Period	Amount	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	20.476.807	
Other Comprehensive Income according to TAS	3.030.210	
Profit	3.226.329	
Current Period Profit	2.521.795	
Prior Period Profit	704.534	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	8.711	
Common Equity Tier 1 Capital Before Deductions	29.212.508	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital		
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS		
(-)	191.773	
Leasehold Improvements on Operational Leases (-)	67.145	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	140.250	140.250
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier 1 Capital	399.168	
Total Common Equity Tier 1 Capital	28.813.340	

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

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

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

I. EXPLANATIONS ON CAPITAL (continued)

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Additional Tier I Capital before Deductions	-
Deductions from Additional Tier I Capital	-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be defined by the BRSA (-)	-
Items to be Deducted from Tier I Capital during the Transition Period	-
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
Total Deductions from Additional Tier I Capital	-
Total Additional Tier I Capital	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	28.813.340
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.386.241
Total Deductions from Tier II Capital	8.316.036
Deductions from Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	8.316.036
Total Equity (Total Tier I and Tier II Capital)	37.129.376
Total Tier I and Tier II Capital (Total Equity)	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and 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

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

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

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

I. EXPLANATIONS ON CAPITAL (continued)

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
TOTAL CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	37.119.404
Total Risk Weighted Assets	269.022.275
CAPITAL ADEQUACY RATIOS	
CET1 Capital Ratio (%)	10,71
Tier I Capital Ratio (%)	10,71
Capital Adequacy Ratio (%)	13,80
BUFFERS	
Bank-specific total CET1 Capital Ratio	1,894
a) Capital Conservation Buffer Ratio (%)	1,875
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,019
c) Systemic significant bank buffer ratio (%)	0,000
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	4,71
Amounts Lower Than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	96.102
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	428.967
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.480.963
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.386.241
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.386.241
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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

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

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

I. EXPLANATIONS ON CAPITAL (continued)

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

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

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

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

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

II. EXPLANATIONS ON CURRENCY RISK

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

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

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

	21.06.2019	24.06.2019	25.06.2019	26.06.2019	27.06.2019	28.06.2019
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
EUR	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 Bank for the thirty days before reporting date are as follows:

	Monthly average buying rate of exchange
USD	5,7805882
CHF	5,8446647
GBP	7,3140588
JPY	0,0534091
EUR	6,5327471

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

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

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

II. EXPLANATIONS ON CURRENCY RISK (continued)

Information related to currency risk:

Current Period	EUR	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	12.650.894	11.683.021	5.860.406	30.194.321
Banks	1.321.078	947.597	374.839	2.643.514
Financial assets at fair value through profit and loss ⁽³⁾	-	22.902	-	22.902
Money market placements	-	-	-	-
Financial assets at fair value through other comp. income	2.106.371	1.204.452	-	3.310.823
Loans ⁽²⁾	48.161.262	41.827.607	886.669	90.875.538
Subsidiaries, associates and entities under common control	449.383	-	1.207.825	1.657.208
Financial assets measured at amortised cost	6.434.742	11.880.714	-	18.315.456
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	109	109
Intangible assets	-	-	-	-
Other assets ⁽³⁾	247.324	1.292.364	2.618	1.542.306
Total assets	71.371.054	68.858.657	8.332.466	148.562.177
Liabilities				
Bank deposits	8.825.667	4.351.194	594.286	13.771.147
Foreign currency deposits	59.134.417	57.094.015	5.709.343	121.937.775
Money market balances	2.308.618	2.638.619	-	4.947.237
Funds provided from other financial institutions	6.639.935	3.983.687	543	10.624.165
Bonds issued	-	10.186.725	-	10.186.725
Sundry creditors	176.086	281.400	548	458.034
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	6.780.689	616.624	100.905	7.498.218
Total liabilities	83.865.412	79.152.264	6.405.625	169.423.301
Net balance sheet position	(12.494.358)	(10.293.607)	1.926.841	(20.861.124)
Net off-balance sheet position				
Financial derivative assets ⁽⁴⁾	12.956.811	20.147.287	1.196.386	34.300.484
Financial derivative liabilities ⁽⁴⁾	1.502.737	10.566.891	2.861.440	14.931.068
Non-cash loans ⁽¹⁾	27.664.199	21.177.339	2.318.778	51.160.316
Prior period				
Total assets	61.549.098	67.929.714	7.965.633	137.444.445
Total liabilities	61.266.452	72.715.170	5.127.473	139.109.095
Net balance sheet position	282.646	(4.785.456)	2.838.160	(1.664.650)
Net off-balance sheet position				
Financial derivative assets	1.429.164	10.031.927	941.418	12.402.509
Financial derivative liabilities	1.739.810	5.789.839	2.805.238	10.334.887
Non-cash loans ⁽¹⁾	22.836.419	21.002.596	2.032.875	45.871.890

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

⁽²⁾ Includes TRY 499.020 of foreign currency indexed loans and their accruals.

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", prepaid expenses (TRY 394) in assets; and shareholders' equity (TRY 224.252) in liabilities are not taken into consideration in the currency risk measurement.

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

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

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

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

III. EXPLANATIONS ON INTEREST RATE RISK

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

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

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

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

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

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

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

III. EXPLANATIONS ON INTEREST RATE RISK (continued)

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	15.550.038	-	-	-	-	18.661.609	34.211.647
Banks and financial institutions	769.472	202.795	2.000	-	-	1.852.744	2.827.011
Financial assets at fair value through profit and loss	816	2.619	45.811	280	22.914	17.036.245	17.108.685
Money market placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	7.846	1.832.198	3.763.165	5.124.999	1.402.896	184.551	12.315.655
Loans ⁽⁴⁾	81.802.410	39.662.836	79.490.830	57.882.781	9.760.815	18.219.672	286.819.344
Financial assets measured at amortised cost ⁽⁴⁾	651.008	13.130.328	7.488.920	17.489.686	22.164.511	8.844.874	69.769.327
Other assets ⁽⁴⁾	684.660	1.693	8.078	23.165	687	5.204.120	5.922.403
Total assets	99.466.250	54.832.469	90.798.804	80.520.911	33.351.823	70.003.815	428.974.072
Liabilities							
Bank deposits	11.416.562	6.308.983	9.621	-	-	10.173.668	27.908.834
Other deposits	141.995.070	35.185.530	15.254.756	341.643	2.126	42.892.214	235.671.339
Money market balances	65.455.659	859.573	-	-	-	156.000	66.471.232
Sundry creditors	2.929.236	-	-	-	-	2.406.704	5.335.940
Bonds issued	1.901.235	1.734.784	4.898.976	6.714.082	-	232.324	15.481.401
Funds provided from other financial institutions ⁽³⁾	243.443	4.516.677	2.924.812	2.364.669	870.233	68.033	10.987.867
Other liabilities ^{(1),(2)}	1.000.000	-	2.661.865	14.374.380	10.791.315	38.289.899	67.117.459
Total liabilities	224.941.205	48.605.547	25.750.030	23.794.774	11.663.674	94.218.842	428.974.072
Balance sheet long position	-	6.226.922	65.048.774	56.726.137	21.688.149	-	149.689.982
Balance sheet short position	(125.474.955)	-	-	-	-	(24.215.027)	(149.689.982)
Off-balance sheet long position	572.000	1.487.200	5.344.999	321.410	3.479.190	37.103.025	48.307.824
Off-balance sheet short position	-	(286.000)	(5.344.999)	(1.425.780)	(3.479.190)	(37.724.668)	(48.260.637)
Total position	(124.902.955)	7.428.122	65.048.774	55.621.767	21.688.149	(24.836.670)	47.187

⁽¹⁾ TRY 178.552 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

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

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

⁽⁴⁾ Accruals and provisions are disclosed under the non-bearing interest column in other assets.

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

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

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

III. EXPLANATIONS ON INTEREST RATE RISK (continued)

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest ⁽⁴⁾	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	16.093.521	-	-	-	-	18.863.529	34.957.050
Banks and financial institutions	3.497.158	-	4.000	-	-	1.639.585	5.140.743
Financial assets at fair value through profit and loss	50.564	-	50.092	185	21.478	14.374.380	14.496.699
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	-	653.968	1.019.806	1.892.010	280.070	141.340	3.987.194
Loans ⁽⁴⁾	37.534.966	33.990.655	98.206.961	61.221.795	14.092.705	14.027.144	259.074.226
Held-to-maturity investments ⁽⁴⁾	301.635	10.740.146	7.619.028	10.233.030	19.720.629	7.458.585	56.073.053
Other assets ⁽⁴⁾	830.862	2.840	7.760	26.791	1.328	3.823.509	4.693.090
Total assets	58.308.706	45.387.609	106.907.647	73.373.811	34.116.210	60.328.072	378.422.055
Liabilities							
Bank deposits	8.615.098	1.529.114	10.000	-	-	20.787.230	30.941.442
Other deposits	119.237.540	47.476.465	17.240.991	388.921	1.752	33.568.143	217.913.812
Money market balances	37.129.670	842.273	-	-	-	190.118	38.162.061
Sundry creditors	2.390.541	-	-	-	-	2.189.240	4.579.781
Bonds issued	673.665	1.338.032	2.634.853	10.208.711	-	192.717	15.047.978
Funds provided from other financial institutions ⁽³⁾	254.331	5.159.773	2.934.349	2.425.903	1.043.018	98.653	11.916.027
Other liabilities ⁽¹⁾⁽²⁾	1.150.250	7	26.889	14.529.699	6.870.185	37.283.924	59.860.954
Total liabilities	169.451.095	56.345.664	22.847.082	27.553.234	7.914.955	94.310.025	378.422.055
Balance sheet long position	-	-	84.060.565	45.820.577	26.201.255	-	156.082.397
Balance sheet short position	(111.142.389)	(10.958.055)	-	-	-	(33.981.953)	(156.082.397)
Off-balance sheet long position	1.032.864	1.415.000	4.506.341	1.139.324	3.208.897	13.021.620	24.324.046
Off-balance sheet short position	(646.460)	(1.054.000)	(4.084.721)	(1.983.234)	(3.208.897)	(12.906.156)	(23.883.468)
Total position	(110.755.985)	(10.597.055)	84.482.185	44.976.667	26.201.255	(33.866.489)	440.578

⁽¹⁾ TRY 452.769 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

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

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

⁽⁴⁾ Accruals and provisions are disclosed under the non-bearing interest column in other assets.

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

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

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

III. EXPLANATIONS ON INTEREST RATE RISK (continued)

2. Average interest rates applied to financial instruments:

Current period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	2,00	-	13,00
Due from other banks and financial institutions ⁽¹⁾	0,18	2,64	-	21,30
Financial assets at fair value through profit and loss	-	6,56	-	14,66
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	3,04	6,18	-	19,54
Loans ⁽²⁾	5,19	7,39	-	16,90
Financial assets measured at amortised cost	4,95	6,59	-	18,16
Liabilities				
Bank deposits	1,39	3,69	-	21,16
Other deposits ⁽⁴⁾	1,25	2,95	0,25	17,67
Money market borrowings	2,23	4,50	-	23,93
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,38	-	18,32
Funds provided from other financial institutions	1,02	3,60	-	15,98

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

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

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

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

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

Prior Period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	2,00	-	13,00
Due from other banks and financial institutions ⁽¹⁾	0,19	2,22	-	19,58
Financial assets at fair value through profit and loss	-	6,62	-	18,62
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	4,05	5,83	-	24,36
Loans ⁽²⁾	5,15	7,22	1,54	16,25
Financial assets measured at amortised cost	-	5,61	-	21,94
Liabilities				
Bank deposits	2,98	5,30	-	24,33
Other deposits ⁽⁴⁾	2,50	4,54	0,25	18,82
Money market borrowings	-	4,55	-	23,35
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	16,46
Funds provided from other financial institutions	0,85	2,80	1,40	12,07

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

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

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

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

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

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

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

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

IV. EXPLANATIONS ON POSITION RISK OF SHARES

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	
Investment in Shares-Grade A	507.620	507.620	507.620	40.610
Quoted Securities ⁽¹⁾	507.620	507.620	507.620	40.610
Investment in Shares-Grade B	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares-Grade C	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares- Grade D ⁽²⁾	492.895	492.895	-	39.432
Other	4.119.819	4.100.501	-	394.257

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

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

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

Portfolio	Revaluated appreciation in the fair value			Unrealized gains and losses		
	Realized gains (losses) in the current period	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 ^{(1) (2)}	-	185.032	185.032	-	-	-
3. Other share certificates	-	1.482.447	1.482.447	-	-	-
Total	-	1.667.479	1.667.479	-	-	-

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

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

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

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

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

V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

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

The liquidity risks of the Bank are managed within the framework of risk and transaction limits approved by the Board of Directors, and the written duties and responsibilities of the units related to liquidity risk management is established. Within this scope, limits are determined in terms of TL and FC for the purposes of following gap values for 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 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 Bank, the development of new products encouraging savings and the protection of core deposit levels have been implemented as a strategic objective. Limits have been determined for issuing bonds based on Turkish Lira to provide long term funding resource for the purposes of extending maturity structure of liabilities besides deposits.

For the purposes of utilizing advantage of the new borrowing facilities in line with the needs of the Bank, alternative 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. Upper borrowing limits are determined under certain criteria and balance sheet size related with the domestic organized markets (CBRT, BIST and TAKASBANK) by the relevant authorities. Existing limits available to use are continuously monitored, through the Bank's projected and instant liquidity needs under the condition that depositing and/or withdrawing additional collateral.

Effects of the macro size balance sheet changes or important changes of the market data on the Bank's liquidity, prudential liquidity ratio and Liquidity Emergency Action Plan are analyzed. Stress tests specific to the Bank or the market are applied and the respective effects are quantified on the prudential and internal changes on liquidity ratios and scenarios of the Bank's liquidity.

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

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

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

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

According to “Regulation for Banks’ Liquidity Coverage Ratio Calculations” (the Regulation), Liquidity Coverage Ratio (LCR), the foreign currency and total liquidity coverage ratios of banks are required to have high quality liquid assets sufficient to meet the net cash outflows. These ratios are calculated on the basis of TL+FC and FC by using high quality liquid assets divided by net cash outflows to be realized within 30 days. Within the scope of the aforementioned Regulation, the legal minimum limits of Liquidity Coverage Ratios are calculated on a consolidated and unconsolidated basis for TL + FC and FC; TL + FC is applied as 100% and FC is applied as 80%, as of 2019.

High quality liquid assets are composed of 52,22% accounts held by the Central Bank and the Central Banks of the foreign branches, 42,91% securities considered as high quality liquid assets and 4,86% cash and cash equivalents.

The main funding source composition is composed of 66,37% deposits, 16,74% money market borrowings, 6,94% securities issued and subordinated debt instruments, 3,49% funds borrowed, and the rest consists of other sources.

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

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

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

Throughout the current period, Bank’s Liquidity Coverage Ratio’s lowest and highest values and the weeks of 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	300,24	24.06.2019	107,06
	30.06.2019		30.06.2019	
Minimum	03.06.2019	173,93	03.06.2019	90,81
	09.06.2019		09.06.2019	

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

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

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

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

Current Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			59.672.839	38.169.251
Cash Outflows				
Retail and Small Business Customers, of which;	132.078.627	61.412.793	11.895.674	6.141.279
Stable Deposits	26.243.769	-	1.312.188	-
Less Stable Deposits	105.834.858	61.412.793	10.583.486	6.141.279
Unsecured wholesale funding , of which;	119.935.304	69.648.932	54.309.390	32.046.633
Operational Deposits	30.418.601	10.760.519	7.604.650	2.690.130
Non-operational Deposits	83.382.948	55.688.307	41.278.573	26.221.870
Other Unsecured Funding	6.133.755	3.200.106	5.426.167	3.134.633
Secured Funding			-	-
Other cash outflows, of which;	9.143.870	6.419.217	4.679.802	3.957.783
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	935.427	1.915.735	935.427	1.915.735
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	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	106.221.626	47.804.409	8.422.723	3.877.779
Total Cash Outflows			79.307.589	46.023.474
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	29.129.079	10.872.943	18.824.387	8.191.180
Other Cash Inflows	350.424	20.738.564	350.424	20.738.564
Total Cash Inflows	29.479.503	31.611.507	19.174.811	28.929.744
			Total Adjusted Value	
Total HQLA Stock			59.672.839	38.169.251
Total Net Cash Outflows			60.132.778	17.093.730
Liquidity Coverage Ratio (%)			99,37%	233,43%

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

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

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

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

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

	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
Prior Period				
High Quality Liquid Assets				
High Quality Liquid Assets			53.548.927	26.490.737
Cash Outflows				
Retail and Small Business Customers, of which;	117.269.443	44.798.169	10.455.442	4.479.817
Stable Deposits	25.430.055	-	1.271.503	-
Less Stable Deposits	91.839.388	44.798.169	9.183.939	4.479.817
Unsecured wholesale funding , of which;	103.093.631	45.323.571	42.320.022	19.834.657
Operational Deposits	35.321.677	10.662.628	8.830.419	2.665.657
Non-operational Deposits	62.172.418	31.656.223	28.650.071	14.640.113
Other Unsecured Funding	5.599.536	3.004.720	4.839.532	2.528.887
Secured Funding			-	-
Other cash outflows, of which;	7.984.120	4.929.059	3.826.946	2.655.849
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	347.969	778.628	347.969	778.628
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	7.636.151	4.150.431	3.478.977	1.877.221
Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	99.664.172	42.704.070	7.991.349	3.477.943
Total Cash Outflows			64.593.759	30.448.266
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	25.940.951	11.734.050	18.347.893	9.836.691
Other Cash Inflows	188.791	2.008.440	188.791	2.008.440
Total Cash Inflows	26.129.742	13.742.490	18.536.684	11.845.131
			Total Adjusted Value	
Total HQLA Stock			53.548.927	26.490.737
Total Net Cash Outflows			46.057.075	18.603.135
Liquidity Coverage Ratio (%)			116,32%	143,36%

⁽²⁾ Calculated by simple arithmetic average, daily consolidated average calculated for the last three months of the liquidity coverage ratio.

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

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

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

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

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	3.284.036	30.925.986	-	1.625	-	-	-	34.211.647
Banks	2.019.721	797.250	-	10.040	-	-	-	2.827.011
Financial assets at fair value through profit and loss	-	816	2.664.484	14.420.191	280	22.914	-	17.108.685
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	6.745	1	3.693.132	6.979.146	1.452.080	184.551	12.315.655
Loans	13.902.554	20.344.565	16.001.718	79.584.326	125.583.637	31.402.544	-	286.819.344
Financial assets measured at amortised cost	-	372.851	-	4.544.351	33.942.423	30.909.702	-	69.769.327
Other assets ⁽²⁾	2.703	431.458	568.272	762.598	78.009	108.222	3.971.141	5.922.403
Total assets	19.209.014	52.879.671	19.234.475	103.016.263	166.583.495	63.895.462	4.155.692	428.974.072
Liabilities								
Bank deposits	10.096.474	11.480.002	6.321.343	11.015	-	-	-	27.908.834
Other deposits	41.119.195	142.908.575	35.395.144	15.898.401	347.898	2.126	-	235.671.339
Funds provided from other financial institutions ⁽³⁾	38	205.454	589.841	2.612.858	4.833.460	2.746.216	-	10.987.867
Money market balances	-	63.298.034	293.152	2.308.046	-	572.000	-	66.471.232
Bonds issued	-	981.635	1.431.770	6.353.914	6.714.082	-	-	15.481.401
Sundry creditors	17.506	2.248.129	289.738	613.319	1.853.853	55.979	257.416	5.335.940
Other liabilities ⁽¹⁾	108	3.503.870	2.904.305	14.865.962	7.815.258	7.349.056	30.678.900	67.117.459
Total liabilities	51.233.321	224.625.699	47.225.293	42.663.515	21.564.551	10.725.377	30.936.316	428.974.072
Liquidity gap	(32.024.307)	(171.746.028)	(27.990.818)	60.352.748	145.018.944	53.170.085	(26.780.624)	-
Net off-balance sheet position	-	(267.980)	(56.523)	(297.140)	668.830	-	-	47.187
Derivative financial assets	-	24.428.422	6.671.829	7.833.175	2.416.019	6.958.379	-	48.307.824
Derivative financial liabilities	-	(24.696.402)	(6.728.352)	(8.130.315)	(1.747.189)	(6.958.379)	-	(48.260.637)
Non-cash loans	2.762.130	4.721.255	7.794.767	32.277.064	16.356.524	26.869.959	-	90.781.699
Prior Period								
Total Assets	15.681.497	47.990.670	16.040.755	96.169.983	137.872.891	61.765.833	2.900.426	378.422.055
Total Liabilities	52.716.986	172.040.885	53.115.444	38.500.199	19.338.166	11.503.484	31.206.891	378.422.055
Liquidity Gap	(37.035.489)	(124.050.215)	(37.074.689)	57.669.784	118.534.725	50.262.349	(28.306.465)	-
Net off-balance sheet position	-	44.220	(121.257)	(8.676)	526.291	-	-	440.578
Derivative financial assets	-	8.365.005	1.275.142	4.617.257	3.648.848	6.417.794	-	24.324.046
Derivative financial liabilities	-	(8.320.785)	(1.396.399)	(4.625.933)	(3.122.557)	(6.417.794)	-	(23.883.468)
Non-cash loans	2.567.374	3.295.072	5.997.297	29.566.343	16.377.306	25.236.433	-	83.039.825

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

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

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

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

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

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

VI. EXPLANATIONS ON LEVERAGE RATIO

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

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance Sheet Items		
1.On-balance sheet items (excluding derivatives and SFTs, but including collateral)	427.988.146	373.308.958
2.Assets that are deducted from core capital	(201.296)	(198.802)
3.Total on balance sheet exposures	427.786.850	373.110.156
Derivative exposures and credit derivatives		
4.Replacement cost associated with derivative financial instruments and credit derivatives	1.289.637	1.060.813
5.The potential amount of credit risk with derivative financial instruments and credit derivatives	527.599	301.456
6.The total amount of risk on derivative financial instruments and credit derivatives	1.817.236	1.362.269
Investment securities or commodity collateral financing transactions		
7.The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	2.927.545	1.524.846
8.Risk amount of exchange brokerage operations		-
9.Total risks related with securities or commodity financing transactions	2.927.545	1.524.846
Off -Balance Sheet Items		
10.Gross notional amount of off-balance sheet items	116.430.936	107.657.161
11.Adjustments for conversion to credit equivalent amounts		-
12.The total risk of off-balance sheet items	116.430.936	107.657.161
Capital and Total Exposures		
13.Tier 1 Capital	34.735.168	28.323.502
14.Total Exposures	548.962.567	483.654.432
Leverage Ratio		
15.Leverage Ratio	%6,33	%5,86

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

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

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

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

VII. EXPLANATIONS ON BUSINESS SEGMENTATION

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

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

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

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

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

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

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

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

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

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

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

VII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)

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

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 30 June 2019 are presented in the table below.

Current Period (1 January – 30 June 2019)	Corporate/ Commercial	SME/ Integrated	Treasury/ Investment	Total
OPERATING INCOME / EXPENSES				
Interest income	5.973.107	12.016.236	4.902.408	22.891.751
<i>Interest on loans</i>	5.971.273	11.765.089	1.531	17.737.893
<i>Interest income on marketable securities</i>	-	237.208	4.570.381	4.807.589
<i>Interest received from banks</i>	-	-	234.233	234.233
<i>Other interest income</i>	1.834	13.939	96.263	112.036
Interest expense	4.075.623	7.805.993	7.014.535	18.896.151
<i>Interest on deposits</i>	4.056.729	7.558.721	784.675	12.400.125
<i>Interest on borrowings</i>	11.028	34.188	104.361	149.577
<i>Interest on money market borrowings</i>	-	114.503	4.891.309	5.005.812
<i>Interest on marketable bonds issued</i>	-	-	1.152.888	1.152.888
<i>Other interest expense</i>	7.866	98.581	81.302	187.749
Net interest income / (loss)	1.897.484	4.210.243	(2.112.127)	3.995.600
Net fees and commissions income	553.341	621.815	161.247	1.336.403
Net trading profit / (loss)	13.610	368.522	(2.227.857)	(1.845.725)
Dividend income	-	-	421.328	421.328
Other income	808.738	342.491	720.503	1.871.732
Expected credit loss	1.242.903	836.636	403.231	2.482.770
Other expenses	74.392	1.227.403	1.610.682	2.912.477
Income before taxes	1.955.878	3.479.032	(5.050.819)	384.091
Income tax provision	-	-	231.346	231.346
Net profit for the period	1.955.878	3.479.032	(4.819.473)	615.437

**SEGMENT ASSETS
(30 June 2019)**

Marketable securities ⁽¹⁾	-	8.436.822	90.745.788	99.182.610
Derivative financial assets	-	201.613	1.030.166	1.231.779
Banks and money market receivables	-	1.246	2.825.765	2.827.011
Associates and subsidiaries (net)	-	-	5.101.016	5.101.016
Loans ⁽¹⁾	106.751.779	167.832.207	2.475.483	277.059.469
Other assets	2.845.291	3.027.622	37.699.274	43.572.187
TOTAL ASSETS	109.597.070	179.499.510	139.877.492	428.974.072

**SEGMENT LIABILITIES
(30 June 2019)**

Deposits	89.163.598	154.313.090	20.103.485	263.580.173
Derivative financial liabilities	-	145.125	442.572	587.697
Money market balances	-	4.947.237	61.523.995	66.471.232
Borrowing funding loans	799.353	888.617	9.299.897	10.987.867
Bonds issued	-	-	15.481.401	15.481.401
Other liabilities	1.449.828	8.096.694	30.483.222	40.029.744
Provisions and tax payable	196.403	343.646	1.721.336	2.261.385
Shareholders' equity	1.190.701	2.971.267	25.412.605	29.574.573
TOTAL LIABILITIES	92.799.883	171.705.676	164.468.513	428.974.072

**OFF-BALANCE SHEET ITEMS
(30 June 2019)**

Guarantees and sureties	50.156.490	25.373.262	15.251.947	90.781.699
Commitments	613.658	8.770.427	16.010.683	25.394.768
Derivative financial instruments	-	13.280.359	83.288.102	96.568.461

⁽¹⁾ TFRS 9 Expected Credit Loss provisions is presented in related lines.

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

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

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

VII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)

Prior Period (1 January-30 June 2018)	Corporate/ Commercial	SME/ Integrated	Treasury/ Investment	Total
OPERATING INCOME / EXPENSES				
Interest income	3.710.257	8.636.525	2.458.804	14.805.586
<i>Interest on loans</i>	3.709.455	8.448.903	78.115	12.236.473
<i>Interest income on marketable securities</i>	-	176.593	2.091.053	2.267.646
<i>Interest received from banks</i>	-	6	195.325	195.331
<i>Other interest income</i>	802	11.023	94.311	106.136
Interest expense	1.513.249	5.914.761	3.253.130	10.681.140
<i>Interest on deposits</i>	1.497.511	5.766.646	696.206	7.960.363
<i>Interest on borrowings</i>	3828	16.452	196.195	216.475
<i>Interest on money market borrowings</i>	-	70.279	1.787.787	1.858.066
<i>Interest on marketable bonds issued</i>	-	-	532.915	532.915
<i>Other interest expense</i>	11.910	61.384	40.027	113.321
Net interest income	2.197.008	2.721.764	(794.326)	4.124.446
Net fees and commissions income	281.878	460.772	164.570	907.220
Net trading profit / (loss)	6.349	493.652	(440.171)	59.830
Dividend income	-	-	374.321	374.321
Other income	123.354	191.438	59.448	374.240
Expected loss provisions	140.599	452.376	318.932	911.907
Other expenses	57.839	1.033.448	1.555.089	2.646.376
Income before taxes	2.410.151	2.381.802	(2.510.179)	2.281.774
Income tax provision	-	-	(379.070)	(379.070)
Net profit for the period	2.410.151	2.381.802	(2.889.249)	1.902.704
SEGMENT ASSETS (31 December 2018)				
Marketable securities ⁽¹⁾	-	8.756.221	65.792.636	74.548.857
Derivative financial assets held for trading	-	102.003	959.477	1.061.480
Banks and money market receivables	-	2.088	5.138.655	5.140.743
Associates and subsidiaries (net)	-	-	4.770.799	4.770.799
Loans ⁽¹⁾	95.618.369	152.062.318	2.943.026	250.623.713
Other assets	746.613	2.793.595	38.736.255	42.276.463
TOTAL ASSETS	96.364.982	163.716.225	118.340.848	378.422.055
SEGMENT LIABILITIES (31 December 2018)				
Deposits	84.389.782	141.103.733	23.361.739	248.855.254
Derivative financial liabilities	-	53.332	357.106	410.438
Money market balances	-	5.402.273	32.759.788	38.162.061
Borrowing funding loans	393.832	1.114.372	10.407.823	11.916.027
Bonds issued	-	-	15.047.978	15.047.978
Other liabilities	1.184.135	7.070.252	23.778.483	32.032.870
Provisions and tax payable	246.071	288.821	2.441.800	2.976.692
Shareholders' equity	4.948.569	3.392.443	20.679.723	29.020.735
TOTAL LIABILITIES	91.162.389	158.425.226	128.834.440	378.422.055
OFF-BALANCE SHEET ITEMS (31 December 2018)				
Guarantees and sureties	47.586.392	44.934.571	64.842.016	157.344.979
Commitments	46.602.170	23.260.633	13.177.022	83.039.825
Derivative financial instruments	966.222	9.648.799	15.482.619	26.097.640
	-	12.025.139	36.182.375	48.207.514

⁽¹⁾ TFRS 9 Expected Credit Loss provisions is presented in related lines.

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

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

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

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

Overview of Risk Weighted Amounts (*):

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)	267.233.325	245.251.114	21.378.666
2	Standardized approach	267.233.325	245.251.114	21.378.666
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	6.195.292	3.597.146	495.623
5	Standardized approach for counterparty credit risk	6.195.292	3.597.146	495.623
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	5.901.288	2.933.787	472.103
17	Standardized approach	5.901.288	2.933.787	472.103
18	Internal model approaches	-	-	-
19	Operational Risk	18.625.782	16.167.810	1.490.063
20	Basic Indicator Approach	18.625.782	16.167.810	1.490.063
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.158.491	1.072.418	92.679
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	299.114.178	269.022.275	23.929.134

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

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

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

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

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

Counterparty Credit Risk (CCR) Approach Analysis:

	Replacement cost	Potential Future exposure	EEPE(Effective Expected Positive Exposure) ^(*)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
Standardised Approach - CCR (for derivatives)	1.231.779	496.915		1,4	2.306.738	1.874.323
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)					4.763.740	4.320.969
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	4.320.969
Total					7.070.478	6.195.292

(*) 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	2.306.738	1.874.323
Total subject to the CVA capital obligation	2.306.738	1.874.323

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

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

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

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

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

Risk weight / Risk Classifications	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk
Claims on sovereigns and Central Banks	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	92	-	552.364	698.517	-	2.936.252	-	-	4.187.225
Claims on corporates	-	-	-	52	-	2.746.192	-	-	2.746.244
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	-	-	-	-	-	-	-	-	-
Total	36.363	-	552.364	788.427	10.872	5.682.452	-	-	7.070.478

Collaterals for Counterparty Credit Risk:

	Collateral for derivative transactions				Collateral for other transactions	
	Received Collaterals		Given Collaterals		Received Collaterals	Given Collaterals
	Segregated	Nonsegregated	Segregated	Nonsegregated		
Cash-domestic currency	-	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	-	-	-	-	-	-
Total	-	271.967	-	571.321	114.341	107.536

Counterparty Credit Risk-Credit Derivatives:

None.

Exposures to Central Counterparties (CCP):

None.

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

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

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

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

Credit Quality of Assets

	Gross carrying value as per TAS		Allowances/amortisation and impairments ⁽²⁾	Net values
	Defaulted ⁽¹⁾	Non-defaulted		
1 Loans	11.523.658	275.295.686	9.759.875	277.059.469
2 Debt Securities ⁽³⁾	-	82.215.564	58.142	82.157.422
3 Off-balance sheet exposures	-	116.176.467	-	116.176.467
4 Total	11.523.658	473.687.717	9.818.017	475.393.358

⁽¹⁾ 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.

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

⁽³⁾ 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	8.527.848
2	Loans and debt securities defaulted since the last reporting period	3.717.203
3	Receivables back to performing status	(10.448)
4	Amounts written off	-
5	Other changes	(710.945)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	11.523.658

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	134.304.116	140.991.570	90.385.889	22.971.210	19.374.256	-	-
2 Debt Instruments ^(*)	82.157.422	-	-	-	-	-	-
3 Total	216.461.537	140.991.570	90.385.889	22.971.210	19.374.256	-	-
4 Of which defaulted	1.456.031	2.765.812	1.782.243	384.201	371.816	-	-

^(*) 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	103.728.372	427.726	123.385.463	1.482.579	12.145.640	9,73%
Claims on regional governments or local authorities	3.321.368	89.993	3.313.431	39.925	1.676.678	50,00%
Claims on administrative bodies and other non-commercial undertakings	379.569	393.923	377.064	166.979	544.043	100,00%
Claims on multilateral development banks	-	-	88.980	2.449	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	7.481.776	2.371.150	7.481.776	1.725.237	5.797.031	62,96%
Claims on corporates	110.018.917	73.254.977	103.018.583	47.978.837	147.880.484	97,94%
Claims included in the regulatory retail portfolios	91.413.022	30.196.231	74.407.634	6.334.695	60.556.744	75,00%
Claims secured by residential property	39.106.984	2.462.963	39.106.984	1.210.049	14.110.962	35,00%
Claims secured by commercial property	27.262.763	4.367.937	27.262.763	2.851.878	15.057.321	50,00%
Overdue loans	4.251.216	542.466	3.877.423	222.934	2.940.991	71,73%
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	5.121.801	-	5.121.801	-	5.816.895	113,57%
Equity share investments	18.212.964	943.135	18.212.964	10.806	8.060.319	44,23%
Total	410.298.752	115.050.501	405.654.866	62.026.368	274.587.108	58,71%

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

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

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

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

Standardised Approach- Claims By Risk Classification And Risk Weights

Risk Classification/Risk weight amount	0%	10%	20%	35%*	50%	75%	100%	150%	200%	250%	Total risk amount (post-CCF and CRM)
Claims on sovereigns and Central Banks	100.591.919	-	-	-	24.260.967	-	15.156	-	-	-	124.868.042
Claims on regional governments or local authorities	-	-	-	-	3.353.356	-	-	-	-	-	3.353.356
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	544.043	-	-	-	544.043
Claims on multilateral development banks	91.429	-	-	-	-	-	-	-	-	-	91.429
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	5.861	-	3.447.290	-	1.292.578	-	4.461.284	-	-	-	9.207.013
Claims on corporates	1.553.830	-	795.184	-	1.853.919	-	146.794.487	-	-	-	150.997.420
Claims included in the regulatory retail portfolios	-	-	-	-	-	80.742.329	-	-	-	-	80.742.329
Claims secured by residential property	-	-	-	40.317.033	-	-	-	-	-	-	40.317.033
Claims secured by commercial property	-	-	-	-	30.114.641	-	-	-	-	-	30.114.641
Overdue loans	-	-	-	-	2.588.365	-	1.242.359	269.633	-	-	4.100.357
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	-	-	-	-	-	-	4.658.405	-	-	463.396	5.121.801
Other receivables	9.704.886	-	538.040	-	-	112.534	7.868.310	-	-	-	18.223.770
Total	111.947.925	-	4.780.514	40.317.033	63.463.826	80.854.863	165.584.044	269.633	-	463.396	467.681.234

(*) Secured by mortgage.

Market Risk: Standardised approach

	RWA
Outright products	
Interest rate risk (general and specific)	2.754.625
Equity risk (general and specific)	330.475
Foreign exchange risk	2.688.763
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	127.425
Scenario approach	-
Securitization	-
Total	5.901.288

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

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

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

a) Information on 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	1.213.437	2.070.269	1.259.602	3.158.262
CBRT	2.803.889	28.124.039	2.723.274	27.815.892
Other	-	13	-	20
Total	4.017.326	30.194.321	3.982.876	30.974.174

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	2.656.499	2.008.326	2.470.993	9.347.358
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	2.259.938
Other ⁽²⁾	147.390	26.115.713	252.281	16.208.596
Total	2.803.889	28.124.039	2.723.274	27.815.892

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

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

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks keep reserve deposits at the CBRT for their TRY, FC and/or standard gold and/or scrap gold liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 1%-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.

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

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

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

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

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

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	-	14.374.380	-
Total	14.374.380	-	14.374.380	-

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	914.566	-	-	15.763
Total	914.566	-	-	15.763

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	112.570	-	204.002
Swap transactions	-	1.118.842	-	857.384
Futures transactions	-	-	-	-
Options	64	303	9	85
Other	-	-	-	-
Total	64	1.231.715	9	1.061.471

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	81.813	95.404	6.200	2.642.001
Foreign banks	101.684	2.548.110	174.715	2.317.827
Branches and offices abroad	-	-	-	-
Total	183.497	2.643.514	180.915	4.959.828

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

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

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

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

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

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	3.834.252	177.399	432.417	168.246
Total	3.834.252	177.399	432.417	168.246

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	-	890.739	45.539	392.500
Total	-	890.739	45.539	392.500

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

	Current Period	Prior Period
Debt securities	12.136.979	3.850.625
<i>Quoted on a stock exchange</i>	12.136.979	3.850.625
<i>Not quoted</i>	-	-
Share certificates	225.597	184.939
<i>Quoted on a stock exchange</i>	188.998	151.103
<i>Not quoted</i>	36.599	33.836
Impairment provision(-)	46.921	48.370
Total	12.315.655	3.987.194

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

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

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

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

(5) Information on loans:

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

	Current period		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	356.983	-	319.725	-
Toplam	356.983	-	319.725	-

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	198.912.420	11.122.354	48.999	9.518.044
<i>Corporation loans</i>	120.710.256	7.404.258	-	9.004.797
<i>Export loans</i>	12.004.054	240.611	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	2.856.744	1.430.000	-	-
<i>Consumer loans</i>	39.873.476	839.930	42.172	10.892
<i>Credit cards</i>	5.197.648	429.060	6.827	-
<i>Other</i>	18.270.242	778.495	-	502.355
Specialized lending	49.302.101	1.423.964	-	247
Other receivables	-	-	-	-
Accruals	4.352.756	47.976	1.388	565.437
Total	252.567.277	12.594.294	50.387	10.083.728

	Loans and Other Receivables Under Close Monitoring			
	Current Period	Prior Period	Current Period	Prior Period
12 Months Expected Loss Provision	1.259.202	984.741	-	-
Significant Increase in Credit Risk	-	-	1.198.858	1.182.480

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

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

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

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

(5) Information on loans (continued):

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

Current Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	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	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	3.410.836	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	521	-	521
<i>Installment</i>	-	-	-
<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	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	87.988	-	87.988
<i>Installment</i>	28.789	-	28.789
<i>Non-installment</i>	59.199	-	59.199
Personnel credit cards-FC	125	-	125
<i>Installment</i>	-	-	-
<i>Non-installment</i>	125	-	125
Overdraft accounts-TRY (Retail customers)	1.160.394	-	1.160.394
Overdraft accounts-FC (Retail customers)	-	-	-
Total	5.176.205	39.090.637	44.266.842

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

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

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

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

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

(5) Information on loans (continued):

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

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

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

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

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

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

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

(5) Information on loans (continued):

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

Current Period	Short-term	Medium and long-term	Total
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	-	66.482	66.482
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	717	717
<i>Consumer loans</i>	-	65.765	65.765
<i>Other</i>	-	-	-
Commercial installment loans - FC	295.025	18.468.994	18.764.019
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	295.025	18.468.994	18.764.019
<i>Other</i>	-	-	-
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	-	41
<i>Installment</i>	-	-	-
<i>Non-installment</i>	41	-	41
Overdraft accounts-TRY (Commercial customers)	2.537.925	-	2.537.925
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	6.161.365	53.613.728	59.775.093

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

Prior Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	1.018.833	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	142	119.221	119.363
<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>	-	-	-
Commercial installment loans - FC	166.857	16.554.597	16.721.454
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	166.857	16.554.597	16.721.454
<i>Other</i>	-	-	-
Corporate credit cards-TRY	1.833.272	-	1.833.272
<i>Installment</i>	598.184	-	598.184
<i>Non-installment</i>	1.235.088	-	1.235.088
Corporate credit cards-FC	45	-	45
<i>Installment</i>	-	-	-
<i>Non-installment</i>	45	-	45
Overdraft accounts-TRY (Commercial customers)	2.572.296	-	2.572.296
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	5.591.445	43.363.270	48.954.715

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

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

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

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

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

(5) Information on loans (continued):

e) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	273.174.310	248.491.859
Foreign loans	2.121.376	2.054.519
Total	275.295.686	250.546.378

f) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	1.552.917	1.377.511
Indirect loans granted to subsidiaries and associates	-	-
Total	1.552.917	1.377.511

g) Credit-impaired losses (Stage III):

	Current Period	Prior Period
Loans and receivables with limited collectability	1.250.492	689.818
Loans and receivables with doubtful collectability	1.076.867	585.798
Uncollectible loans and receivables	4.974.456	5.007.676
Total	7.301.815	6.283.292

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

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

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

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible loans
	receivables with	receivables with	and receivables
	limited	doubtful	
	collectability	collectability	
Current period			
Gross amounts before the specific provisions	130.928	68.752	1.313.982
Rescheduled loans and other receivables	130.928	68.752	1.313.982
Prior period			
Gross amounts before the specific provisions	61.786	67.344	1.258.926
Rescheduled loans and other receivables	61.786	67.344	1.258.926

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

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

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

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

(5) Information on loans (continued):

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	1.533.724	1.165.570	5.828.554
Additions (+)	3.242.957	135.063	339.183
Transfers from other categories of loans under follow-up (+)	-	1.884.665	926.291
Transfers to other categories of loans under follow-up (-)	1.918.249	892.707	-
Collections (-)	212.666	210.153	298.574
Write-offs (-)	-	-	-
Sold (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other*</i>	-	-	-
Current period end balance	2.645.766	2.082.438	6.795.454
Provision (-)	1.250.492	1.076.867	4.974.456
Net balance on balance sheet	1.395.274	1.005.571	1.820.998

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period:			
Balance at the end of the period	1.150.531	494.802	2.160.205
Provisions(-)	744.065	294.553	1.295.012
Net balance in the balance sheet	406.466	200.249	865.193
Prior Period:			
Balance at the end of the period	415.553	199.312	2.004.432
Provisions(-)	212.465	133.080	1.829.189
Net balance in the balance sheet	203.088	66.232	175.243

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

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

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

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

(5) Information on loans (continued):

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	1.395.274	1.005.571	1.820.998
Loans granted to real persons and legal entities (Gross)	2.645.766	2.082.438	6.795.454
Provisions (-)	1.250.492	1.076.867	4.974.456
Loans to granted real persons and legal entities (Net)	1.395.274	1.005.571	1.820.998
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (Net)	843.906	579.772	820.878
Loans granted to real persons and legal entities (Gross)	1.533.724	1.165.570	5.828.554
Specific provisions (-)	689.818	585.798	5.007.676
Loans to granted real persons and legal entities (Net)	843.906	579.772	820.878
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	260.711	118.033	110.977
Interest Accruals and Valuation Differences	515.005	283.304	318.672
Provision (-)	254.294	165.271	207.695

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

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

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

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

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bills	-	-	-	-
Government bonds and similar securities	3.635.289	10.026.454	37.195.684	2.464.985
Total	3.635.289	10.026.454	37.195.684	2.464.985

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
Total	42.372.775	7.485.126	2.194.216	8.214.062

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

	Current Period	Prior Period
Government bonds	69.708.260	56.006.929
Treasury bills	-	-
Other public sector debt securities	10.590	15.610
Total	69.718.850	56.022.539

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

	Current Period	Prior Period
Debt securities	69.769.327	56.073.053
<i>Quoted on a stock exchange</i>	69.769.327	56.073.053
<i>Not quoted</i>	-	-
Impairment provision (-)	-	-
Total	69.769.327	56.073.053

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

	Current Period	Prior Period
Beginning balance	56.073.053	21.727.169
Foreign currency differences on monetary assets	942.354	1.974.143
Purchases during the year ⁽¹⁾⁽²⁾	14.494.374	36.157.157
Disposals through sales and redemptions	(1.740.454)	(3.785.416)
Impairment provision (-)	-	-
Balance at the end of the period	69.769.327	56.073.053

⁽¹⁾ Interest income accrual differences between 30 June 2019 amounting to TRY 8.844.874 and 31 December 2018 amounting to TRY 7.458.585 has been included in purchases row.

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

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

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

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

(7) Information on associates (Net):

a) Information on associates:

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽³⁾
1.	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.	286.943	178.113	193.762	7.642	-	14.616	22.018	-
4.	126.652	82.384	59.192	2.555	-	17.418	8.630	-
5.	77.009	17.936	1.746	747	-	3.627	1.938	-

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

⁽²⁾ Financial information of Kredi Kayıt Bürosu AŞ. is obtained from limited review financial statements as of 30 June 2019.

⁽³⁾ Financial information of Bankalararası Kart Merkezi AŞ. is obtained from limited review financial statements as of 30 June 2019.

⁽⁴⁾ Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 30 June 2019.

c) Movement of associates:

	Current Period	Prior Period
Balance at the beginning of the period	438.318	332.792
Movements during the period	34.430	105.526
<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>	33.555	102.119
<i>Impairment Provisions (-)</i>	-	-
Balance at the end of the period	472.748	438.318
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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

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

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

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

d) Sectorial information and related carrying amounts of associates:

	Current Period	Prior Period
Banks	449.383	415.828
Insurance companies	2.495	1.620
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	11.518	11.518
Other non- financial investments	9.352	9.352

e) Associates quoted on a stock exchange:

None.

(8) Information on subsidiaries (Net):

a) Information on subsidiaries ⁽¹⁾:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Banka AD, Skopje	Halk Faktoring AŞ	Halk Bank AD, Beograd	Halk Varlık Kiralama AŞ
CORE CAPITAL									
Paid in Capital	104.000	349.000	412.000	928.000	323.000	452.226	96.000	213.395	100
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
Other Comprehensive Income according to TAS	10.091	-	-	711.994	-	8.675	10	16.084	-
Profit / Loss	32.845	36.447	200.309	21.050	(121.656)	28.337	23.798	12.694	699
<i>Net Profit</i>	32.845	101.683	175.775	21.050	564	24.161	3.822	12.694	474
<i>Prior Period Profit/Loss</i>	-	(65.236)	24.534	-	(122.220)	4.176	19.976	-	225
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
Total Core Capital	169.424	408.144	727.259	1.783.337	214.522	757.566	133.958	580.426	1.417
SUPPLEMENTARY CAPITAL	-	-	-	-	29.938	22.806	39.445	6.489	-
CAPITAL	169.424	408.144	727.259	1.783.337	244.460	780.372	173.403	586.915	1.417
NET AVAILABLE CAPITAL	169.424	408.144	727.259	1.783.337	244.460	780.372	173.403	586.915	1.417

⁽¹⁾The information is presented from companies' financial statements as of 30 June 2019.

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

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

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

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

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

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

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

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

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

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

b) Information on subsidiaries:

Title	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	Istanbul	99,96	99,96
2. Halk Sigorta AŞ	Istanbul	89,18	95,32
3. Halk Hayat ve Emeklilik AŞ	Istanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ ^{(2) (3)}	Istanbul	79,33	79,36
5. Halk Finansal Kiralama AŞ	Istanbul	100,00	100,00
6. Halk Banka AD, Skopje	Macedonia	99,29	99,29
7. Halk Faktoring AŞ	Istanbul	97,50	100,00
8. Bileşim Alternatif Dağıtım Kanalları AŞ	Istanbul	100,00	100,00
9. Halkbank A.D. Beograd	Serbia	100,00	100,00
10. Halk Varlık Kiralama AŞ	Istanbul	100,00	100,00

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair Value
1	724.587	170.426	8.748	66.487	3.491	32.845	20.509	227.604
2	2.757.371	412.086	13.871	182.127	31.208	101.683	22.311	492.895
3	1.373.938	729.885	11.908	126.243	9.915	175.775	145.284	1.525.530
4	2.134.425	1.760.322	1.366.476	1.292	-	21.050	30.035	507.620
5	3.447.968	216.208	3.536	160.546	-	564	28.634	469.552
6	5.241.836	773.386	127.475	99.342	6.441	24.161	22.466	767.220
7	1.312.306	134.816	3.020	168.087	-	3.822	16.587	138.296
8	62.607	43.424	7.927	4.094	-	8.538	3.086	57.146
9	3.372.537	601.540	89.984	62.242	7.804	12.694	5.690	440.605
10	1.158.971	1.421	4	-	-	474	55	1.800

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

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

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

d) Movement of the subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	4.332.481	3.626.708
Movements during the period	295.787	705.773
Purchase ⁽¹⁾	89.974	310.098
Bonus shares obtained profit from current year's share	171.789	266.211
Dividends from current year income	-	-
Sales	-	-
Transfer	-	(39.375)
Revaluation (Increase) / (Decrease)	9.067	330.466
Reversals / Provisions(-) for impairment	24.957	(161.627)
Balance at the end of the period	4.628.268	4.332.481
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ Between 1 January – 31 March 2019, The 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%.

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

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

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

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

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

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

	Current Period	Prior Period
Banks	1.207.825	987.369
Insurance companies	2.018.425	2.018.425
Factoring companies	138.296	138.296
Leasing companies	469.552	469.551
Financing companies	-	-
Other financial subsidiaries	737.024	661.694
Other non-financial subsidiaries	57.146	57.146

f) Subsidiaries quoted in the stock exchange:

	Current Period	Prior Period
Quoted to domestic stock ^{(1), (2)}	1.000.515	925.185
Quoted foreign stock exchange	-	-

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

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

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

None.

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

None.

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

None.

(12) Information on investment property:

	Current Period	Prior Period
Cost:		
Opening Balance	432.347	430.845
Acquisitions	24	1.502
Transfer	-	-
Disposals (-)	-	-
Impairment Provisions (-)	-	-
Ending Balance	432.371	432.347
Accumulated Depreciation (-)		
Opening Balance	75.499	72.271
Amortization Charge (-)	1.624	3.228
Transfer	-	-
Disposals (-)	-	-
Impairment Provisions (-)	-	-
Ending Balance	77.123	75.499
Net Book Value	355.248	356.848

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

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

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

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

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

	Current Period^(*)	Prior Period
Cost	2	39.377
Accumulated Depreciation (-)	-	-
Net book value	2	39.377
Balances at end of prior period	39.377	-
Transfer (net)	-	39.377
Disposals (net)	(39.375)	-
Additions	-	-
Impairment	-	-
Depreciation	-	-
Closing net book value	2	39.377

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

(14) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 2.950.703 and does not exceed 10% of the balance sheet total (31 December 2018: TRY 3.643.082).

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

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

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

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

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

a) Information on deposit / funds collected:

Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	7.661.278	-	2.165.352	37.860.431	8.500.414	1.438.411	2.129.173	109.720	59.864.779
Foreign currency deposits	19.351.549	-	14.183.757	69.535.223	5.134.109	2.614.239	6.256.326	11.717	117.086.920
<i>Residents in Turkey</i>	<i>15.433.561</i>	-	<i>10.670.806</i>	<i>65.148.423</i>	<i>4.836.562</i>	<i>1.750.979</i>	<i>3.763.651</i>	<i>11.190</i>	<i>101.615.172</i>
<i>Residents abroad</i>	<i>3.917.988</i>	-	<i>3.512.951</i>	<i>4.386.800</i>	<i>297.547</i>	<i>863.260</i>	<i>2.492.675</i>	<i>527</i>	<i>15.471.748</i>
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	6.043.254	-	6.133.263	13.231.049	2.423.803	871.278	1.468.117	-	30.170.764
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	10.096.474	-	6.359.226	10.549.554	890.279	6.246	7.055	-	27.908.834
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	<i>102.896</i>	-	<i>5.126.657</i>	<i>6.345.949</i>	<i>368.435</i>	<i>6.246</i>	<i>7.055</i>	-	<i>11.957.238</i>
<i>Foreign banks</i>	<i>9.978.615</i>	-	<i>42.453</i>	<i>3.916.040</i>	-	-	-	-	<i>13.937.108</i>
<i>Participation banks</i>	<i>14.963</i>	-	<i>1.190.116</i>	<i>287.565</i>	<i>521.844</i>	-	-	-	<i>2.014.488</i>
Total	51.215.669	-	31.032.554	139.487.058	23.084.699	6.235.281	12.403.475	121.437	263.580.173

Prior period:

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

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

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

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee 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	14.188.758	10.687.058	40.879.691	32.319.474
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	1.841	3.066
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

(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	-	159.156	-	98.286
Swap transactions	-	426.869	-	302.162
Future transactions	-	-	-	-
Options	70	1.602	16	9.974
Other	-	-	-	-
Total	70	587.627	16	410.422

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

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

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

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

(3) Information on funds borrowed:

a) Information on Banks and other financial instruments:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	363.702	1.659.587	372.398	1.456.532
Foreign banks, institutions and funds	-	8.964.578	-	10.087.097
Total	363.702	10.624.165	372.398	11.543.629

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	363.350	852.150	372.030	1.802.519
Medium and long-term	352	9.772.015	368	9.741.110
Total	363.702	10.624.165	372.398	11.543.629

(4) Marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bills	3.647.086	-	2.011.697	-
Bonds	636.680	10.186.725	-	12.024.839
Assets Backed Securities	1.010.910	-	1.011.442	-
Total	5.294.676	10.186.725	3.023.139	12.024.839

(5) Information on other liabilities:

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

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

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

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

None.

- c) Explanations regarding operational leases:

Current Period	Gross	Net
Up to 1 year	41.284	40.895
1 - 4 years	275.167	248.396
More than 4 years	500.589	282.642
Total	817.040	571.933

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

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

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

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

(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 Bank's specific provision for unindemnified non-cash loans balance is TRY 73.791 (31 December 2018: TRY 169.363).

c) Information on other provisions:

Total other provision balance amounting to TRY 389.021 (31 December 2018: TRY 966.686) consists of TRY 73.791 (31 December 2018: TRY 169.363) for specific provisions of unindemnified and unfunded non cash loans, TRY 160.660 (31 December 2018: TRY 196.831) for expected loss amount of non-cash loans, TRY 76.553 (31 December 2018: TRY 115.020) for legal cases filed against the Bank, and TRY 78.017 (31 December 2018: TRY 71.472) 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 Bank's current tax asset is amounting to TRY 1.446.

(As of 31 December 2018, corporate tax payable amount is TRY 6.042).

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate tax payable	-	-
Income on securities tax	619.497	419.083
Property income tax	2.105	1.879
Banking and insurance transactions tax (BITT)	168.115	172.999
Foreign exchange transactions tax	6.880	13
Value added tax payable	-	-
Other	88.990	42.750
Total	885.587	636.724

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

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

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

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

a) Information on current tax liability (continued):

a.3. Information on premiums:

	Current Period	Prior Period
Social insurance premiums-employee	27	20
Social insurance premiums-employer	36	25
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	2.494	922
Unemployment insurance-employer	4.955	1.805
Other	532	230
Total	91.086	33.285

b) Information deferred tax liability:

	Current Period	Prior Period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	756.954	753.154
Revaluation of Financial Assets	(1.806.600)	(1.634.098)
Other	871.094	428.175
Deferred Tax (Asset) /Liability:	(178.552)	(452.769)
Deferred tax accounted under shareholders' equity	(122.319)	(158.766)
Fair value through other comprehensive income arising from securities	27.267	(9.180)
Actuarial gains/losses	(2.386)	(2.386)
Valuation of subsidiaries	(147.200)	(147.200)

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Information on Subordinated Loans				
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	-
Total	6.178.449	5.908.897	6.182.084	-

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

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

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

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

(11) Information on shareholders' equity:

a) Presentation of paid-in capital:

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

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

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

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

None.

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

None.

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

None.

f) Information on the Bank's acquired shares:

The Bank has repurchased shares amounting to TRY 262.384 within the scope of the Board of Directors' decision dated 29 August 2019.

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

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

h) Information on preferred shares:

None.

1) Information on marketable securities revaluation fund:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.367.817	299.662	1.404.394	291.471
Valuation differences	1.367.817	299.662	1.404.394	291.471
Exchange rate difference	-	-	-	-
Financial assets at fair value through other comprehensive income	3.864	(135.291)	(24.601)	(167.172)
Valuation differences	3.864	(135.291)	(24.601)	(167.172)
Exchange rate difference	-	-	-	-
Total	1.371.681	164.371	1.379.793	124.299

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

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

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current Period	Prior Period
Commitments for credit card expenditure limits	13.632.795	12.674.648
Payment commitments for cheques	3.314.963	2.661.413
Loan granting commitments	2.578.226	4.611.884
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	3.866.571	3.691.303
Total	24.495.849	25.772.606

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

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

	Current Period	Prior Period
Letters of credit	3.855.757	3.136.394
Bank acceptances	8.034.137	7.050.260
Other guarantees	2.464.886	2.000.953
Total	14.354.780	12.187.607

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

	Current Period	Prior Period
Letters of certain guarantees	16.770.409	17.065.885
Letters of advance guarantees	5.636.321	6.037.362
Letters of tentative guarantees	938.179	804.609
Letters of guarantee given to customs offices	1.775.066	1.742.025
Other letters of guarantee	51.306.944	45.202.337
Total	76.426.919	70.852.218

c) Total non-cash loans:

	Current Period	Prior Period
Non-cash loans for providing cash loans	7.570.377	6.481.383
<i>Within one year or less original maturity</i>	1.843.878	1.974.877
<i>Within more than one year maturity</i>	5.726.499	4.506.506
Other non-cash loans	83.211.322	76.558.442
Total	90.781.699	83.039.825

d) Information on contingent liabilities and assets:

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

e) Services provided on behalf of others:

None.

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

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

SECTION V: EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED 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
Interest on loans⁽¹⁾				
Short term loans	4.918.027	274.662	3.088.810	115.262
Medium and long term loans	9.614.949	2.601.140	6.952.130	1.976.147
Interest on non-performing loans	329.115	-	104.124	-
Premiums from resource utilization support fund	-	-	-	-
Total	14.862.091	2.875.802	10.145.064	2.091.409

⁽¹⁾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	18.824	2.634	22.271	16.347
Overseas banks	11.127	16.472	3.093	2.505
Head office and branches	-	-	-	-
Total	188.182	46.051	147.977	47.354

c) Interest income from marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From Financial Assets at Fair Value through Profit or Loss	5.864	734	5.282	198
Financial Assets at Fair Value through Other Comprehensive Income	660.577	66.963	15.342	45.310
Financial Assets Measured at Amortized Cost	3.694.777	378.674	1.988.101	213.413
Total	4.361.218	446.371	2.008.725	258.921

d) Interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest income from subsidiaries and associates	67.559	20.810

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

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

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

IV. EXPLANATIONS AND NOTES RELATED TO THE 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	24.109	115.832	16.387	191.626
<i>CBRT</i>	-	-	-	-
<i>Domestic banks</i>	24.109	20.274	10.688	11.908
<i>Overseas banks</i>	-	95.558	5.699	179.718
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	6	9.630	7	8.455
Total	24.115	125.462	16.394	200.081

b) Interest expenses given to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses given to subsidiaries and associates	290.714	189.968

c) Information on interest expenses to marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on securities issued	815.112	337.776	295.843	237.072
Total	815.112	337.776	295.843	237.072

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

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

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

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

(2) Information on interest expenses (continued):

d) Maturity structure of interest expenses on deposits:

Account name	Current Period							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	Time deposits		
TRY									
Bank deposits	320	469.777	497.168	9.402	1.332	-	-	-	977.999
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	980.872	1.474.033	146.828	232.002	51.925	-	-	2.885.673
Other deposits	2	52.117	486.579	431.300	109.192	69.234	-	-	1.148.424
7 days call accounts	-	-	-	-	-	-	-	-	-
Total	401	1.950.098	7.027.744	1.094.377	592.317	212.288	6.409	-	10.883.634
Foreign currency									
Deposits	49	188.829	964.652	96.694	39.610	86.243	-	-	1.376.077
Interbank deposits	1	135.936	-	-	-	-	-	-	135.937
7 days call accounts	-	-	-	-	-	-	-	-	-
Precious metal	-	12	3.451	210	288	516	-	-	4.477
Total	50	324.777	968.103	96.904	39.898	86.759	-	-	1.516.491
Grand total	451	2.274.875	7.995.847	1.191.281	632.215	299.047	6.409	-	12.400.125

Account name	Prior Period							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	Time deposits		
TRY									
Bank deposits	280	202.089	172.555	13.676	108	-	-	-	388.708
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	367.784	1.540.235	163.197	114.280	16.419	-	-	2.201.924
Other deposits	-	44.623	526.035	76.410	57.448	1.280	-	-	705.796
7 days call accounts	-	-	-	-	-	-	-	-	-
Total	387	770.895	5.265.037	396.012	478.780	41.969	4.967	-	6.958.047
Foreign currency									
Deposits	12	45.647	675.336	42.633	48.137	47.889	-	-	859.654
Interbank deposits	5	141.429	-	-	-	-	-	-	141.434
7 days call accounts	-	-	-	-	-	-	-	-	-
Precious metal	-	20	835	66	109	198	-	-	1.228
Total	17	187.096	676.171	42.699	48.246	48.087	-	-	1.002.316
Grand total	404	957.991	5.941.208	438.711	527.026	90.056	4.967	-	7.960.363

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

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

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

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

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

	Current Period	Prior Period
Profit	26.710.710	16.051.593
Profit from the capital market transactions	37.285	21.888
Profit on derivative financial transactions	5.398.322	1.969.141
Foreign exchange gains	21.275.103	14.060.564
Loss (-)	28.556.435	15.991.763
Loss from the capital market transactions	5.879	9.297
Loss from derivative financial transactions	5.450.880	1.666.043
Foreign exchange losses	23.099.676	14.316.423

(4) Information on other operating income:

	Current Period	Prior Period
Adjustments for prior period expenses	1.764.202	279.506
Income from the asset sale	44.058	51.982
Rent income	19.719	17.292
Other income	43.753	25.460
Total	1.871.732	374.240

(5) Impairment losses on loans and other receivables:

	Current Period	Prior Period
Expected Credit Losses	2.482.770	911.907
<i>12 Month Expected Credit Loss (Stage 1)</i>	263.585	129.278
<i>Significant Increase in Credit Risk (Stage 2)</i>	179.375	207.983
<i>Non – Performing Loans (Stage 3)</i>	2.039.810	574.646
Marketable Securities Impairment Provision	-	-
<i>Financial Assets at Fair Value through Profit or Loss</i>	-	-
<i>Financial Assets at Fair Value through Other Comprehensive Income</i>	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint Ventures</i>	-	-
Other	478	103.336
Total	2.483.248	1.015.243

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

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

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

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

(6) Information on other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	53.223	53.477
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	163.334	57.617
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	20.481	25.250
Impairment expense for equity shares subject to	-	-
Impairment expense of assets that will be	-	-
Amortization expenses of assets that will be	5.315	7.394
Impairment expense for property and equipment	-	-
Other operating expenses	877.925	1.064.759
<i>Leasing Expenses on TFRS 16 Exceptions</i>	42.807	131.333
<i>Maintenance expenses</i>	23.494	15.403
<i>Advertisement expenses</i>	95.489	78.965
<i>Other expenses</i>	716.135	839.058
Loss on sales of assets	24	21
Other	501.761	184.990
Total	1.622.063	1.393.508

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

The Bank's income before tax is due from continuing activities. The amount of profit before tax consists TRY 3.995.600 of net interest income and TRY 1.336.403 of net fees and commissions income. The profit from continuing operations before tax of the Bank is amounting to TRY 384.091.

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

For the period then ended 30 June 2019, the Bank's tax provision amounting to TRY 231.346 consists of TRY 6.423 of current tax charge and TRY 519.452 of deferred tax charge, TRY 757.221 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 615.437.

(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.

(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.

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

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

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

V. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK

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

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

Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	1.377.511	224.571	-	-	-	-
Closing balance	1.552.917	251.311	-	-	-	-
Interest and commissions income	67.559	788	-	-	-	-

Prior period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	967.161	234.553	-	-	-	-
Closing balance	1.377.511	224.571	-	-	-	-
Interest and commissions income	20.810	509	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	Deposits					
Beginning balance	2.889.487	2.857.226	-	-	-	-
Closing Balance	3.064.918	2.889.487	-	-	-	-
Interest expense on deposits	285.124	185.666	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	Financial Assets At FV Through Profit And Loss					
Beginning balance	109.322	11.936	-	-	-	-
Closing Balance	17.811	109.322	-	-	-	-
Total Profit/Loss	(357)	60	-	-	-	-

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

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

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

VII. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK (continued)

(2) Disclosures for risk group:

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

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

Branches of the Bank are the agency of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. In addition, the 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	1.552.917	0,56
Non-cash loans	251.311	0,28
Deposits	3.064.918	1,16
Forward and option contracts	17.811	0,02

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

- c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements:

Explained in b).

- d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 5.658 as of 30 June 2019 (30 June 2018: TRY 5.134).

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

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

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

VI. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.

VII. OTHER EXPLANATIONS ON THE BANK'S OTHER ACTIVITIES

One of the Bank's former directors has been convicted and imprisoned for some of the charges by the court in the United States of America ("USA") of the violation of the USA sanctions involving Iran as of 16 May 2018. Defendant former director was released on 19 July 2019. The appeal process of the case still continues.

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

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

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

The Bank placed a high importance on this matter and established a separate "Compliance Department".

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

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

SECTION VI: LIMITED REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' REVIEW REPORT

The Bank's publicly available unconsolidated 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
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

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

SECTION VII: INTERIM ACTIVITY REPORT

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

Assessment of Chairman of the Board of Directors

Esteemed Stakeholders,

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.

^(*) Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.

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

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

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

^(*) Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.

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

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

SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

Assessment of General Manager

Esteemed Stakeholders,

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.

^(*) Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.

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

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

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

^(*) Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.

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

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

SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

Major Unconsolidated Financial Information

Summary Balance Sheet (Million TRY)	June 2019	December 2018	Change (%)
Total Assets	428.974	378.422	13,4
Loans	286.819	259.074	10,7
<i>TRY</i>	196.443	174.100	12,8
<i>FC</i>	90.377	84.974	6,4
Marketable Securities	99.194	74.557	33,0
Deposit	263.580	248.855	5,9
<i>TRY</i>	127.871	140.018	(8,7)
<i>FC</i>	135.709	108.837	24,7
Total Equity	29.575	29.021	1,9

Summary Statement of Profit or Loss (Million TRY)	June 2019	June 2018	Change (%)
Interest Income	22.892	14.806	54,6
<i>On Loan</i>	17.738	12.236	45,0
<i>On Securities</i>	4.808	2.268	112,0
Interest Expense	18.896	10.681	76,9
<i>On Deposit</i>	12.400	7.960	55,8
Net Interest Income	3.996	4.124	(3,1)
Net Fee and Commission	1.336	907	47,3
Net Profit	615	1.903	(67,7)

Ratio (%)	June 2019	December 2018
Cash Loans/Total Asset	66,9	68,5
Non-Performing Loans/Total Cash Loans (Gross)	4,0	3,3
Demand Deposit/Total Deposit	19,4	21,1
Loan/Deposit Ratio	108,8	104,1
Average Return on Asset (ROA)	0,3	0,7
Average Return on Equity (ROE)	4,2	9,3
Capital Adequacy Ratio	14,6	13,8

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

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

SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

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.

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.

^(*) Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated