

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

14 November 2019

This report contains “Review Report” comprising 3 pages and; “Unconsolidated Interim Financial Statements and Related Disclosures and Footnotes” comprising 94 pages.

REPORT ON REVIEW OF UNCONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion

1. During the current period, the Bank reversed the total amount of general reserve amounting to TRY 414.000 thousand which was booked as of 31 December 2018. If the mentioned general provision has not been made in the prior period and not reversed in the current period, the prior periods’ income would be higher by TRY 414.000 thousand and the net profit for the period would be lower by TRY 414.000 thousand as at 30 September 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 September 2019 amounted to TRY 18.011.651 thousand. If such classification were not made, total assets and shareholders’ equity, excluding tax effect, would be lower by TRY 1.857.067 thousand as at 30 September 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 September 2019, and of the results of its operations and its cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

Emphasis of Matter

We draw attention to the following:

An indictment was filed against the Bank on 15 October 2019 by the New York Southern District Attorney General of the United States Department of Justice, which repeated the allegations made in the case against the former executive of the Bank for violation of Iranian sanctions. The prosecution process is ongoing by the court. The prosecution process is closely monitored by the Bank through specialized US law firms.

The appeal process of the case which resulted in conviction for the defendant former executive of the Bank, who was released on 19 July 2019 and returned back to Turkey, is ongoing.

At this stage, the Bank's Management stated that there were no sanctions or measures arising from the ongoing case against the Bank and the case against the former executive in the appeal process.

There is an uncertainty with respect to any decisions by the US authorities that may adversely affect the financial position of the Bank.

No provision has been made in the accompanying unconsolidated financial statements related to these matters. Our conclusion is not modified in respect of these matters.

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, 14 November 2019

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

- **Section One** : GENERAL INFORMATION ABOUT THE BANK
- **Section Two** : UNCONSOLIDATED FINANCIAL STATEMENTS
- **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 nine-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, 14 November 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

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TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2019 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	30 September 2019	%	31 December 2018	%
Türkiye Varlık Fonu ⁽¹⁾	638.276	51,06	638.276	51,06
Public shares ⁽¹⁾	611.643	48,93	611.641	48,93
Other shareholders ⁽²⁾	81	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 79 of the shares included in the “Other Shareholders” group belong to shareholders whose shares do not trade on the exchange (though these shareholders have been dematerialized in their own accounts) while TRY 2 of which belong to shareholders whose shares are monitored under the shares not registered under the custody of the Central Securities Depository of Turkey due to the ongoing legal action.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 Directors
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 Support Services
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
Serdar SÜRER	Executive Vice President (P.P), Treasury Management and International Banking
Nazmi BAĞDINLI	Executive Vice President (P.P), Credit Policies, Tracing and Legal Pursuit

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 and Surname	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
Executive Vice President (P.P)	Serdar SÜRER	8 July 2019
Executive Vice President (P.P)	Nazmi BAĞDINLI	9 August 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 and Surname	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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2019, the Bank operates with a total of 998 branches consisting of 992 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 39 satellite branches. The Bank has also 3 representative office in England, Singapore and Iran.

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

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

The Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk 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 The Bank's equity, have significant influence although it has no control on it.

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

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

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- 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 SEPTEMBER 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 September 2019			31 December 2018		
I. FINANCIAL ASSETS (NET)		24.585.646	38.589.937	63.175.583	21.189.525	38.439.541	59.629.066
1.1 Cash and Cash Equivalents		2.562.409	33.714.054	36.276.463	4.149.691	35.934.002	40.083.693
1.1.1 Cash and Balances with Central Bank	(1)	2.213.649	30.428.694	32.642.343	3.982.876	30.974.174	34.957.050
1.1.2 Banks	(3)	360.969	3.285.360	3.646.329	180.915	4.959.828	5.140.743
1.1.3 Money Markets		-	-	-	-	-	-
1.1.4 Expected Loss Provision (-)		12.209	-	12.209	14.100	-	14.100
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	14.421.504	22.219	14.443.723	14.475.244	21.455	14.496.699
1.2.1 Government Debt Securities		14.406.089	22.219	14.428.308	14.409.039	21.455	14.430.494
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		15.415	-	15.415	66.205	-	66.205
Financial Assets at Fair Value Through Other Comprehensive Income	(4)	7.601.602	3.706.488	11.308.090	2.564.581	1.422.613	3.987.194
1.3.1 Government Debt Securities		6.965.951	3.590.695	10.556.646	2.389.866	1.339.997	3.729.863
1.3.2 Equity Instruments		84.229	115.793	200.022	58.724	82.616	141.340
1.3.3 Other Financial Assets		551.422	-	551.422	115.991	-	115.991
1.4 Derivative Financial Assets	(2)(11)	131	1.147.176	1.147.307	9	1.061.471	1.061.480
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		131	1.147.176	1.147.307	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)		260.584.030	104.218.826	364.802.856	210.751.960	95.936.717	306.688.677
2.1 Loans	(5)	218.100.229	86.412.210	304.512.439	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)	52.824.263	17.806.616	70.630.879	45.110.667	10.962.386	56.073.053
2.4.1 Government Debt Securities		52.773.767	17.806.616	70.580.383	45.060.153	10.962.386	56.022.539
2.4.2 Other Financial Assets		50.496	-	50.496	50.514	-	50.514
2.5 Expected Credit Loss (-)		10.340.462	-	10.340.462	8.458.602	-	8.458.602
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(13)	145.601	-	145.601	39.377	-	39.377
3.1 Held for Sale Purpose		145.601	-	145.601	39.377	-	39.377
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		3.585.798	1.564.814	5.150.612	3.367.602	1.403.197	4.770.799
4.1 Investments in Associates (Net)	(7)	25.115	424.950	450.065	22.490	415.828	438.318
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		25.115	424.950	450.065	22.490	415.828	438.318
4.2 Subsidiaries (Net)	(8)	3.560.683	1.139.864	4.700.547	3.345.112	987.369	4.332.481
4.2.1 Unconsolidated Financial Subsidiaries		3.503.537	1.139.864	4.643.401	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)		6.093.928	107	6.094.035	3.147.814	100	3.147.914
VI. INTANGIBLE ASSETS (Net)		132.200	-	132.200	140.250	-	140.250
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		132.200	-	132.200	140.250	-	140.250
VII. INVESTMENT PROPERTIES (Net)	(12)	354.533	-	354.533	356.848	-	356.848
VIII. CURRENT TAX ASSET		-	-	-	6.042	-	6.042
IX. DEFERRED TAX ASSET		-	-	-	-	-	-
X. OTHER ASSETS (Net)	(14)	3.256.181	387.617	3.643.798	2.742.059	901.023	3.643.082
TOTAL ASSETS		298.737.917	144.761.301	443.499.218	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 SEPTEMBER 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		
		TRY	FC	TOTAL	TRY	FC	TOTAL
		30 September 2019			31 December 2018		
LIABILITIES							
I. DEPOSITS	(1)	146.223.009	137.807.345	284.030.354	140.018.439	108.836.815	248.855.254
II. FUNDS BORROWED	(3)	458.401	10.355.352	10.813.753	372.398	11.543.629	11.916.027
III. MONEY MARKETS		52.706.031	5.234.092	57.940.123	32.759.788	5.402.273	38.162.061
IV. SECURITIES ISSUED (Net)	(4)	7.475.856	9.945.611	17.421.467	3.023.139	12.024.839	15.047.978
4.1 Bills		5.697.323	-	5.697.323	2.011.697	-	2.011.697
4.2 Assets Backed Securities		1.011.031	-	1.011.031	1.011.442	-	1.011.442
4.3 Bonds		767.502	9.945.611	10.713.113	-	12.024.839	12.024.839
V. FUNDS		2.941.828	-	2.941.828	2.874.121	-	2.874.121
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		2.941.828	-	2.941.828	2.874.121	-	2.874.121
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL ASSETS	(2) (7)	44.399	753.963	798.362	16	410.422	410.438
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		44.399	753.963	798.362	16	410.422	410.438
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES	(6)	466.873	76.339	543.212	-	-	-
X. PROVISIONS	(8)	1.343.293	-	1.343.293	1.853.914	-	1.853.914
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		884.960	-	884.960	887.228	-	887.228
10.3 Insurance for Technical Provision (Net)		-	-	-	-	-	-
10.4 Other Provisions		458.333	-	458.333	966.686	-	966.686
XI. CURRENT TAX LIABILITY	(9)	1.015.824	90	1.015.914	669.903	106	670.009
XII. DEFERRED TAX LIABILITIES	(9)	373.199	-	373.199	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)	6.012.408	5.653.033	11.665.441	6.182.084	-	6.182.084
14.1 Loans		-	5.653.033	5.653.033	-	-	-
14.2 Other Debt Instruments		6.012.408	-	6.012.408	6.182.084	-	6.182.084
XV. OTHER LIABILITIES	(5)	23.265.835	1.143.864	24.409.699	22.085.654	891.011	22.976.665
XVI. SHAREHOLDERS' EQUITY	(11)	29.941.150	261.423	30.202.573	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		1.087.217	59.881	1.147.098	1.230.674	-	1.230.674
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		1.087.217	59.881	1.147.098	1.230.674	-	1.230.674
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		2.842.402	282.870	3.125.272	2.738.739	291.471	3.030.210
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		136.157	(81.328)	54.829	(24.601)	(167.172)	(191.773)
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)		923.750	-	923.750	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)		923.750	-	923.750	2.521.795	-	2.521.795
16.7 Minority Shares		-	-	-	-	-	-
TOTAL LIABILITIES		272.268.106	171.231.112	443.499.218	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 SEPTEMBER 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 September 2019	31 December 2018	TOTAL	31 December 2018	TOTAL	TOTAL
		TRY	FC	TOTAL	TRY	FC	TOTAL
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		103.034.271	124.267.360	227.301.631	70.717.925	86.627.054	157.344.979
I. GUARANTEES AND WARRANTIES	(1)	40.337.431	47.055.967	87.393.398	37.167.935	45.871.890	83.039.825
1.1 Letters of guarantee		37.956.891	36.491.358	74.448.249	35.165.366	35.686.852	70.852.218
1.1.1 Guarantees subject to public procurement law		1.947.367	10.943.479	12.890.846	1.982.722	12.444.947	14.427.669
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		36.009.524	25.547.879	61.557.403	33.182.644	23.241.905	56.424.549
1.2 Bank loans		9.390	6.511.580	6.520.970	11.845	7.038.415	7.050.260
1.2.1 Import acceptances		-	35.834	35.834	-	94.572	94.572
1.2.2 Other bank acceptances		9.390	6.475.746	6.485.136	11.845	6.943.843	6.955.688
1.3 Letters of credit		25.132	3.952.608	3.977.740	119.895	3.016.499	3.136.394
1.3.1 Documentary letters of credit		25.132	3.952.608	3.977.740	119.895	3.016.499	3.136.394
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed refinancing		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		2.346.018	100.421	2.446.439	1.870.829	130.124	2.000.953
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		26.508.219	5.103.625	31.611.844	24.243.824	1.853.816	26.097.640
2.1 Irrevocable commitments	(1)	26.215.389	4.426.454	30.641.843	24.091.686	1.680.920	25.772.606
2.1.1 Forward asset purchase commitments		2.768.303	3.964.552	6.732.855	807.737	1.228.932	2.036.669
2.1.2 Forward deposit purchase and sale commitments		200.000	-	200.000	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
2.1.4 Loan granting commitments		2.122.454	461.902	2.584.356	4.159.896	451.988	4.611.884
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for Cheques		3.111.617	-	3.111.617	2.661.413	-	2.661.413
2.1.8 Tax and fund liabilities from export commitments		78.096	-	78.096	65.280	-	65.280
2.1.9 Commitments for credit card expenditure limits		13.896.843	-	13.896.843	12.674.648	-	12.674.648
2.1.10 Commitments for credit cards and banking services promotions		29.458	-	29.458	31.409	-	31.409
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		4.008.618	-	4.008.618	3.691.303	-	3.691.303
2.2 Revocable commitments		292.830	677.171	970.001	152.138	172.896	325.034
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		292.830	677.171	970.001	152.138	172.896	325.034
III. DERIVATIVE FINANCIAL INSTRUMENTS		36.188.621	72.107.768	108.296.389	9.306.166	38.901.348	48.207.514
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-	-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-	-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-	-	-	-
3.2 Transactions for trading		36.188.621	72.107.768	108.296.389	9.306.166	38.901.348	48.207.514
3.2.1 Forward foreign currency buy/sell transactions		1.639.625	4.157.924	5.797.549	1.806.188	5.243.125	7.049.313
3.2.1.1 Forward foreign currency transactions-buy		853.735	2.196.015	3.049.750	1.553.375	3.068.338	4.621.713
3.2.1.2 Forward foreign currency transactions-sell		785.890	1.961.909	2.747.799	252.813	2.174.787	2.427.600
3.2.2 Currency and interest rate swaps		28.048.134	57.784.166	85.832.300	5.202.187	27.857.299	33.059.486
3.2.2.1 Currency swap-buy		434.290	28.529.167	28.963.457	1.012.983	6.973.576	7.986.559
3.2.2.2 Currency swap-sell		27.613.844	3.239.297	30.853.141	4.189.204	3.490.839	7.680.043
3.2.2.3 Interest rate swap-buy		-	13.007.851	13.007.851	-	8.696.442	8.696.442
3.2.2.4 Interest Rate swap-sell		-	13.007.851	13.007.851	-	8.696.442	8.696.442
3.2.3 Currency, interest rate and marketable securities options		1.313.892	2.216.048	3.529.940	2.297.791	3.561.455	5.859.246
3.2.3.1 Currency call options		656.968	1.108.017	1.764.985	1.148.905	1.780.728	2.929.633
3.2.3.2 Currency put options		656.924	1.108.031	1.764.955	1.148.886	1.780.727	2.929.613
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Marketable securities call options		-	-	-	-	-	-
3.2.3.6 Marketable securities put options		-	-	-	-	-	-
3.2.4 Currency futures		5.186.970	4.706.349	9.893.319	-	-	-
3.2.4.1 Currency futures-buy		2.474.772	2.353.175	4.827.947	-	-	-
3.2.4.2 Currency futures-sell		2.712.198	2.353.174	5.065.372	-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	3.243.281	3.243.281	-	2.239.469	2.239.469
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		1.124.409.479	338.200.445	1.462.609.924	954.219.496	310.868.814	1.265.088.310
IV. CUSTODIES		523.355.008	48.587.569	571.942.577	432.711.289	42.627.039	475.338.328
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		198.486.304	1.344.051	199.830.355	161.920.322	1.017.194	162.937.516
4.3 Cheques in collection process		14.660.233	28.523.340	43.183.573	15.226.267	26.439.655	41.665.922
4.4 Commercial notes in collection process		256.487.341	6.524.897	263.012.238	239.240.554	5.575.684	244.816.238
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		3.140.463	795.940	3.936.403	4.280.917	486.438	4.767.355
4.8 Custodians		50.580.667	11.399.341	61.980.008	12.043.229	9.108.068	21.151.297
V. PLEDGED ASSETS		601.054.471	289.612.876	890.667.347	521.508.207	268.241.775	789.749.982
5.1 Marketable securities		5.950.436	781.017	6.731.453	5.608.542	733.250	6.341.792
5.2 Collateral notes		7.241.739	1.144.165	8.385.904	7.595.289	1.024.377	8.619.666
5.3 Commodity		25.813	-	25.813	25.812	-	25.812
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		449.700.321	237.554.528	687.254.849	384.287.726	224.420.837	608.708.563
5.6 Other pledged assets		119.076.295	39.700.459	158.776.754	76.477.704	39.614.525	116.092.229
5.7 Pledges		19.059.867	10.432.707	29.492.574	47.513.134	2.448.786	49.961.920
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		1.227.443.750	462.467.805	1.689.911.555	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 SEPTEMBER 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 September 2019	1 January- 30 September 2018	1 July- 30 September 2019	1 July - 30 September 2018
	INCOME AND EXPENSES	Note			
I.	INTEREST INCOME	(1)	35.403.362	24.878.047	12.511.611
1.1	Interest on Loans		27.438.476	20.282.569	9.700.583
1.2	Interest on Reserve Requirements		95.424	93.905	28.495
1.3	Interest on Banks		305.477	376.420	71.244
1.4	Interest on Money Market Transactions		-	34.255	-
1.5	Interest on Marketable Securities Portfolio		7.504.854	4.068.062	2.697.265
1.5.1	Fair Value Through Profit or Loss		8.293	10.652	1.695
1.5.2	Fair Value Through Other Comprehensive Income		1.119.325	142.155	391.785
1.5.3	Measured at Amortized Cost		6.377.236	3.915.255	2.303.785
1.6	Financial Lease Interest Income		-	-	-
1.7	Other Interest Income		59.131	22.836	14.024
II.	INTEREST EXPENSE (-)	(2)	28.588.822	18.751.475	9.692.671
2.1	Interest on Deposits		18.604.723	13.605.196	6.204.598
2.2	Interest on Funds Borrowed		224.924	393.482	75.347
2.3	Interest Expense on Money Market Transactions		7.606.476	3.590.275	2.600.664
2.4	Interest on Securities Issued		1.882.676	974.444	729.788
2.5	Interest on Leases		72.023	-	23.355
2.6	Other Interest Expenses		198.000	188.078	58.919
III.	NET INTEREST INCOME (I - II)		6.814.540	6.126.572	2.818.940
IV.	NET FEES AND COMMISSIONS INCOME		2.049.620	1.386.237	713.217
4.1	Fees and Commissions Received		2.899.466	1.865.608	1.005.706
4.1.1	Non – cash Loans		694.861	416.047	235.510
4.1.2	Other	(11)	2.204.605	1.449.561	770.196
4.2	Fees and Commissions Paid (-)		849.846	479.371	292.489
4.2.1	Non – cash Loans		125	73	57
4.2.2	Other	(11)	849.721	479.298	292.432
V.	DIVIDEND INCOME		421.655	510.194	327
VI.	TRADING INCOME / LOSS (Net)	(3)	(2.691.407)	(39.262)	(845.682)
6.1	Trading Gains / (Losses) on Securities		192.232	18.443	160.826
6.2	Gains / (Losses) on Derivate Financial Transactions		(2.236.343)	2.373.334	(2.183.785)
6.3	Foreign Exchange Gains / (Losses)		(647.296)	(2.431.039)	1.177.277
VII.	OTHER OPERATING INCOME	(4)	2.046.174	452.720	174.442
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		8.640.582	8.436.461	2.861.244
IX.	EXPECTED LOSS PROVISIONS (-)	(5)	3.182.986	1.795.860	700.216
X.	OTHER PROVISION EXPENSES (-)	(5)	21.215	163.447	20.737
XI.	PERSONNEL EXPENSE (-)		2.093.242	1.705.306	803.306
XII.	OTHER OPERATING EXPENSES (-)	(6)	2.487.979	2.145.808	865.916
XIII.	NET OPERATING INCOME /LOSS (IX-X-XI)		855.160	2.626.040	471.069
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)	855.160	2.626.040	471.069
XVIII.	TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(8)	68.590	(420.792)	(162.756)
18.1	Current Tax Provision		9.425	6.467	3.002
18.2	Deferred Tax Income Effect (+)		677.097	1.378.493	157.645
18.3	Deferred Tax Expense Effect (-)		755.112	964.168	(2.109)
XIX.	CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)	(9)	923.750	2.205.248	308.313
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 (IXX-XX)		-	-	-
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+XXIII)	(10)	923.750	2.205.248	308.313
25.1	Profit / (Loss) of Group		923.750	2.205.248	308.313
25.2	Profit / (Loss) of Minority Shares (-)		-	-	-
	Profit / (Loss) Per Share (full TRY)		0,7390000	1,7641984	0,2466504

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 SEPTEMBER 2019

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Reviewed Current Period 1 January - 30 September 2019	Reviewed Prior Period 1 January - 30 September 2018
STATEMENT OF PROFIT OR LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
I. CURRENT PERIOD INCOME/LOSS	923.750	2.205.248
II. OTHER COMPREHENSIVE INCOME	341.664	139.122
2.1 Not Reclassified Through Profit or Loss	95.062	(325.720)
2.1.1 Property and Equipment Revaluation Increase/Decrease	-	(4.984)
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	-	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	95.062	(321.234)
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	498
2.2 Reclassified Through Profit or Loss	246.602	464.842
2.2.1 Foreign Currency Translation Differences	(3.383)	(55.133)
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	248.430	604.993
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	1.555	(85.018)
III. TOTAL COMPREHENSIVE INCOME (I+II)	1.265.414	2.344.370

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 SEPTEMBER 2019
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed (1 January – 30 September 2018)	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss							Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss							Current Period Profit or (Loss)	Total Equity Expect Minority Shares	Minority Shares	Total Equity
	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Revaluation Increase/Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Profit or Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)						
I. Prior Period End Balance	1.250.000	-	-	1.176.589	1.273.315	(10.263)	1.660.659	52.631	(687.761)	-	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)	1.660.659	52.631	(687.761)	-	16.936.107	4.429.996	-	26.081.273	-	26.081.273		
IV. Total Comprehensive Income	-	-	-	-	(4.486)	-	(321.234)	(55.133)	519.975	-	-	-	2.205.248	2.344.370	-	2.344.370		
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VII. Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VIII. Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
X. Increase / Decrease by Other Changes	-	-	-	55.133	-	-	-	-	-	-	-	-	-	55.133	-	55.133		
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	3.539.188	(3.725.462)	-	(186.274)	-	(186.274)		
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(186.274)	-	(186.274)	-	(186.274)		
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	3.539.188	(3.539.188)	-	-	-	-		
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Period End Balance (III+IV+.....+X+XI)	1.250.000	-	-	1.231.722	1.268.829	(10.263)	1.339.425	(2.502)	(167.786)	-	20.475.295	704.534	2.205.248	28.294.502	-	28.294.502		
(1 January – 30 September 2019)																		
I. Prior Period End Balance	1.250.000	-	-	1.230.674	1.324.802	9.543	1.695.865	(1.454)	(190.319)	-	20.475.295	3.226.329	-	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	1.695.865	(1.454)	(190.319)	-	20.475.295	3.226.329	-	29.020.735	-	29.020.735		
IV. Total Comprehensive Income	-	-	-	-	-	-	95.062	(3.383)	249.985	-	-	-	923.750	1.265.414	-	1.265.414		
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	-	-	-	(83.576)	-	-	-	-	-	-	-	-	-	(83.576)	-	(83.576)		
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	3.226.329	(3.226.329)	-	-	-	-		
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	3.226.329	(3.226.329)	-	-	-	-		
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Period End Balance (III+IV+.....+X+XI)	1.250.000	-	-	1.147.098	1.324.802	9.543	1.790.927	(4.837)	59.666	-	23.701.624	-	923.750	30.202.573	-	30.202.573		

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 SEPTEMBER 2019

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

VI. STATEMENT OF CASH FLOWS

	Note	Reviewed	Reviewed
		Current Period	Prior Period
		1 January- 30 September 2019	1 January- 30 September 2018
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		(4.455.010)	(7.752.105)
1.1.1 Interest received		30.685.948	20.999.663
1.1.2 Interest paid		(28.525.718)	(16.672.752)
1.1.3 Dividend received		421.655	232.923
1.1.4 Fees and commissions received		2.886.871	1.876.368
1.1.5 Other income		929.992	180.840
1.1.6 Collections from previously written off loans		1.075.605	844.994
1.1.7 Cash payments to personnel and service suppliers		(2.125.550)	(1.727.756)
1.1.8 Taxes paid		(609.298)	(702.932)
1.1.9 Other		(9.194.515)	(12.783.453)
1.2 Changes in Assets and Liabilities Subject to Banking Operations		5.756.007	10.370.818
1.2.1 Net Increase / decrease in financial assets at fair value through profit or loss		53.994	(64.378)
1.2.2 Net (increase) / decrease in due from banks		(4.708)	(2.254)
1.2.3 Net (increase) / decrease in loans		(45.691.398)	(60.924.229)
1.2.4 Net (increase) / decrease in other assets		(5.017.622)	4.024.734
1.2.5 Net increase / (decrease) in bank deposits		(6.350.316)	11.197.233
1.2.6 Net increase / (decrease) in other deposits		41.282.784	33.084.900
1.2.7 Net Increase / decrease in financial liabilities at fair value through profit or loss		-	-
1.2.8 Net increase / (decrease) in funds borrowed		(1.184.385)	1.753.028
1.2.9 Net increase / (decrease) in matured payables		-	-
1.2.10 Net increase / (decrease) in other liabilities		22.667.658	21.301.784
I. Net cash provided from banking operations		1.300.997	2.618.713
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net cash provided from/ (used in) investing activities		(17.955.625)	(14.349.608)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries		(91.724)	(310.406)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries		39.375	-
2.3 Fixed assets purchases		(154.814)	(759.903)
2.4 Fixed assets sales		318.401	165.592
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income		(13.910.403)	(8.740.998)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income		7.963.568	4.415.747
2.7 Cash paid for purchase of investment securities		(14.334.243)	(12.305.830)
2.8 Cash obtained from sale of investment securities		2.206.682	3.171.713
2.9 Other		7.533	14.477
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		7.306.155	4.192.083
3.1 Cash obtained from loans borrowed and securities issued		12.227.983	7.134.795
3.2 Cash used for repayment of loans borrowed and securities issued		(4.471.938)	(2.756.438)
3.3 Bonds issued		-	-
3.4 Dividends paid		-	(186.274)
3.5 Payments for leases		(187.506)	-
3.6 Other		(262.384)	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		1.208.798	7.106.247
V. Net increase / (decrease) in cash and cash equivalents		(8.139.675)	(432.565)
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		15.491.944	26.689.299

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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.

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 (continued)

Explanations related to credit derivatives and its risk exposures:

The Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic's credit risk. As of 30 September 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.

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.

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Assessment of Business Model

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

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

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

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

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

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

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

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

3. Other Business Models:

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Measurement Categories of Financial Assets and Liabilities

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

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

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

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 September 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 September 2019, the revaluation differences of financial assets within the equity of the Bank would increase TRY 86.168 (net), and the interest income from the securities would decrease by TRY 1.378.365.

1. Financial Assets Measured at Amortised Cost

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

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

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

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

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.

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.

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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 September 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 1 January 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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Probability of Default (PD):

It is defined as the probability that the debtor does not fulfill its obligations to the 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.

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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 debtor having past due more than 90 days to the Bank or its consolidated 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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

Marketable securities subject to repurchase agreements are 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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

As of 1 April 2015, the Bank adopted the revaluation method for buildings in tangible assets in accordance with the Standard on Property, Plant and Equipment (TAS 16). Expertise values determined by independent appraisal companies are reflected to the financial statements. Revaluation differences are recorded in 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 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, depreciation 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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XV. EXPLANATIONS ON LEASING TRANSACTIONS

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

The 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 Turkish Accounting Standard on “Provisions, Contingent Liabilities and Contingent Assets” (TAS 37).

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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 Social Insurance Institution, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2018 no technical deficit has been reported.

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SECTION III: EXPLANATIONS ON 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.

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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.

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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.

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, changes such as 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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XXIV. EXPLANATIONS ON TFRS 16 LEASES STANDARD (continued)

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 “Leases” standard as of 1 January 2019 in its financial statements.

TFRS 16 Leases standard abolishes the dual accounting model previously applied for lessees through recognizing finance leases in the balance sheet whereas recognizing operational lease as off-balance sheet. 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:

Existence of Right-of-use	1 January 2019	30 September 2019
Real Estate	513.592	570.106
Vehicles	85.867	86.647
Total	599.459	656.753

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.

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

I. EXPLANATIONS ON CAPITAL

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 30 September 2019, the Bank's capital adequacy ratio in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy" is 14,19% (31 December 2018: 13,80%), calculated equity is TRY 44.103.404 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	3.266.265	
Profit	923.750	
Current Period Profit	923.750	
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	30.546.285	
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 (-)	81.328	
Leasehold Improvements on Operational Leases (-)	69.846	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	132.200	132.200
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 I Capital	545.758	
Total Common Equity Tier I Capital	30.000.527	

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I. EXPLANATIONS ON CAPITAL (continued)

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.542.830
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Additional Tier I Capital before Deductions	5.542.830
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	5.542.830
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	35.543.357
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)	2.643.643
Tier II Capital Before Deductions	8.573.438
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	8.573.438
Total Equity (Total Tier I and Tier II Capital)	44.116.795
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 (-)	13.391

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I. EXPLANATIONS ON CAPITAL (continued)

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
TOTAL CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	44.103.404
Total Risk Weighted Assets	310.804.945
Capital Adequacy Ratios	
CET1 Capital Ratio (%)	9,65
Tier I Capital Ratio (%)	11,44
Capital Adequacy Ratio (%)	14,19
BUFFERS	
Bank-specific total CET1 Capital Ratio (a+b+c)	2,521
a) Capital Conservation Buffer Ratio (%)	2,500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,021
c) Systemic significant bank buffer ratio %	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	5,153
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	132.042
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	438.963
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.420.145
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)	2.643.643
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.643.643
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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I. EXPLANATIONS ON CAPITAL (continued)

Prior Period	Amount	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	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 I Capital	399.168	
Total Common Equity Tier I Capital	28.813.340	

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I. EXPLANATIONS ON CAPITAL (continued)

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Additional Tier I Capital before Deductions	-
Deductions from Additional Tier I Capital	-
Direct and Indirect Investments of the Bank 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

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I. EXPLANATIONS ON CAPITAL (continued)

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
TOTAL CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	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 (%)	-
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.

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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	5.543
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.

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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:

	23.09.2019	24.09.2019	25.09.2019	26.09.2019	27.09.2019	30.09.2019
USD	5,7100000	5,6700000	5,6600000	5,6400000	5,6300000	5,6450000
CHF	5,7573000	5,7323000	5,7167000	5,6798000	5,6589000	5,6546000
GBP	7,0835000	7,0633000	6,9864000	6,9547000	6,9221000	6,9453000
JPY	0,0530835	0,0526871	0,0524916	0,0523742	0,0519816	0,0522022
EUR	6,2741000	6,2381000	6,2028000	6,1817000	6,1570000	6,1587000

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	5,6821429
CHF	5,7267000
GBP	7,0062714
JPY	0,0527930
EUR	6,2559429

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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	16.054.710	11.275.256	3.098.728	30.428.694
Banks	965.459	1.467.645	852.256	3.285.360
Financial assets at fair value through profit and loss ⁽³⁾	-	22.219	-	22.219
Money market placements	-	-	-	-
Financial assets at fair value through other comp. income	2.019.454	1.687.034	-	3.706.488
Loans ⁽²⁾	45.343.830	40.503.817	834.003	86.681.650
Subsidiaries, associates and entities under common control	424.950	-	1.139.864	1.564.814
Financial assets measured at amortised cost	6.146.236	11.660.380	-	17.806.616
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	107	107
Intangible assets	-	-	-	-
Other assets ⁽³⁾	262.697	1.271.451	358	1.534.506
Total assets	71.217.336	67.887.802	5.925.316	145.030.454
Liabilities				
Bank deposits	6.964.741	4.068.512	540.788	11.574.041
Foreign currency deposits	63.643.896	55.247.893	7.341.515	126.233.304
Money market balances	2.192.153	3.041.939	-	5.234.092
Funds provided from other financial institutions	6.215.051	4.132.252	8.049	10.355.352
Bonds issued	-	9.945.611	-	9.945.611
Sundry creditors	172.193	274.094	1.256	447.543
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	6.395.825	681.114	102.807	7.179.746
Total liabilities	85.583.859	77.391.415	7.994.415	170.969.689
Net balance sheet position	(14.366.523)	(9.503.613)	(2.069.099)	(25.939.235)
Net off-balance sheet position				
Financial derivative assets⁽⁴⁾	16.050.063	17.777.334	3.456.026	37.283.423
Financial derivative liabilities⁽⁴⁾	2.738.550	8.578.066	1.456.579	12.773.195
Non-cash loans⁽¹⁾	26.600.025	18.207.062	2.248.880	47.055.967
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 269.440 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 287) in assets; and shareholders' equity (TRY 261.423) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounting to TRY 461.107 and swap precious metal purchase transactions amounting to TRY 2.037.180. Financial derivative liabilities include forward precious metal sale transactions amounting to TRY 744.994. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

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

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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 ⁽⁴⁾	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	960.428	-	-	-	-	31.681.915	32.642.343
Banks and financial institutions	991.504	2.000	-	-	-	2.652.825	3.646.329
Financial assets at fair value through profit and loss	287	30.570	16.050	23	22.413	14.374.380	14.443.723
Money market placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	120.939	1.304.336	4.845.955	3.528.269	1.308.569	200.022	11.308.090
Loans ⁽⁴⁾	84.356.768	54.384.442	70.304.428	63.208.789	10.928.688	21.329.324	304.512.439
Financial assets measured at amortised cost ⁽⁴⁾	892.987	25.322.834	5.986.091	17.004.814	21.424.153	-	70.630.879
Other assets ⁽⁴⁾	301.505	1.619	7.635	21.799	460	5.982.397	6.315.415
Total assets	87.624.418	81.045.801	81.160.159	83.763.694	33.684.283	76.220.863	443.499.218
Liabilities							
Bank deposits	12.703.870	6.356.030	116.037	-	-	5.461.215	24.637.152
Other deposits	137.484.309	59.716.330	15.400.487	403.439	1.867	46.386.770	259.393.202
Money market balances	57.009.180	872.691	-	-	-	58.252	57.940.123
Sundry creditors	2.967.608	-	-	-	-	2.828.514	5.796.122
Bonds issued	3.339.044	1.663.955	5.629.719	6.639.985	-	148.764	17.421.467
Funds provided from other financial institutions ⁽³⁾	506.127	1.689.544	5.502.122	2.231.845	813.545	70.570	10.813.753
Other liabilities ^{(1),(2)}	1.000.000	-	14.374.380	4.929.795	5.542.830	41.650.394	67.497.399
Total liabilities	215.010.138	70.298.550	41.022.745	14.205.064	6.358.242	96.604.479	443.499.218
Balance sheet long position	-	10.747.251	40.137.414	69.558.630	27.326.041	-	147.769.336
Balance sheet short position	(127.385.720)	-	-	-	-	(20.383.616)	(147.769.336)
Off-balance sheet long position	564.500	5.728.900	2.863.675	317.195	5.283.530	39.354.475	54.112.275
Off-balance sheet short position	-	(4.543.450)	(2.863.675)	(1.421.565)	(5.283.530)	(40.071.894)	(54.184.114)
Total position	(126.821.220)	11.932.701	40.137.414	68.454.260	27.326.041	(21.101.035)	(71.839)

⁽¹⁾ TRY 373.199 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.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
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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.

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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⁾	-	-	-	15,00
Due from other banks and financial institutions ⁽¹⁾	0,19	2,30	-	14,09
Financial assets at fair value through profit and loss	-	6,33	-	12,08
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	3,23	6,57	-	21,15
Loans ⁽²⁾	5,11	7,24	-	15,59
Financial assets measured at amortised cost	4,88	6,44	-	20,45
Liabilities				
Bank deposits	0,48	2,72	-	13,21
Other deposits ⁽⁴⁾	0,82	2,38	0,25	13,70
Money market borrowings	2,21	3,99	-	16,27
Sundry creditors ⁽³⁾	-	-	-	4,50
Bonds issued	-	4,38	-	17,03
Funds provided from other financial institutions	1,12	3,29	3,10	15,69

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

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

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

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

⁽⁵⁾ Average interest rates for reserve requirements of the CBRT as of the balance sheet date.

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 CBRT as of the balance sheet date.

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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	647.860	647.860	647.860	51.829
Quoted Securities ⁽¹⁾	647.860	647.860	647.860	51.829
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	4.174.774	4.009.857		395.756

⁽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)}	-	164.998	164.998	-	-	-
3. Other share certificates	-	1.625.929	1.625.929	-	-	-
Total	-	1.790.927	1.790.927	-	-	-

⁽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.

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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. In extent with LEAP, necessary actions and their priority for possible liquidity stress/crisis have been determined and Liquidity Risk Committee have been established.

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.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
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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 thirty 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 48,64% accounts held by the Central Bank and the Central Banks of the foreign branches, 45,70% securities considered as high quality liquid assets and 5,66% cash and cash equivalents.

The main funding source of the Bank is deposits, other funding sourced are money market borrowings, securities issued and subordinated debt instruments, 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 727.245 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 daily 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	15.07.2019	426,61	22.07.2019	120,79
	21.07.2019		28.07.2019	
Minimum	02.09.2019	237,34	02.09.2019	102,28
	08.09.2019		08.09.2019	

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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			61.680.878	36.426.167
Cash Outflows				
Retail and Small Business Customers, of which;	138.765.577	62.857.414	12.419.153	6.285.741
Stable Deposits	29.148.090	-	1.457.404	-
Less Stable Deposits	109.617.487	62.857.414	10.961.749	6.285.741
Unsecured wholesale funding , of which;	104.037.216	56.527.087	47.338.002	24.429.343
Operational Deposits	24.624.830	8.481.808	6.156.207	2.120.452
Non-operational Deposits	74.761.261	45.945.414	37.228.648	20.311.478
Other Unsecured Funding	4.651.125	2.099.865	3.953.147	1.997.413
Secured Funding			-	-
Other cash outflows, of which;	9.300.934	6.358.343	4.977.173	4.060.584
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	1.349.774	2.155.484	1.349.774	2.155.485
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	7.951.160	4.202.859	3.627.399	1.905.099
Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	103.505.090	44.414.414	8.208.286	3.604.719
Total Cash Outflows			72.942.614	38.380.387
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	27.258.336	8.032.048	17.348.823	6.266.230
Other Cash Inflows	200.804	21.523.298	200.804	21.523.298
Total Cash Inflows	27.459.140	29.555.346	17.549.627	27.789.528
			Total Adjusted Value	
Total HQLA Stock			61.680.878	36.426.167
Total Net Cash Outflows			55.392.987	10.590.859
Liquidity Coverage Ratio (%)			%111,63	%341,33

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

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

	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TP+YP	YP	TP+YP	YP
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%

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

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V. EXPLANATIONS ON THE 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	3.047.681	29.592.409	-	2.253	-	-	-	32.642.343
Banks	2.793.312	841.504	2.495	9.018	-	-	-	3.646.329
Financial assets at fair value through profit and loss	-	287	14.404.950	16.050	23	22.413	-	14.443.723
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	1.944	87.593	3.582.978	5.864.387	1.571.166	200.022	11.308.090
Loans	16.177.425	22.216.598	16.744.894	86.061.041	131.203.451	32.109.030	-	304.512.439
Financial assets measured at amortised cost	-	-	1.725.780	4.556.139	34.839.226	29.509.734	-	70.630.879
Other assets ⁽²⁾	2.560	479.299	720.435	233.723	71.193	132.186	4.676.019	6.315.415
Total assets	22.020.978	53.132.041	33.686.147	94.461.202	171.978.280	63.344.529	4.876.041	443.499.218
Liabilities								
Bank deposits	5.407.818	12.748.014	6.362.959	118.361	-	-	-	24.637.152
Other deposits	44.393.521	138.425.436	59.885.226	16.273.143	414.009	1.867	-	259.393.202
Funds provided from other financial institutions ⁽³⁾	27	258.992	898.031	2.499.536	4.575.865	2.581.302	-	10.813.753
Money market balances	-	54.880.128	312.937	2.182.558	-	564.500	-	57.940.123
Bonds issued	-	1.438.975	2.624.611	6.587.897	6.769.984	-	-	17.421.467
Sundry creditors	20.265	2.558.689	146.900	685.756	1.959.891	93.897	330.724	5.796.122
Other liabilities ⁽¹⁾	-	5.657.198	14.715.405	451.477	13.509.737	1.495.538	31.668.044	67.497.399
Total liabilities	49.821.631	215.967.432	84.946.069	28.798.728	27.229.486	4.737.104	31.998.768	443.499.218
Liquidity gap	(27.800.653)	(162.835.391)	(51.259.922)	65.662.474	144.748.794	58.607.425	(27.122.727)	-
Net off-balance sheet position	-	(575.718)	(8.480)	(133.221)	645.580	-	-	(71.839)
Derivative financial assets	-	31.899.234	2.457.239	6.804.401	2.384.340	10.567.061	-	54.112.275
Derivative financial liabilities	-	(32.474.952)	(2.465.719)	(6.937.622)	(1.738.760)	(10.567.061)	-	(54.184.114)
Non-cash loans	2.904.954	3.288.890	5.969.865	33.317.547	15.387.973	26.524.169	-	87.393.398
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.

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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)	433.554.754	373.308.958
2.Assets that are deducted from core capital	(200.908)	(198.802)
3.Total on balance sheet exposures	433.353.846	373.110.156
Derivative exposures and credit derivatives		
4.Replacement cost associated with derivative financial instruments and credit derivatives	1.236.979	1.060.813
5.The potential amount of credit risk with derivative financial instruments and credit derivatives	567.607	301.456
6.The total amount of risk on derivative financial instruments and credit derivatives	1.804.586	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)	3.291.698	1.524.846
8.Risk amount of exchange brokerage operations	-	-
9.Total risks related with securities or commodity financing transactions	3.291.698	1.524.846
Off -Balance Sheet Items		
10.Gross notional amount of off-balance sheet items	114.564.931	107.657.161
11.Adjustments for conversion to credit equivalent amounts	-	-
12.The total risk of off-balance sheet items	114.564.931	107.657.161
Capital and Total Exposures		
13.Tier 1 Capital	35.353.222	28.323.502
14.Total Exposures	553.015.061	483.654.432
Leverage Ratio		
15.Leverage Ratio	6,39%	5,86%

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

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

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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 September 2019 are presented in the table below.

Current Period (1 January – 30 September 2019)	Corporate/ Commercial	SME/ Integrated	Treasury/ Investment	Total
OPERATING INCOME / EXPENSES				
Interest income	9.265.539	18.496.125	7.641.698	35.403.362
<i>Interest on loans</i>	9.263.336	18.135.732	39.408	27.438.476
<i>Interest income on marketable securities</i>	-	344.083	7.160.771	7.504.854
<i>Interest received from banks</i>	-	-	305.477	305.477
<i>Other interest income</i>	2.203	16.310	136.042	154.555
Interest expense	6.074.394	11.676.167	10.838.261	28.588.822
<i>Interest on deposits</i>	6.043.207	11.318.309	1.243.207	18.604.723
<i>Interest on borrowings</i>	22.296	54.611	148.017	224.924
<i>Interest on money market borrowings</i>	-	157.455	7.449.021	7.606.476
<i>Interest on marketable bonds issued</i>	-	-	1.882.676	1.882.676
<i>Other interest expense</i>	8.891	145.792	115.340	270.023
Net interest income / (loss)	3.191.145	6.819.958	(3.196.563)	6.814.540
Net fees and commissions income	834.496	951.773	263.351	2.049.620
Net trading profit / (loss)	21.127	300.544	(3.013.078)	(2.691.407)
Dividend income	-	-	421.655	421.655
Other income	852.256	444.499	749.419	2.046.174
Expected credit loss	1.604.662	1.190.836	387.488	3.182.986
Other expenses	111.639	1.857.255	2.633.542	4.602.436
Income before taxes	3.182.723	5.468.683	(7.796.246)	855.160
Income tax provision	-	-	68.590	68.590
Net profit for the period	3.182.723	5.468.683	(7.727.656)	923.750

**SEGMENT ASSETS
(30 September 2019)**

Marketable securities ⁽¹⁾	-	8.803.461	87.569.696	96.373.157
Derivative financial assets	-	270.653	876.654	1.147.307
Banks and money market receivables	-	729	3.645.600	3.646.329
Associates and subsidiaries (net)	-	-	5.150.612	5.150.612
Loans ⁽¹⁾	117.645.508	173.863.217	2.672.787	294.181.512
Other assets	2.872.861	3.168.766	36.958.674	43.000.301
TOTAL ASSETS	120.518.369	186.106.826	136.874.023	443.499.218

**SEGMENT LIABILITIES
(30 September 2019)**

Deposits	102.281.738	164.623.741	17.124.875	284.030.354
Derivative financial liabilities	-	176.030	622.332	798.362
Money market balances	-	5.234.092	52.706.031	57.940.123
Borrowing funding loans	965.382	1.012.595	8.835.776	10.813.753
Bonds issued	-	-	17.421.467	17.421.467
Other liabilities	1.372.635	8.563.586	29.623.959	39.560.180
Provisions and tax payable	219.896	327.829	2.184.681	2.732.406
Shareholders' equity	2.656.087	4.998.684	22.547.802	30.202.573
TOTAL LIABILITIES	107.495.738	184.936.557	151.066.923	443.499.218

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

Guarantees and sureties	46.519.503	26.305.952	14.567.943	87.393.398
Commitments	599.663	8.759.773	22.252.408	31.611.844
Derivative financial instruments	-	16.789.335	91.507.054	108.296.389

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

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MANAGEMENT OF THE BANK (continued)

VII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)

Prior Period (1 January-30 September 2018)	Commercial/ Corporate	SME/ Integrated	Treasury/ Investment	Total
OPERATING INCOME / EXPENSES				
Interest income	6.432.806	14.145.808	4.299.433	24.878.047
<i>Interest on loans</i>	6.431.904	13.811.967	38.698	20.282.569
<i>Interest income on marketable securities</i>	-	314.722	3.753.340	4.068.062
<i>Interest received from banks</i>	-	6	376.414	376.420
<i>Other interest income</i>	902	19.113	130.981	150.996
Interest expense	2.548.758	10.129.411	6.073.306	18.751.475
<i>Interest on deposits</i>	2.516.055	9.870.194	1.218.947	13.605.196
<i>Interest on borrowings</i>	6.912	29.085	357.485	393.482
<i>Interest on money market borrowings</i>	-	137.099	3.453.176	3.590.275
<i>Interest on marketable bonds issued</i>	-	-	974.444	974.444
<i>Other interest expense</i>	25.791	93.033	69.254	188.078
Net interest income	3.884.048	4.016.397	(1.773.873)	6.126.572
Net fees and commissions income	465.611	687.646	232.980	1.386.237
Net trading profit / (loss)	10.132	1.563.313	(1.612.707)	(39.262)
Dividend income	-	-	510.194	510.194
Other income	134.908	234.534	83.278	452.720
Expected loss provisions	369.976	737.969	851.362	1.959.307
Other expenses	86.592	1.553.652	2.210.870	3.851.114
Income before taxes	4.038.131	4.210.269	(5.622.360)	2.626.040
Income tax provision	-	-	(420.792)	(420.792)
Net profit for the period	4.038.131	4.210.269	(6.043.152)	2.205.248
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	46.602.170	23.260.633	13.177.022	83.039.825
Commitments	966.222	9.648.799	15.482.619	26.097.640
Derivative financial instruments	-	12.025.139	36.182.375	48.207.514

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

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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)	279.510.540	245.251.114	22.360.843
2	Standardized approach	279.510.540	245.251.114	22.360.843
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	6.491.565	3.597.146	519.325
5	Standardized approach for counterparty credit risk	6.491.565	3.597.146	519.325
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	5.079.650	2.933.787	406.372
17	Standardized approach	5.079.650	2.933.787	406.372
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)	1.097.408	1.072.418	87.793
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	310.804.945	269.022.275	24.864.396

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

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE 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	1.178.967	1.868.349	1.259.602	3.158.262
CBRT	1.034.682	28.560.345	2.723.274	27.815.892
Other	-	-	-	20
Total	2.213.649	30.428.694	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⁾	918.502	7.416.839	2.470.993	9.347.358
Time unrestricted amount	-	-	-	-
Time restricted amount	-	482.490	-	2.259.938
Other ⁽²⁾	116.180	20.661.016	252.281	16.208.596
Total	1.034.682	28.560.345	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 operating in Turkey keep reserve deposits for their TRY liabilities held at TRY, US Dollar, Euro and/or standard gold and/or scrap gold with reserve deposit rates between 1%-7% varied according to their maturity compositions, for their FC liabilities at TRY, US Dollar, Euro and/or standard gold with reserve deposit rates between 5%-21% varied according to their maturity compositions. In accordance with the related communiqué, Central Bank of the Republic of Turkey pays interests to reserves held in TRY.

Starting from 23 August 2019, the interest related to the reserve requirements for banks held at TRY is paid as 1500 basis point for the banks with a loan growth rate between 10-20%, and 500 basis point for the banks whose loan growth rate is out of the reference value.

With the change dated 23 January 2015, it has been decided to apply a commission charge as of 1 February 2015 on the daily account balances of the banks denominated in EUR for reserve accounts and two days notice accounts held within CBRT. As of 27 July 2015 commission rates have been announced as zero percent on the CBRT website.

With the change on 2 May 2015 made by the CBRT, execution of interest payments has been started for USD denominated reserve requirements, reserve options and free reserves held at CBRT. The interest rate is set on daily basis within the frame of global and local financial market conditions. The applicable yearly interest rate is 0 percent (announced on 19 September 2019).

With the decision No.1005 dated 14 August 2018 of the TRNC, reserve requirement ratio is between 0,4% -0,7% for TRY and foreign currency liabilities.

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

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

(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	-	-	-	15.763
Total	-	-	-	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	-	83.312	-	204.002
Swap transactions	-	1.063.595	-	857.384
Futures transactions	-	-	-	-
Options	131	269	9	85
Other	-	-	-	-
Total	131	1.147.176	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	145.503	89.348	6.200	2.642.001
Foreign banks	215.466	3.196.012	174.715	2.317.827
Branches and offices abroad	-	-	-	-
Total	360.969	3.285.360	180.915	4.959.828

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

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

(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	-	169.643	432.417	168.246
Total	-	169.643	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	-	919.274	45.539	392.500
Total	-	919.274	45.539	392.500

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

	Current Period	Prior Period
Debt securities	11.109.508	3.850.625
<i>Quoted on a stock exchange</i>	<i>11.109.508</i>	<i>3.850.625</i>
<i>Not quoted</i>	-	-
Equity Securities	226.033	184.939
<i>Quoted on a stock exchange</i>	<i>189.434</i>	<i>151.103</i>
<i>Not quoted</i>	<i>36.599</i>	<i>33.836</i>
Impairment provision (-)	27.451	48.370
Total	11.308.090	3.987.194

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

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

(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	362.416	-	319.725	-
Toplam	362.416	-	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	Loans under close monitoring		
		Loans Not Subject to restructuring	Restructured Loans and Receivables	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	216.916.200	9.333.802	44.240	9.924.285
<i>Corporation loans</i>	130.258.903	5.909.773	-	9.669.096
<i>Export loans</i>	15.231.339	123.318	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	3.996.074	1.411.249	-	-
<i>Consumer loans</i>	43.959.301	974.956	42.243	9.315
<i>Credit cards</i>	5.506.826	466.487	1.997	-
<i>Other</i>	17.963.757	448.019	-	245.874
Specialized lending	47.587.417	1.516.391	-	327
Other receivables	-	-	-	-
Accruals	4.650.703	61.706	1.213	566.520
Total	269.154.320	10.911.899	45.453	10.491.132

	Standard Loans		Loans Under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
	12 Months Expected Loss Provision	1.321.844	984.741	-
Significant Increase in Credit Risk	-	-	1.145.953	1.182.480

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

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

(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	577.804	42.963.339	43.541.143
<i>Real estate loans</i>	8.442	27.063.079	27.071.521
<i>Automobile loans</i>	3.473	147.082	150.555
<i>Consumer loans</i>	565.889	15.753.178	16.319.067
<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	3.578.712	805	3.579.517
<i>Installment</i>	1.205.918	805	1.206.723
<i>Non-installment</i>	2.372.794	-	2.372.794
Individual credit cards-FC	378	-	378
<i>Installment</i>	-	-	-
<i>Non-installment</i>	378	-	378
Personnel loans-TRY	18.807	246.970	265.777
<i>Real estate loans</i>	-	277	277
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	18.807	246.693	265.500
<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	96.586	-	96.586
<i>Installment</i>	31.202	-	31.202
<i>Non-installment</i>	65.384	-	65.384
Personnel credit cards-FC	53	-	53
<i>Installment</i>	-	-	-
<i>Non-installment</i>	53	-	53
Overdraft accounts-TRY (Retail customers)	1.178.895	-	1.178.895
Overdraft accounts-FC (Retail customers)	-	-	-
Total	5.451.235	43.211.114	48.662.349

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

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

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

(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.

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

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

(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	1.204.022	35.818.173	37.022.195
<i>Business premises loans</i>	3.429	530.841	534.270
<i>Automobile loans</i>	20.201	419.140	439.341
<i>Consumer loans</i>	1.180.392	34.868.192	36.048.584
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	52.816	52.816
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	583	583
<i>Consumer loans</i>	-	52.233	52.233
<i>Other</i>	-	-	-
Commercial installment loans - FC	108.115	18.312.114	18.420.229
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	108.115	18.312.114	18.420.229
<i>Other</i>	-	-	-
Corporate credit cards-TRY	2.298.660	-	2.298.660
<i>Installment</i>	781.778	-	781.778
<i>Non-installment</i>	1.516.882	-	1.516.882
Corporate credit cards-FC	116	-	116
<i>Installment</i>	-	-	-
<i>Non-installment</i>	116	-	116
Overdraft accounts-TRY (Commercial customers)	2.584.843	-	2.584.843
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	6.195.756	54.183.103	60.378.859

*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.

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

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

(5) Information on loans (continued):

e) Domestic and foreign loans(*):

	Current Period	Prior Period
Domestic loans	288.501.726	248.491.859
Foreign loans	2.101.078	2.054.519
Total	290.602.804	250.546.378

* Non performing receivables are not included in the above table.

f) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	1.854.155	1.377.511
Indirect loans granted to subsidiaries and associates	-	-
Total	1.854.155	1.377.511

g) Specific provisions related to loans or credit-impaired losses (Stage III):

	Current Period	Prior Period
Loans and receivables with limited collectability	1.308.323	689.818
Loans and receivables with doubtful collectability	1.165.624	585.798
Uncollectible loans and receivables	5.389.183	5.007.676
Total	7.863.130	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 non-performing loans and restructured loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans and receivables
Current period			
Gross amounts before the specific provisions	87.937	76.735	1.332.602
Rescheduled loans and other receivables	87.937	76.735	1.332.602
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

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

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

(5) Information on loans (continued):

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior period end balance	1.533.724	1.165.570	5.828.554
Additions (+)	5.476.538	377.908	602.946
Transfers from other categories of loans under follow-up (+)	-	3.296.241	1.938.524
Transfers to other categories of loans under follow-up (-)	3.383.706	1.851.059	-
Collections (-)	271.517	286.998	517.090
Write-offs (-)	-	-	-
Sold (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	3.355.039	2.701.662	7.852.934
Provision (-)	1.308.323	1.165.624	5.389.183
Net balance on balance sheet	2.046.716	1.536.038	2.463.751

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current period:			
Balance at the end of the period	893.665	834.554	2.541.445
Provisions (-)	433.914	462.349	1.464.603
Net balance in the balance sheet	459.751	372.205	1.076.842
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

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

(5) Information on loans (continued):

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current period (Net)	2.046.716	1.536.038	2.463.751
Loans granted to real persons and legal entities (Gross)	3.355.039	2.701.662	7.852.934
Provisions (-)	1.308.323	1.165.624	5.389.183
Loans to granted real persons and legal entities (Net)	2.046.716	1.536.038	2.463.751
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, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loan
Current Period (Net)	305.912	262.552	214.961
Interest Accruals and Valuation Differences	516.867	495.575	542.322
Provision (-)	210.955	233.023	327.361

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

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

(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	3.513.578	9.198.685	37.195.684	2.464.985
Total	3.513.578	9.198.685	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	43.950.914	7.688.112	2.194.216	8.214.062
Total	43.950.914	7.688.112	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	70.433.849	56.006.929
Treasury bills	-	-
Other public sector debt securities	146.534	15.610
Total	70.580.383	56.022.539

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

	Current Period	Prior Period
Debt securities	70.630.879	56.073.053
<i>Quoted on a stock exchange</i>	70.630.879	56.073.053
<i>Not quoted</i>	-	-
Impairment provision (-)	-	-
Total	70.630.879	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	441.910	1.974.143
Purchases during the year ⁽¹⁾	16.322.598	36.157.157
Disposals through sales and redemptions	(2.206.682)	(3.785.416)
Impairment provision (-)	-	-
Balance at the end of the period	70.630.879	56.073.053

⁽¹⁾ Interest income accrual differences between 30 September 2019 amounting to TRY 9.446.939 and 31 December 2018 amounting to TRY 7.458.586 has been included in purchases row.

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

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

(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 ⁽¹⁾	Netherlands	30,00	30,00
2 Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ ⁽¹⁾	Ankara	31,47	33,12
3 Türk P ve I Sigorta AŞ ⁽¹⁾	Istanbul	16,67	16,67
4 Kredi Kayıt Bürosu AŞ ⁽²⁾	Istanbul	18,18	18,18
5 Bankalararası Kart Merkezi AŞ ⁽³⁾	Istanbul	18,95	18,95
6 Platform Ortak Kartlı Sistemler A.Ş.	Istanbul	33,33	33,33

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 ⁽⁴⁾
1.	9.528.759	1.454.285	25.312	258.739	1.345	77.551	67.806	424.950
2.	53.688	52.822	52	4.474	-	2.763	3.734	-
3.	71.980	19.516	1.648	1.361	-	5.208	5.249	-
4.	348.965	224.008	234.334	16.990	-	26.579	30.092	-
5.	147.868	93.468	65.949	4.027	-	28.503	15.603	-
6.	5.250	5.250	-	-	-	-	-	-

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

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

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

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

c) Movement of associates:

	Current Period	Prior Period
Balance at the beginning of the period	438.318	332.792
Movements during the period	11.747	105.526
<i>Purchases</i>	1.750	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>	9.122	102.119
<i>Impairment Provisions (-)</i>	-	-
Balance at the end of the period	450.065	438.318
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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

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

d) Sectorial information and related carrying amounts of associates:

	Current Period	Prior Period
Banks	424.950	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	11.102	9.352

(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	66.857	14.959	231.346	15.008	229.780	622
Other Comprehensive Income according to TAS	10.172	-	-	712.076	-	8.592	10	27.422	-
Profit / Loss	49.821	132.913	296.795	40.538	(128.941)	46.655	58.281	20.143	764
<i>Net Profit</i>	49.821	198.149	272.261	40.538	(6.721)	42.479	38.305	20.143	539
<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	6.144	82	95	-	-	-	-
Leasehold Improvements (-)	-	-	360	2.806	-	35.415	-	6.317	-
Intangible Assets (-)	1.363	4.557	3.050	793	1.685	5.970	929	13.745	4
Tier-1 Capital	186.120	503.995	830.800	1.793.735	207.238	709.067	168.370	569.682	1.482
Tier-2 Capital	-	-	-	-	34.625	13.714	24.892	7.178	-
CAPITAL	186.120	503.995	830.800	1.793.735	241.863	722.781	193.262	576.860	1.482
NET AVAILABLE CAPITAL	186.120	503.995	830.800	1.793.735	241.863	722.781	193.262	576.860	1.482

⁽¹⁾The information is presented from companies' financial statements as of 30 September 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 related clauses of Turkish Commercial Code no. 6102.

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

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

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

b) Information on subsidiaries:

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	Northern Macedonia	99,29	99,29
7. Halk Faktoring AŞ	Istanbul	97,50	100,00
8. Halkbank A.D. Beograd	Sırbistan	100,00	100,00
9. Halk Varlık Kiralama AŞ	Istanbul	100,00	100,00
10. Bileşim Alternatif Dağıtım Kanalları 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	458.525	187.483	8.507	89.466	5.619	49.821	35.958	227.604
2	2.944.003	508.552	15.295	283.661	44.819	198.149	70.526	492.895
3	1.552.827	834.210	11.801	190.312	15.233	272.261	221.263	1.525.530
4	2.161.711	1.771.172	1.379.423	1.855	-	40.538	71.396	647.861
5	3.174.618	208.923	3.381	242.705	-	(6.721)	42.507	469.551
6	5.202.173	750.452	120.226	150.496	9.508	42.479	36.609	724.084
7	1.720.477	169.299	2.433	263.501	-	38.305	29.795	138.296
8	3.394.873	589.744	84.576	94.682	12.008	20.143	12.911	415.780
9	1.079.342	1.486	4	-	-	539	344	1.800
10	70.875	48.268	7.655	6.084	-	12.605	7.022	57.146

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

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

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

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	368.066	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)	(58.894)	330.466
Reversals / Provisions(-) for impairment	165.197	(161.627)
Balance at the end of the period	4.700.547	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 Northern Macedonia and increased its shares to 99,29%.

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

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

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

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

	Current Period	Prior Period
Banks	1.139.864	987.369
Insurance companies	2.018.425	2.018.425
Factoring companies	138.296	138.296
Leasing companies	469.551	469.551
Financing companies	-	-
Other financial subsidiaries	877.265	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)}	1.140.756	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	122	1.502
Transfer	-	-
Disposals (-)	-	-
Impairment Provisions (-)	-	-
Ending Balance	432.469	432.347
Accumulated Depreciation (-)		
Opening Balance	75.499	72.271
Amortization Charge (-)	2.437	3.228
Transfer	-	-
Disposals (-)	-	-
Impairment Provisions (-)	-	-
Ending Balance	77.936	75.499
Net Book Value	354.533	356.848

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

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

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

	Current Period	Prior Period
Cost	145.601	39.377
Accumulated Depreciation (-)	-	-
Net book value	145.601	39.377
Balances at end of prior period	39.377	-
Transfer (net)	145.599	39.377
Disposals (net)	(39.375)	-
Additions	-	-
Impairment	-	-
Depreciation	-	-
Closing net book value	145.601	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". The capital investment amount of the Bank, which was TRY 2, reached TRY 145,601 after the capital increase realized with the decision taken during the General Assembly meeting of the Special Purpose Entity on 23 September 2019.

(14) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 3.643.798 and does not exceed 10% of the balance sheet total (31 December 2018: TRY 3.643.082).

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

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

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

a) 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	Accumulated deposits	Total
Saving deposits	8.344.978	-	2.738.547	41.997.455	7.436.034	1.285.808	2.855.099	98.680	64.756.601
Foreign currency deposits	20.327.693	-	16.005.682	69.215.105	6.219.790	2.603.675	5.996.930	9.978	120.378.853
<i>Residents in Turkey</i>	16.383.524	-	14.232.098	63.549.990	5.847.005	1.803.302	3.553.666	9.471	105.379.056
<i>Residents abroad</i>	3.944.169	-	1.773.584	5.665.115	372.785	800.373	2.443.264	507	14.999.797
Public sector deposits	3.254.841	-	2.257.043	2.865.056	529.404	172.326	15.479	-	9.094.149
Commercial inst. Deposits	6.683.714	-	10.912.460	20.683.180	2.483.046	726.178	2.933.866	-	44.422.444
Other inst. Deposits	949.732	-	610.046	6.915.430	2.699.197	1.097.842	2.614.457	-	14.886.704
Precious metals	4.832.563	-	9.094	755.841	163.372	33.304	60.277	-	5.854.451
Interbank deposits	5.407.818	-	8.774.303	9.829.507	609.475	8.544	7.505	-	24.637.152
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	75.848	-	6.621.286	5.744.789	136.218	8.544	7.505	-	12.594.190
<i>Foreign banks</i>	5.067.904	-	116.686	3.213.687	-	-	-	-	8.398.277
<i>Participation banks</i>	264.066	-	2.036.331	871.031	473.257	-	-	-	3.644.685
Total	49.801.339	-	41.307.175	152.261.574	20.140.318	5.927.677	14.483.613	108.658	284.030.354

Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Accumulated 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>	11.173.107	-	6.767.449	50.285.363	6.849.844	1.790.411	3.681.216	10.784	80.558.174
<i>Residents abroad</i>	2.071.933	-	807.133	3.370.994	379.772	683.371	2.441.516	484	9.755.203
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>	116.071	-	370.153	6.526.936	17.765	4.116	6.247	-	7.041.288
<i>Foreign banks</i>	20.120.093	-	32.606	2.173.434	-	-	127.999	-	22.454.132
<i>Participation banks</i>	492.971	-	474.976	318.830	159.245	-	-	-	1.446.022
Total	52.522.881	-	23.230.194	137.528.945	17.495.992	10.017.060	7.946.979	113.203	248.855.254

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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 and participation accounts in the scope of Saving Deposits/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	36.280.477	29.259.703	28.236.378	32.011.973
Foreign currency saving deposits	18.079.925	10.687.058	37.799.735	32.319.474
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	312.285	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	223.376	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	2.385	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	-	61.660	-	98.286
Swap transactions	44.076	690.729	-	302.162
Future transactions	-	-	-	-
Options	323	1.574	16	9.974
Other	-	-	-	-
Total	44.399	753.963	16	410.422

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

(3) Information on funds borrowed:

a) Information on Banks and other financial instruments:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	458.401	1.817.299	372.398	1.456.532
Foreign banks, institutions and funds	-	8.538.053	-	10.087.097
Total	458.401	10.355.352	372.398	11.543.629

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	458.048	838.118	372.030	1.802.519
Medium and long-term	353	9.517.234	368	9.741.110
Total	458.401	10.355.352	372.398	11.543.629

(4) Marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bills	5.697.323	-	2.011.697	-
Bonds	767.502	9.945.611	-	12.024.839
Assets Backed Securities	1.011.031	-	1.011.442	-
Total	7.475.856	9.945.611	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	25.522	24.100
1 - 4 years	212.527	200.576
More than 4 years	455.438	318.536
Total	693.487	543.212

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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 September 2019 the Bank does not have a provision 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 September 2019, the Bank's specific provision for unindemnified non-cash loans balance is TRY 99.240 (31 December 2018: TRY 169.363).

c) Information on other provisions:

Total other provision balance amounting to TRY 458.333 (31 December 2018: TRY 966.686) consists of TRY 99.240 (31 December 2018: TRY 169.363) for specific provisions of unindemnified and unfunded non cash loans, TRY 154.102 (31 December 2018: TRY 196.831) for first and second stage expected credit loss amount of non-cash loans, TRY 74.944 (31 December 2018: TRY 115.020) for legal cases filed against the Bank, TRY 130.047 (31 December 2018: TRY 71.472) for other provisions. (General provisions for 31 December 2018: TRY 414.000).

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 30 September 2019, the Bank's calculated current tax asset is amounting to TRY 454 and recognized under corporate tax provision account as of the mentioned date.

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate tax payable	454	-
Income on securities tax	763.897	419.083
Property income tax	2.067	1.879
Banking and insurance transactions tax (BITT)	162.926	172.999
Foreign exchange transactions tax	4.746	13
Value added tax payable	-	-
Other	40.222	42.750
Total	974.312	636.724

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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	24	20
Social insurance premiums-employer	31	25
Bank social aid pension fund premium-employee	15.789	12.674
Bank social aid pension fund premium-employer	21.958	17.609
Pension fund membership fees and provisions-employee	-	-
Pension fund membership fees and provisions-employer	-	-
Unemployment insurance-employee	1.146	922
Unemployment insurance-employer	2.257	1.805
Other	397	230
Total	41.602	33.285

b) Information deferred tax liability:

	Current Period	Prior Period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	795.566	753.154
Revaluation of Financial Assets	(1.158.098)	(1.634.098)
Other	(10.667)	428.175
Deferred Tax (Asset) /Liability:	(373.199)	(452.769)
Deferred tax accounted under shareholders' equity	(157.211)	(158.766)
Fair value through other comprehensive income arising from securities' internal efficiency-stock market difference	(7.625)	(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				
Subordinated loans	-	5.653.033	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	6.012.408	-	6.182.084	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.012.408	-	6.182.084	-
Total	6.012.408	5.653.033	6.182.084	-

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

(11) Information on shareholders' equity:

a) Presentation of paid-in capital:

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

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

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

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

None.

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

None.

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

None.

f) 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 2018.

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.

i) Information on marketable securities revaluation fund:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.508.057	282.870	1.404.394	291.471
Valuation differences	1.508.057	282.870	1.404.394	291.471
Exchange rate difference	-	-	-	-
Financial assets at fair value through other comprehensive income	136.157	(81.328)	(24.601)	(167.172)
Valuation differences	136.157	(81.328)	(24.601)	(167.172)
Exchange rate difference	-	-	-	-
Total	1.644.214	201.542	1.379.793	124.299

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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	13.896.843	12.674.648
Payment commitments for cheques	3.111.617	2.661.413
Loan granting commitments	2.584.356	4.611.884
Forward asset purchase and sale commitments	6.732.855	2.036.669
Forward deposit purchase and sale commitments	200.000	-
Commitments for credit cards and banking services promotions	29.458	31.409
Tax and fund liabilities from export commitments	78.096	65.280
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	4.008.618	3.691.303
Total	30.641.843	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	3.977.740	3.136.394
Bank acceptances	6.520.970	7.050.260
Other guarantees	2.446.439	2.000.953
Total	12.945.149	12.187.607

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

	Current Period	Prior Period
Letters of certain guarantees	16.377.515	17.065.885
Letters of advance guarantees	4.718.396	6.037.362
Letters of tentative guarantees	820.136	804.609
Letters of guarantee given to customs offices	1.794.763	1.742.025
Other letters of guarantee	50.737.439	45.202.337
Total	74.448.249	70.852.218

c) Total non-cash loans:

	Current Period	Prior Period
Non-cash loans for providing cash loans	7.672.160	6.481.383
<i>Within one year or less original maturity</i>	1.691.926	1.974.877
<i>Within more than one year maturity</i>	5.980.234	4.506.506
Other non-cash loans	79.721.238	76.558.442
Total	87.393.398	83.039.825

d) Information on contingent liabilities and assets:

The Bank's commitments for the cheques given to customers are TRY 3.111.617 (31 December 2018: TRY 2.661.413).

e) Services provided on behalf of others:

None.

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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	7.604.345	428.614	5.407.634	221.325
Medium and long term loans	15.055.818	3.798.338	10.998.873	3.534.371
Interest on non-performing loans	551.361	-	120.366	-
Premiums from resource utilization support fund	-	-	-	-
Total	23.211.524	4.226.952	16.526.873	3.755.696

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

b) Interest received from banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
CBRT	209.722	33.000	240.596	47.845
Domestic banks	22.565	3.125	54.301	22.935
Foreign banks	15.889	21.176	5.854	4.889
Foreign headquarters and branches	-	-	-	-
Total	248.176	57.301	300.751	75.669

c) Interest income from marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From Financial Assets at Fair Value through Profit or Loss	7.211	1.082	9.566	1.086
Financial Assets at Fair Value through Other Comprehensive Income	1.022.254	97.071	85.878	56.277
Financial Assets Measured at Amortized Cost	5.781.828	595.408	3.505.570	409.685
Total	6.811.293	693.561	3.601.014	467.048

d) Interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest income from subsidiaries and associates	106.149	38.321

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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	40.915	170.114	25.300	352.583
<i>CBRT</i>	-	-	-	-
<i>Domestic banks</i>	40.915	34.702	16.743	22.427
<i>Overseas banks</i>	-	135.412	8.557	330.156
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	7	13.888	8	15.591
Total	40.922	184.002	25.308	368.174

b) Interest expenses given to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses given to subsidiaries and associates	453.397	316.571

c) Information on interest expenses to marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on securities issued	1.375.422	507.254	545.145	429.299
Total	1.375.422	507.254	545.145	429.299

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

(2) Information on interest expenses (continued):

d) Maturity structure of interest expenses on deposits:

Current Period	Time deposits							Accumulating deposit	Total
	Account name	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
TRY									
Interbank deposits	413	872.491	628.231	24.320	2.058	-	-	-	1.527.513
Saving deposits	96	353.571	6.038.707	901.125	273.399	226.592	8.977	-	7.802.467
Public deposits	59	286.673	453.645	130.141	54.142	2.441	-	-	927.101
Commercial deposits	20	1.378.377	2.363.896	322.458	301.115	276.197	-	-	4.642.063
Other deposits	2	67.708	756.460	541.924	141.948	76.297	-	-	1.584.339
7 days call deposits	-	-	-	-	-	-	-	-	-
Total	590	2.958.820	10.240.939	1.919.968	772.662	581.527	8.977	-	16.483.483
Foreign currency									
Deposits	62	256.411	1.371.965	126.199	50.445	118.295	-	-	1.923.377
Interbank deposits	2	190.844	-	-	-	-	-	-	190.846
7 days call deposits	-	-	-	-	-	-	-	-	-
Precious metal	-	27	5.265	526	403	796	-	-	7.017
Total	64	447.282	1.377.230	126.725	50.848	119.091	-	-	2.121.240
Grand total	654	3.406.102	11.618.169	2.046.693	823.510	700.618	8.977	-	18.604.723

Prior Period	Time deposits							Accumulating deposit	Total
	Account name	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
TRY									
Interbank deposits	654	309.323	334.513	39.719	257	-	-	-	684.466
Saving deposits	4	168.973	4.779.625	162.167	42.359	32.893	7.172	-	5.193.193
Public deposits	127	173.964	377.394	67.840	410.850	3.020	-	-	1.033.195
Commercial deposits	14	682.356	2.519.775	258.782	165.852	23.342	-	-	3.650.121
Other deposits	-	84.896	922.031	137.010	141.362	2.164	-	-	1.287.463
7 days call deposits	-	-	-	-	-	-	-	-	-
Total	799	1.419.512	8.933.338	665.518	760.680	61.419	7.172	-	11.848.438
Foreign currency									
Deposits	23	76.183	1.203.307	70.503	82.793	94.754	-	-	1.527.563
Bank deposits	5	226.696	-	-	-	-	-	-	226.701
7 days call deposits	-	-	-	-	-	-	-	-	-
Precious metal	-	26	1.681	172	217	398	-	-	2.494
Total	28	302.905	1.204.988	70.675	83.010	95.152	-	-	1.756.758
Grand total	827	1.722.417	10.138.326	736.193	843.690	156.571	7.172	-	13.605.196

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

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

	Current Period	Prior Period
Profit	39.541.690	42.482.535
Profit from the capital market transactions	197.840	34.630
Profit on derivative financial transactions	6.867.689	5.744.092
Foreign exchange gains	32.476.161	36.703.813
Loss (-)	42.233.097	42.521.797
Loss from the capital market transactions	5.608	16.187
Loss from derivative financial transactions	9.104.032	3.370.758
Foreign exchange losses	33.123.457	39.134.852

(4) Information on other operating income:

	Current Period	Prior Period
Adjustments for prior period expenses	1.884.813	333.007
Income from the asset sale	68.290	59.577
Rent income	34.965	27.902
Other income	58.106	32.234
Total	2.046.174	452.720

(5) Impairment losses on loans and other receivables:

	Current Period	Prior Period
Expected Credit Losses	3.182.986	1.795.860
<i>12 Month Expected Credit Loss (Stage 1)</i>	317.293	242.844
<i>Significant Increase in Credit Risk (Stage 2)</i>	124.041	455.303
<i>Defaulted Loans (Stage 3)</i>	2.741.652	1.097.713
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	21.215	163.447
Total	3.204.201	1.959.307

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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	87.893	63.036
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	249.330	93.927
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	30.598	38.468
Impairment expense for equity shares subject to	-	-
Impairment expense of assets that will be	-	-
Amortization expenses of assets that will be	8.285	5.935
Impairment expense for property and equipment	-	-
Other operating expenses	1.369.899	1.300.950
<i>Leasing Expenses on TFRS 16 Exceptions</i>	63.494	204.122
<i>Maintenance expenses</i>	38.282	26.162
<i>Advertisement expenses</i>	142.576	132.165
<i>Other expenses</i>	1.125.547	938.501
Loss on sales of assets	25	33
Other	741.949	643.459
Total	2.487.979	2.145.808

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

The Bank's income before tax is due from continuing activities. The amount of profit before tax consists TRY 6.814.540 of net interest income and TRY 2.049.620 of net fees and commissions income. The profit from continuing operations before tax of the Bank is amounting to TRY 855.160.

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

For the period then ended 30 September 2019, the Bank's tax provision amounting to TRY 68.590 consists of TRY 9.425 of current tax charge and TRY 677.097 of deferred tax charge, TRY 755.112 of deferred tax income.

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

For the period ended 30 September 2019, net operating income after tax is TRY 923.750.

(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
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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	1.854.155	258.658	-	-	-	-
Interest and commissions income	106.149	1.178	-	-	-	-

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	38.322	729	-	-	-	-

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	3.464.504	2.889.487	-	-	-	-
Interest expense on deposits	444.558	309.242	-	-	-	-

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	-	109.322	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

TÜRKİYE HALK BANKASI AŞ
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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED
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V. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK (continued)

(2) Disclosures for risk group:

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

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

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	1.854.155	0,64
Non-cash loans	258.658	0,30
Deposits	3.464.504	1,22
Forward and option contracts	-	-

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

- 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 amounts to TRY 7.992 (30 September 2018: TRY 8.338).

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

VI. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

An indictment was filed against the Bank on 15 October 2019 by the New York Southern District Attorney General of the United States Department of Justice, which repeated the allegations made in the case against the former executive of the Bank for violation of Iranian sanctions. The prosecution process is ongoing by the court.

VII. OTHER EXPLANATIONS

An indictment was filed against the Bank on 15 October 2019 by the New York Southern District Attorney General of the United States Department of Justice, which repeated the allegations made in the case against the former executive of the Bank for violation of Iranian sanctions. The prosecution process is ongoing by the court. The prosecution process is closely monitored by the Bank through specialized US law firms.

The appeal process of the case which resulted in conviction for the defendant former executive of the Bank, who was released on 19 July 2019 and returned back to Turkey, is ongoing.

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
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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 September 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 14 November 2019 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

TÜRKİYE HALK BANKASI AŞ
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SECTION VII: INTERIM ACTIVITY REPORT

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

Assessment of Chairman of the Board of Directors

Esteemed Stakeholders,

We are going through a year where the leading players that shape the future of the world economy are often forced to make strategic decisions that reset the balance in financial markets. Accordingly, the United States protectionist trade policies against Chinese and European economies induced a decline in global growth. Actions initiated within the scope of the United States protectionist trade policies pulled Chinese economic growth to 6 percent and slowed the manufacturing sector in EU countries.

On the other hand, the United Kingdom's yet to be finalized decision to leave the EU remains an ambiguity in global markets. Furthermore, escalating Euroscepticism in Europe, sporadic political risks in Italy and Spain as well as the United States' projection to increase customs duties on the automotive sector caused a slowdown in leading European economies.

Many countries, particularly the United States and European countries, had to adopt additional supportive actions in their monetary policies. Central Banks reinstated a growth in their balance sheets while decreasing interest rates. In fact, the previously impossible utopia of negative interest rates became a reality and the negative interest rate bonds gained significant volume across the globe. The current picture clearly demonstrates that monetary policies are no longer as efficient and so, developing countries are now considering fiscal policies as well to support their economies. We are finally moving on from a period where financing does not produce investment and high returns surprisingly restrain risk appetite. Countries, such as Turkey, whose social qualities foster a rapid growth potential, are resurfacing as attention centers for these resources.

As investments leverage medium term growth targets in the following period, the July and September decisions of the Central Bank of the Republic of Turkey to lower interest rates proved to be timely and steady steps. Alleviating the stress on financing costs, the decreased rates suppress inflation to carry us further towards the New Economy Program goals. The September decline of the annual CPI increase to 9.26 percent with the support of the base effect, in addition to the improvement in inflation projections, reassured markets.

I believe that this positive environment in the country will help the real economy thrive in the final quarter of the year. In accordance with the projection of our economy administration, I believe that companies specializing in high value manufacturing, thereby ensuring higher efficiency, will attain significant success in 2020.

We will continue to support these success stories as we have always done. As the bank of tradespeople, craftsmen and SMEs, we will ceaselessly enhance the quality of our services. We will continue to offer innovative products to our customers and provide the ultimate solutions to their needs.

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SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

Assessment of Chairman of the Board of Directors (continued)

Esteemed stakeholders,

Financial markets in our country and across the world are going through a significant transformation. Turkey's actions in 2019, the year of Discipline and Balance as described by our economic administration, are the results of brilliant analysis of this transformation. Emerging successfully from a critical course, Turkey will enjoy in 2020 a brand new year of Transformation with our vision of a strong Turkey. As it has been for 81 years, Halkbank will again be the strongest link in this transformation.

Respectfully,

R. Süleyman ÖZDİL
Chairman

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SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

Assessment of General Manager

Esteemed Stakeholders,

The Turkish economy has been advancing steadily following the reform steps we have taken over the past year. Recent actions encouraging savings, supporting new investments and balancing corporate payments are assuring the market and steadying our economy further day by day. Conceived under the coordination of the Turkish Ministry of Treasury and Finance and through intense efforts of our public institutions, led in particular by our public banks, the current atmosphere boosted our expectations of this year's final quarter. Breaking through a successful transition period, the balancing economy triggered a decline in lending interest rates, thus enhancing the positive atmosphere.

In the meanwhile, we strived to develop products that would enable efficient use of our resources. We took proactive steps concerning interest rates under the coordination of the Turkish Ministry of Treasury and Finance and in cooperation with other public institutions to demonstrate our faith in the Turkish economy as well as to contribute significantly to boosting economic activities.

As our leading SME Banking products shined, we supported export companies with our IVME (advanced, productive, indigenous, industry) financing package, developed for export and added-value manufacturing. Prioritizing Turkish Lira Overnight Reference Rate (TLREF) indexed activities, we offered favorable selections to Corporate, Commercial and SME segment companies who will be our new loan customers. As a sign of our faith in real economy and to contribute to domestic production, we cooperated with automobile manufacturers located in Turkey to decrease interest rates on vehicle loans for private and commercial vehicles manufactured in Turkey.

While strong financial indicators in the Turkish economy decreased input costs, our reduced interest rates have helped toward meeting the increased demand in the real estate industry. We would love to see such positive developments in every aspect of life. Our recently introduced Employment-Oriented Working Capital Loan also aims to provide a healthy and sustainable contribution to current employment for the steady growth and development of our economy.

Supporting the value-creating industries in our economy, we signed a protocol with the Turkish Pharmacists' Association to launch the Pharmacist Paraf SME and Pharmacist Support Package. The Pharmacist Paraf SME allows pharmacists to easily manage their cash flow and to realize all their installment/credit purchases and all other transactions with a single card, without the use of checks or promissory notes.

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SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

Assessment of General Manager (continued)

Esteemed Stakeholders,

We completed another term with favorable new products for our customers and maintained our legacy of high performance. In this period, our total loans, including cash and non-cash loans, reached 391.9 billion TRY, up by 14.6 percent compared to year-end 2018. SME loans held 38.7 percent of our cash loans and our Bank's assets reached 443.5 billion TRY, up by 17.2 percent. While we continued to offer profitable products to our depositors, our total deposits increased by 14.1 percent to reach 284 billion TRY during the first nine months of the year.

Our bank's strong balance sheet is an indication of our decisive march towards the shared future we have shaped with all our shareholders. It is our primary goal and responsibility to further enhance our corporate reputation and brand power in the eyes of our investors, employees and clients. We appreciate all our stakeholders who share our goals and our path.

Respectfully,

Osman Arslan
General Manager

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SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

Major Unconsolidated Financial Information

Summary Balance Sheet (Million TRY)	September 2019	December 2018	Change (%)
Total Assets	443.499	378.422	17,2
Loans	304.512	259.074	17,5
<i>TRY</i>	218.100	174.100	25,3
<i>FC</i>	86.412	84.974	1,7
Marketable Securities	96.383	74.557	29,3
Deposit	284.030	248.855	14,1
<i>TRY</i>	146.223	140.018	4,4
<i>FC</i>	137.807	108.837	26,6
Total Equity	30.203	29.021	4,1

Summary Statement of Profit or Loss (Million TRY)	September 2019	September 2018	Change (%)
Interest Income	35.403	24.878	42,3
<i>On Loan</i>	27.438	20.283	35,3
<i>On Securities</i>	7.505	4.068	84,5
Interest Expense	28.589	18.751	52,5
<i>On Deposit</i>	18.605	13.605	36,7
Net Interest Income	6.815	6.127	11,2
Net Fee and Commission	2.050	1.386	47,9
Net Profit	924	2.205	(58,1)

Ratio (%)	September 2019	December 2018
Cash Loans/Total Asset	68,7	68,5
Non-Performing Loans/Total Cash Loans (Gross)	4,6	3,3
Demand Deposit/Total Deposit	17,5	21,1
Loan/Deposit Ratio	107,2	104,1
Average Return on Asset (ROA)	0,3	0,7
Average Return on Equity (ROE)	4,2	9,3
Capital Adequacy Ratio	14,2	13,8

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SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

2019 Third Quarter Interim Developments

Significant Developments

- Throughout this period, our Bank issued bonds with a par value of 4,235,000,000 Turkish lira to qualified investors; bills indexed to the Turkish Lira Overnight Reference Rate (TLREF) with a par value of 130,000,000 Turkish lira; bonds indexed to the Turkish Lira Overnight Reference Rate (TLREF) and Inflation with a par value of 134,000,000 Turkish lira; bonds indexed to returns of BIST TLREF Index with a par value of 100,000,000 Turkish lira; and bonds indexed to the Turkish Lira Overnight Reference Rate (TLREF) with a par value of 940,000,000 Turkish lira.

New Products and Campaigns

- We developed the Foreign Currency to Turkish Lira Conversion Deposit Account product for our customers who invest their savings in time/current deposit accounts in USD or EUR or hold deposit accounts/cash in these currencies outside of our bank and who wish to change their deposit account/cash to Turkish Lira.
- In order to support exporting companies, IVME Financing Package is offered to our customers for export and value added product production.
- We launched the "Branch Queue Ticket Application" on our Mobile Banking channel so that our customers can make appointments to complete their transactions more quickly at our branches.

Social Responsibility Projects and Activities

- Our bank sponsored the 32nd Kırşehir Ahilik Festival organized in Kırşehir by the Turkish Ministry of Trade, Directorate General of Tradesmen, Craftsmen and Cooperatives to promote the culture of ahi (brotherhood) and yaran (friendship) that represent ethics, integrity, and benevolence.
- Our bank sponsored Paraf People's Stars Performances between 31 August and 9 September 2019 at Harbiye Open-Air Theater.
- Our bank sponsored the International Geographical Indications Summit, organized between 19-21 September 2019 with the "From Anatolia to the World" theme to raise awareness on the economic significance of geographical indication products and to promote our country's geographical indications.
- Our bank sponsored the Technofest 2019 organized at Ataturk Airport between 17-22 September 2019 by the Turkey Technology Team Foundation to encourage bright teenagers to participate in technology development and to develop and promote national, original products.
- Our bank also sponsored the Media Oscars Award Ceremony, organized by the Radio-Television Journalists Association, hosting many artists and media representatives.

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