

TÜRKİYE HALK BANKASI A.Ş.
INFORMATION DOCUMENT FOR THE ANNUAL GENERAL MEETING
AUGUST 13, 2018

Pursuant to the relevant provisions of the Turkish Commercial Code, the 2017 Ordinary General Assembly of our Bank, at which the agenda items set forth shall be discussed, shall be held on Monday, August 13, 2018 at 10:00 at the Head Office located at Barbaros Mahallesi Şebboy Sokak No:4 Ataşehir/İstanbul Pursuant to Article 437 of the Turkish Commercial Code, the Financial Statements, the Dividend Distribution Statement, the Annual Report of the Board of Directors, the Report of the Board of Auditors, the Independent Audit Report, and other documents of our Bank relevant to the agenda 2017 shall be made available at the Head Office Building for the shareholders to examine Friday, July 20, 2018 at the latest. In addition, the aforementioned documents and their annexes shall be accessible via the Internet at <http://www.halkbank.com.tr/en/international-banking/61/general-assembly> and <http://www.halkbank.com.tr/en/international-banking/83/financial-reports>

Pursuant to the Turkish Commercial Code No 6102, the Capital Markets Law No 6362, and other relevant legislation adopted in accordance with these laws, shareholders may attend the General Assembly using the "Electronic General Assembly System" (EGAS), an electronic platform provided by the Central Registry Agency (CRA), or by presenting themselves in person at the location of the General Assembly.

Attending the General Assembly via EGAS

Shareholders who have dematerialized their shares in their own names may attend the General Assembly in person or by proxy provided that they obtain a qualified electronic certificate and that they complete the EGAS trainings. Shareholders can obtain further information about how they can attend the General Assembly via EGAS by visiting the website of the Central Registry Agency.

Shareholders who declare that they will attend the General Assembly via EGAS may not attend the General Assembly in person.

Attending the General Assembly in Person

- 1) Real person shareholders must present an identity card which bears their Turkish Identification Number.
- 2) If real person shareholders have designated a proxy via EGAS, the proxy must present an identity card which bears their Turkish Identification Number.
- 3) If real person shareholders have not designated a proxy via EGAS, the proxy must present an identity card which bears their Turkish Identification Number and a power of attorney given below which shows that they have been designated as a proxy.
- 4) Proxies designated by real person shareholders may attend the General Assembly by presenting an identity card that bears their Turkish Identification Number and a power of attorney given below which proves that they have been designated as a proxy.

Proxies who will attend the General Assembly must use the sample power of attorney given below. The powers of attorney must be notarized and, if they will not be notarized, the shareholder's notarized circular of signature must be attached to the power of attorney.

(Annex-1)

The power of attorney must bear the following information: name of the company; date of the General Assembly; the full name and Turkish Identity Number of the proxy; the number of shareholder shares; the full name, title, Turkish Identification Number/Taxpayer Identification Number and signature of the shareholder. Powers of attorney which do not bear any of this information shall be considered invalid.

Custodial institutions may attend the General Assembly as representing shareholders who hold shares in their accounts, by being authorized by shareholders via EGAS. If the said institutions authorize their own employees to attend the General Assembly in person, these persons must present, in addition to their powers of attorney, the Power of Attorney and Instruction Notice Form contained in the Regulation on the “Procedures and Principles Regarding the General Assemblies of Joint Stock Companies and Ministry of Customs and Trade Representatives to be Present at these Assemblies” issued by the Ministry of Trade.

**TÜRKİYE HALK BANKASI A.Ş.
BOARD OF DIRECTORS**

ADDITIONAL EXPLANATIONS PURSUANT TO THE COMMUNIQUE ON CORPORATE GOVERNANCE

1-) Ownership Structure

Latest ownership and capital structure of the bank is shown below and there are no privileged shareholders in the bank.

HALKBANKASI SHAREHOLDER STRUCTURE (TRY)		
SHAREHOLDER	PAID-IN CAPITAL (TRY)	SHAREHOLDING (%)
Turkey Wealth Fund *	638,825,500	51.1060400
Free Float *	611,076,275	48.8861020
Other **	98,225	0.0078580
TOTAL	1,250,000,000	100.0000000

* TRY 549,932 shares out of total shares belonging to Turkey Wealth Fund are eligible to be traded at Borsa İstanbul. The free float rate corresponds to 48.93%.

** 95,604 TL of the shares under the "Other" group belongs to our shareholders whose shares do not trade on the Exchange (though these shareholders have been dematerialized them in their own accounts); and 2,621 TL of the shares in the "Other" group belong to the shareholders whose shares are monitored under the DESA - Dematerialized Unknown Shareholder Account (KAYDBOH) due to the ongoing legal action.

2-) Information regarding changes in management and business that would significantly affect the operations of the Bank or the Subsidiaries of the Bank

There are no changes in management and business that significantly affected the operations of the Bank or the Subsidiaries of the Bank in the past financial period.

3-) Written requests of the shareholders in relation to adding a clause to the agenda

There have been no written requests by the shareholders conveyed to the Investor Relations Department in relation to adding a clause to the agenda within the period.

EXPLANATIONS ON AGENDA ITEMS

1. Opening and formation of the General Assembly Presidency,

The Board of Presidency will be established in accordance with Turkish Commercial Code No: 6102 and the provision of the Article 15 of the Bank's Articles of Association.

2. Reading and discussion of the 2017 Annual Report prepared by the Board of Directors, the Independent Audit Report, and the Report of the Board of Auditors,

Annual Report prepared by the Board of Directors, the Independent Audit Report and the Report of the Board of Auditors, which have been submitted for the review of the shareholders at the Bank's Head Office Building, on the Bank's website (www.halkbank.com.tr), on the Public Disclosure Platform and on EGAS will be read and submitted for the shareholders' discussion. **(Annex-2)**

3. Reading, discussion and approval of the financial statements for the 2017 financial and fiscal year,

Financial statements for the year 2017, which have been submitted for the review of the shareholders at the Bank's Head Office Building, on the Bank's website (www.halkbank.com.tr) and EGAS will be read and submitted for the shareholders' discussion and approval.

4. Reading, discussion and approval of the Profit Distribution Tables for year 2017 proposed by the Board of Directors,

Profit Distribution Tables for 2017 proposed by the Board of Directors, which has been submitted for the review of the shareholders at the Bank's Head Office Building, on the Bank's website (www.halkbank.com.tr), on the Public Disclosure Platform and on EGAS will be read and submitted for the shareholders' discussion and approval. **(Annex-3)**

5. Discharging of the members of the Board of Directors and Board of Auditors from any liability,

Discharging of the members of the Board of Directors and the Board of Auditors for the year 2017 regarding their operations, transactions and accounts will be submitted for the shareholders' approval.

6. Election of the members of the Board of Directors and the Board of Auditors,

Elections will be held for the Members of the Board of Directors and the Board of Auditors.

7. Determination of the remuneration of members of the Board of Directors and the Board of Auditors,

In accordance with the provisions of the Articles 23 and 31 of the Bank's Articles of Association the remuneration of Members of the Board of Directors and the Board of Auditors will be determined.

8. Approval of the audit firm, which is selected by the Board of Directors and which will conduct the independent audit activities in 2018,

In accordance with the Article 399 of Turkish Commercial Code No: 6102 and the provision of the Article 30 of the Bank's Articles of Association, DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Deloitte), which is selected by the Board of Directors for independent audit activities of the Bank in 2018 will be submitted for the General Assembly' approval.

9. Submission of information to the General Assembly regarding the donations made in the business year of 2017,

Information will be presented to the General Assembly about the donations made in 2017.

(Annex-4)

10. Authorization of the Board of Directors to permit the members of the Board of Directors to engage in activities mentioned in Article 395 and Article 396 of the Turkish Commercial Code and submission of information to the General Assembly pursuant to Article 1.3.6 of the Corporate Governance Principles issued by the Capital Markets Board of Turkey,

The authorization of the Board of Directors to permit the members of the Board of Directors to engage in activities mentioned in Article 395 and 396 of the Turkish Commercial Code will be submitted for the approval of the General Assembly. Further, in case of any transactions executed in the scope of the relevant the Article 1.3.6 of the Corporate Governance Principle, information on these transactions will be presented to the General Assembly.

POWER OF ATTORNEY

I hereby designate _____ as my proxy to represent me as per the opinions I have stated below, to represent me, to vote, to make proposals and to sign documents at the Ordinary General Assembly of Halkbank to be held on Monday, August 13, 2018, at 10:00 at the Head Office of Halkbank located at Barbaros Mahallesi Şebboy Sokak No:4 Ataşehir/İstanbul.

PROXY'S (*)

Full Name/Title:

Turkish Identification Number/Tax Identification Number, Trade Registry Number and MERSİS Number:

(*)Proxies who are non-Turkish citizens must submit, if available, the equivalent of these information, requested above.

A) SCOPE OF THE POWER OF ATTORNEY

For sections 1 and 2, the scope of the attorney shall be determined by choosing (a), (b) or (c) given below.

1. ABOUT THE AGENDA ITEMS OF THE GENERAL ASSEMBLY

- a) The Proxy is authorized to vote in line with his/her own views.
- b) The Proxy is authorized to vote in line with the proposals made by the company management.
- c) The Proxy is authorized to vote in line with the instructions contained in the table below.

Instructions:

If the shareholder chooses (c), he/she provides instructions to the proxy by choosing (accepting/rejecting) one of the options in front of the relevant agenda items. If the shareholder makes a rejection, he/she inserts his/her dissenting opinion, if any, to be recorded in the minutes of the General Assembly.

Agenda Items	Accept	Reject	Dissenting Opinion
1.Opening and formation of the General Assembly Presidency,			
2.Reading and discussion of the 2017 Annual Report prepared by the Board of Directors, the Independent Audit Report and the Report of the Board of Auditors,			
3.Reading, discussion and approval of the financial statements for the 2017 financial and fiscal year,			
4.Reading, discussion and approval of the Profit Distribution Tables for year 2017 proposed by the Board of Directors,			
5.Discharging of the members of the Board of Directors and Board of Auditors from any liability,			
6.Election of the members of the Board of Directors and the Board of Auditors,			
7.Determination of the remuneration of members of the Board of Directors and the Board of Auditors,			

8.Approval of the audit firm, which is selected by the Board of Directors and which will conduct the independent audit activities in 2018,			
9.Submission of information to the General Assembly regarding the donations made in the business year of 2017,			
10.Authorization of the Board of Directors to permit the members of the Board of Directors to engage in activities mentioned in Article 395 and Article 396 of the Turkish Commercial Code and submission of information to the General Assembly pursuant to Article 1.3.6 of the Corporate Governance Principles issued by the Capital Markets Board of Turkey,			
11.Requests and Closing.			

2. Special instruction regarding other issues that may arise during the General Assembly and especially on the use of minority rights:

- a) The Proxy is authorized to vote in line with his/her own views.
- b) The Proxy is authorized to represent the shareholder regarding these issues.
- c) The Proxy is authorized to vote in line with the special instructions listed below

SPECIAL INSTRUCTIONS: Shareholder gives his/her special instructions, if any, to the proxy here.

B) SHAREHOLDER CHOOSES ONE OF THE OPTIONS BELOW TO DESIGNATE THE SHARES HE/SHE WANTS THE PROXY TO REPRESENT

1. I hereby authorize the proxy to represent my shares, the details of which are given below.

- a) Order and series:*
 - b) Number/Group:**
 - c) Amount-Nominal Value:
 - d) Voting or Non-voting Share:
 - e) Bearer or Registered Share:*
 - f) Ratio of the total amount of shares owned and voting rights enjoyed by shareholder:
- *This information is not requested for dematerialized shares.
**For dematerialized shares, information about the group rather than the number of shares will be provided.

2. I authorize the proxy to represent all of my shares contained in the list, prepared by the Central Registry Agency, of shareholders who may attend the General Assembly a day before the start of the General Assembly.

SHAREHOLDER'S (*)

Full Name and Title:

Turkish Identification Number/Tax Identification Number, Trade Registry Number and MERSİS Number:

Address:

(*)Shareholders who are non-Turkish citizens must submit, if existing the equivalent of the information, requested above.

Signature

**TÜRKİYE HALK BANKASI A.Ş.
BOARD OF DIRECTORS REPORT**

With 79 years of history behind it, Halkbank, the Bank of Productive Turkey, continued to offer quality products and services to its customers in 2017. Halkbank sustained support for the real economy thanks to its priority on risk management and its swift adjustment to market conditions. In this context, the Bank not only increased its service diversity in retail banking through its credit card brand Paraf, but also helped contribute to the country's economy through sustained support for SMEs in particular with funds obtained from capital market instruments it has issued and its widespread deposit base.

In 2017, Halkbank increased its assets to 305.4 billion Turkish lira, up from 231.4 billion Turkish lira with a 31.9 percent year-on-year increase and ranked fifth in the sector.

As of year-end 2017, the Bank directed a large part of its funding sources to loans, with loans capturing a 66.6 percent share in its balance sheet. Its commercial loans, including the SME loans, increased to 162.2 billion Turkish lira and retail loans to 41.2 billion Turkish lira. The Bank ranked fourth in cash loans in the sector. Cash and non-cash loan volumes increased from 206.1 billion Turkish lira to 262 billion Turkish lira, up 27.1 percent year-on-year. Furthermore, the Bank exceeded the 20 billion Turkish lira threshold and took the leadership position in the sector as of year-end 2017 with respect to Credit Guarantee Fund loans.

The size of its securities portfolio increased to 48.9 billion Turkish lira, up 47.2 percent year-on-year. The portfolio's share in the balance sheet was 16 percent.

In 2017, Halkbank issued a total nominal value of 8.3 billion Turkish lira of bonds and 10 year-term secondary-capital bonds for a value of 1 billion Turkish lira. Additionally, in 2017 the Bank set up Halk Varlık Kiralama A. Ş. and became the first issuer of lease certificates in the real estate investment market.

Halkbank's total deposit base grew by 28.6 percent to 193.2 billion Turkish lira, up from 150.3 billion Turkish lira year-on-year. In addition, demand deposit volume amounted to 28.4 billion Turkish lira in 2017.

In 2017, the Bank's capital adequacy ratio, average return on equity, and average return on assets were 14.18 percent, 15.96 percent, and 1.39 percent, respectively.

Halkbank increased its year-end profits to 3.7 billion Turkish lira, up 45.6 percent year-on-year, thereby maintaining a sustainable profit in 2017 as well.

With four new branches opening in 2017, Halkbank expanded its branch network to 963 domestic branches and ended the year with 17,851 employees.

Halkbank had a profitable and productive year, continuing on its path of sustained growth in 2017. We would like to thank our colleagues for their contribution in making this possible. We hereby present to our esteemed shareholders and their representatives the Reports of the Board of Directors and Auditors for the year 2017 along with the financial statements of Halkbank submitted for their assessment.

With our kindest regards,

Osman ARSLAN
Board Member/General Manager

R. Süleyman ÖZDİL
Chairman

**BOARD OF AUDITORS REPORT OF TÜRKİYE HALK BANKASI A.Ş.
REGARDING THE WORKING AND ACCOUNTING PERIOD OF 2017**

The Board of Auditors has outlined the following points after inspecting the Bank's activities for 2017.

- As of the end of 2016, total assets of the banking sector grew by 19.3 percent year-on-year, up from 2,731,037 million Turkish lira to 3,257,819 million Turkish lira. Cash loans increased by 21 percent year-on-year, up from 1,734,342 million Turkish lira to 2,098,329 million Turkish lira. Total portfolio of securities grew by 14.3 percent to 401,671 million Turkish lira, and total deposits increased by 16.5 percent year-on-year, up from 1,541,946 million Turkish lira to 1,796,536 million Turkish lira. Non-performing loans/total cash loans ratio declined to 2.96 percent.
- With such sector developments in the backdrop, the Bank's total assets soared to 305,351 million Turkish lira as of the end of 2017, up 31.9 percent year-on-year. Cash loans went up by 28.5 percent, reaching 199,221 million Turkish lira. The Bank's SME loans, aimed at financing the driving force behind our country's growth, increased from 57,136 million Turkish lira in 2016 to 75,913 million Turkish lira, up 32.9 percent year-on-year. The Bank also sustained the lead in the sector with 14.8 percent market share in the SME loan segment in 2017; increased its total portfolio of securities to 45,141 million Turkish lira, up 46.7 percent year-on-year; and increased total deposits to 192,122 million Turkish lira, up 28.4 percent year-on-year, respectively. Its non-performing loans/total cash loans ratio amounted to 2.97 percent of cash loans whereas the Credit Guarantee Fund loans exceeded the 20 billion Turkish lira threshold and took the first place in the sector.
- In 2017, the Bank issued a total nominal value of 8.3 billion Turkish lira of bonds and 10 year-term secondary-capital bonds for a value of 1 billion Turkish lira.
- As of the end of 2017, the ratio of cash loans/total assets, an indicator of asset quality, amounted to 65.2 percent (industry average: 64.4 percent), while the ratio of loans/deposits reached 103.7 percent (industry average: 116.8 percent).
- The Bank's shareholders' equity increased by 19 percent as of the end of 2017, up from 21,327 million Turkish lira in 2016 to 25,377 million Turkish lira in 2017. Net period income increased by 45.6 percent year-on-year, reaching 3,725 million Turkish lira at year-end of 2017.
- Total number of credit cards issued increased to 4 million, total number of POS devices installed to 348 thousand and the number of member merchants who signed on to 328 thousand,
- The Bank established as a subsidiary Halk Varlık Kiralama A.Ş. and became the first issuer of lease certificates in the real estate investment market in 2017.
- All the books and records that the bank is required to keep as per applicable regulations are kept in due conformity with the legal requirements; all records and certifying documents are duly maintained and the accounting and reporting systems are managed efficiently and duly.

- The Board of Directors' resolutions with respect to the management of the Bank are duly recorded the board of directors' minute book and are duly maintained.
- The Bank's internal control, risk management, and internal auditing systems are managed effectively and duly according to the findings of audits performed both at the head office and on-site.
- Sustaining the growth of its branch network, the Bank opened 4 new branches in 2017 increasing the total number of its domestic branches to 963, totally 969 branches including abroad (5 branches in TRNC and 1 branch in Bahrain).
- In 2017, since 707 employees left the Bank due to either retirement or for other reasons, Halkbank had to hire 1,602 new personnel to cover its human resources needs, increasing the total number of employees to 17,851. The ratio of personnel expenses in total revenues decreased to 18.5 percent in 2017, down from 18.9 percent in 2016.
- In 2017, university/college graduates accounted for 84.3 percent of the total headcount, up 90 basis-points year-on-year.
- The Bank reported a training rate of 17.97 employees per day, or 18,054 participants. This included instructor-led, on-the-job, and e-learning training programs in 2017.

In conclusion, we respectfully submit to the General Assembly the Board of Auditors Report, prepared pursuant to Article 31 of the Articles of Association of the Bank.

Best regards,

Prof. Dr. Yılmaz ÇOLAK
Board of Auditors Member

Faruk ÖZÇELİK
Board of Auditors Member

* Figures excluding rediscount.

Auditors' Report

To the Board of Directors of Türkiye Halk Bankası A.Ş.

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Türkiye Halk Bankası A.Ş. ("the Bank"), which comprise the balance sheet as at 31 December 2017, and the statement of income, statement of income and expense items accounted for under shareholders' equity, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards ("TAS") for the matters not legislated by the aforementioned regulations.

2) Basis for Opinion

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

3) Emphasis of Matter

We draw attention to the following:

As detailed in Section 6 Note 1, one of the Bank's former directors has been convicted for some of the charges in the first phase of the trial by the jury in the United States of America ("USA") of the violation of the USA sanctions involving Iran. The subsequent legal process is not yet completed but ongoing for the defendant director of the Bank such as appeal and other legal rights following the first phase of the trial.

The Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the Bank. The Bank is also closely following this trial by hiring external legal counsel resident in the USA.

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

4) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
<p><i>Classification and impairment of loans and receivables</i></p> <p>Impairment of loans and receivables to customer is a key area of judgement for the management. The Bank has the total loans and receivables amounting to TRY 208.243.749 thousands, which comprise 68% of the Bank’s total assets in its unconsolidated financial statements and the total provision for impairment amounting to TRY 4.779.272 as at 31 December 2017.</p> <p>There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of the BRSA Accounting and Financial Reporting Legislation. Failure in determining the loans and receivables that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment loans and receivables is considered as a key audit matter.</p> <p>Related explanations relating to the impairment of loans and receivables are presented in Section 5 Note I.5.</p>	<p>As part of our audit work, the following procedures were performed:</p> <ul style="list-style-type: none"> • We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Bank with respect to classification of loans and receivables and determination and calculation of impairments. • We have performed loan review procedures on selected samples of loans and receivables with the objective of identifying whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant legislation. • We have selected samples and tested whether collaterals were taken into consideration in specific provisioning calculations with market values multiplied with specified valuation ratios and were adequately classified to correct collateral group as specified in the respective legislation. • We have mathematically tested the appropriateness of specific provision calculations made for non-performing loans in line with the relevant legislation.

	<ul style="list-style-type: none"> • For the portfolio of loans subject to the general provision, we have examined the appropriateness of the general provisions established in line with the BRSA regulations and other pronouncements made by the BRSA. • Based on our discussions with the Bank management, we evaluated whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.
Key Audit Matter	How the matter was addressed in the audit
<p><i>Valuation of Pension Fund Obligations</i></p> <p>Defined benefit pension plan that the Bank provides to its employees is managed by Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı ile T.C. Ziraat Bankası ve T. Halk Bankası Çalışanları Emekli Sandığı Vakfı (“Plan”) which were established by the 20th provisional article of the Social Security Law numbered 506 (“Law”).</p> <p>As disclosed in the Section III note XVI to the unconsolidated financial statements, the Plan is composed of benefits which are subject to transfer to the Social Security Foundation (“SSF”) as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to the SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the funds and the institutions that employ the funds’ members will cover the non-transferable social rights and pension benefits provided under the Plan.</p> <p>As of 31 December 2017, the Bank’s transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by the Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. The valuation of the Plan</p>	<p>Our audit work included the following procedures:</p> <ul style="list-style-type: none"> • We involved external experts (actuary) in our audit team to evaluate the assumptions used in the calculation of the pension obligations and the appropriateness of the estimates. • It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used. • In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Bank’s actuary. • We have assessed whether there is a significant change in the actuarial assumptions, methods, legal regulations and legislation used in the calculations and whether the assumptions are reasonable.

<p>liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in the Plan. Management uses expert opinion of the independent actuary in assessing uncertainties related to these underlying assumptions and estimates.</p> <p>As described in Section V note II.9.f considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the Law, we considered this a key audit matter.</p>	
<p>Key Audit Matter</p>	<p>How the matter was addressed in the audit</p>
<p><i>Information Technologies Audit</i></p> <p>The Bank and its finance functions are dependent on the IT-infrastructure for the continuity of its operations, and the demand for technology-enabled business services is rapidly growing in the Bank and its subsidiaries. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Bank means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be key area of focus as part of our risk based scoping.</p>	<p>Procedures within the context of our information technology audit work:</p> <ul style="list-style-type: none"> • We identified and tested the Banks' controls over information systems as part of our audit procedures. • Information generation comprise all layers of information systems including applications, networks, transmission systems and database. The information systems controls tested are categorized in the following areas: <ul style="list-style-type: none"> • Manage security • Manage changes • Manage operations • We selected high-risk areas as, database logging and change management control activities, to prevent and detect whether accesses to financial data had been identified in a timely manner. • We tested the accesses and logging controls underlying all applications that have direct or indirect impacts on financial data generation. • Automated controls and integration

	controls are tested to underly and detect changes and accesses in the process of financial data generation.
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5) Other Matters

The unconsolidated financial statements of the Bank as at and for the year ended 31 December 2016 were audited by another auditor who expressed an unqualified opinion on 13 February 2017.

6) Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

7) Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January-31 December 2017 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

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

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

Additional Paragraph for English Translation

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

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

Hasan Kılıç
Partner

İstanbul, 14 February 2018

T.Halk Bankası A.S. Profit Distribution Table for 2017 (TRY)		
1.	Paid-in Capital	1.250.000.000,00
2.	General Legal Reserves (Based on the Legal Records)	1.645.648.908,87
Information regarding the privilege in profit distribution, if any, granted pursuant to the Articles of Association		
		Based on the Official Records (Pursuant to the Accounting Standards of the Public Oversight Accounting and Auditing Standards Authority and the BRSA)
3.	Profit for the Financial Year	4.709.581.911,92
4.	Taxes Payable (-)	984.120.411,25
5.	Net Profit for the Period (=)	3.725.461.500,67
6.	Prior Years Losses (-)	0
7.	General Legal Reserves (-)	186.273.075,03
8.	NET PROFIT AVAILABLE FOR DISTRIBUTION (=)	3.539.188.425,64
9.	Donations made during the year (+)	
10.	Net Profit available for distribution including donations made subject to first dividend	
11.	First Dividend to Shareholders	62.500.000,00
	Cash	62.500.000,00
	Non Chase	0
	Total	62.500.000,00
12.	Dividends Distributed to the Privileged Shareholders	0
13.	Other Distributable Dividends*	199.665.146,00
	To the Members of the Board of Directors	199.665.146,00
	To the Personnel	
	To Other Persons excluding Shareholders	0
14.	Dividends to Owners of Redeemed Shares	0
15.	Second Dividend to Shareholders	123.773.075,03
16.	General Legal Reserves**	32.343.822,10
17.	Status Reserves	0
18.	Special Funds	0
19.	EXTRAORDINARY RESERVES	3.320.571.528,50
20.	Other Distributable Funds	0

* Dividends to be distributed to the General Manager who is a member of the Board of Directors, and to the personnel were included in the net profit of the year 2017 by setting aside provisions and therefore were not subject to the dividend payout. It has been shown in the table for informative purposes only.

** Pursuant to the Turkish Accounting Standards No. 19 Employee Benefits Standards, the dividends to be distributed to the General Manager who is a member of the Board of Directors and to the personnel, respected in the calculation of the General Legal Reserves, will be paid, by the resolution of the General Assembly, from the provisions which were set aside and booked under the expenses of the related period.

INFORMATION ON DIVIDEND PAYOUT RATIO

	GROUP	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND/ NET DISTRIBUTABLE PROFIT	DIVIDEND PER SHARE TOTAL DIVIDEND AMOUNT (NOMINAL VALUE: TRY 1)	
		CASH (TRY)	NON CASH (TRY)	RATIO (%)	AMOUNT (TRY)	RATIO (%)
GROSS	-	186.273.075,03	-	5,26	0,149018460024	14,9018460024
NET	-	158.332.113,78	-	4,47	0,1266656910204	12,66656910204

* 15% income tax shall not be applicable to the cash dividend payments to full taxpayer companies.

Annex-4

DONATION AND AID IN 2017	
Donation to Various Public Institutions and Organizations of Fixed Assets, Computers in particular and Other Aid	3.113.054,19
Others (University, Cultural Center, Puclic Spot)	1.179.704,44
TOPLAM	4.292.758,63