

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

# **Türkiye Halk Bankası Anonim Şirketi**

**Consolidated Financial Statements  
As of and For the Six-Month Period Ended 30 June 2018  
With Limited Review Report Thereon**  
*(Convenience Translation of Consolidated Interim  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

9 August 2018

*This report contains “Limited Review Report”  
comprising 3 pages and; “Consolidated Interim  
Financial Statements and Related Disclosures and  
Footnotes” comprising 139 pages.*

## **REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION**

### **To the General Assembly of Türkiye Halk Bankası AŞ**

#### *Introduction*

We have reviewed the accompanying consolidated balance sheet of Türkiye Halk Bankası A.Ş. (“the Bank”) and its consolidated subsidiaries (together will be referred as “the Group”) as at 30 June 2018, and the consolidated statement of income, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying 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 interim financial information based on our review.

#### *Scope of Review*

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

#### *Basis for Qualified Conclusion*

1. The accompanying consolidated interim financial statements as at 30 June 2018, include a general reserve amounting to TRY 107.000 thousand, provided by the Group management for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions. If such general provision was not provided, as at 30 June 2018, other provisions would decrease by TRY 107.000 thousand, prior periods’ income would increase by TRY 17.000 and net profit would increase by TRY 90.000 thousand.

2. The Bank reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard (“TFRS”) 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9. The government bonds reclassified into financial assets measured at amortised cost as at 30 June 2018 amounted to TRY 18.194.600 thousand. If such classification were not made, total assets and shareholders’ equity would be lower by TRY 2.065.277 thousand as at 30 June 2018. Besides, if such classification were not made, the capital adequacy ratio would be lower.

### *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 the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of Türkiye Halk Bankası A.Ş. and its consolidated subsidiaries as at 30 June 2018, and of the results of their operations and their cash flows for the six-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

### *Emphasis of Matter*

We draw attention to the following:

As detailed in Section 5 Note 7, one of the Bank’s former directors has been convicted and imprisoned for some of the charges by the court in the United States of America (“USA”) of the violation of the USA sanctions involving Iran as of 16 May 2018. The subsequent legal process is not yet completed but ongoing for the defendant former director of the Bank such as appeal and other legal rights following the first phase of the trial.

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

Separate from this trial, there is an uncertainty of any negative decisions by the USA authorities against the Bank affecting its financial position, if any. The Group’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 conclusion is not modified in respect of this matter.

## **Report on Other Legal and Regulatory Requirements**

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

*Additional paragraph for English translation:*

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

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

Hasan Kılıç  
Partner

Istanbul, 9 August 2018

**TÜRKİYE HALK BANKASI AŞ**  
**THE CONSOLIDATED FINANCIAL REPORT**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

1. The Bank's Headquarter Address:  
Barbaros Mahallesi Şebboy Sokak No: 4 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](http://www.halkbank.com.tr)  
E-mail Address: [halkbank.ir@halkbank.com.tr](mailto:halkbank.ir@halkbank.com.tr)

The consolidated six-month period ended financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

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

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

| <b>Subsidiaries</b> |                                       | <b>Associates</b> |   |
|---------------------|---------------------------------------|-------------------|---|
| 1.                  | Halk Yatırım Menkul Değerler AŞ       | 1.                | Demir-Halk Bank N.V.                        |
| 2.                  | Halk Sigorta AŞ                       | 2.                | Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ |
| 3.                  | Halk Hayat ve Emeklilik AŞ            | 3.                | Türk P ve I Sigorta AŞ                      |
| 4.                  | Halk Gayrimenkul Yatırım Ortaklığı AŞ |                   |   |
| 5.                  | Halk Finansal Kiralama AŞ             |                   |   |
| 6.                  | Halk Portföy Yönetimi AŞ              |                   |   |
| 7.                  | Halk Faktoring AŞ                     |                   |   |
| 8.                  | Halk Banka A.D., Skopje               |                   |   |
| 9.                  | Halkbank A.D. Beograd                 |                   |   |
| 10.                 | Halk Varlık Kiralama AŞ               |                   |   |

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

Istanbul, 9 August 2018

|   |   |  |  |   |   |
|---|---|--|--|---|---|
| R. Süleyman<br>Özdil                              | Sadık Tiltak  | Yahya<br>Bayraktar   | Osman Arslan   | Yusuf Duran<br>Ocak   | Osman Bektaş  |
| <i>Chairman of<br/>the Board of<br/>Directors</i> | <i>Vice Chairman<br/>of the Board of<br/>Directors,<br/>Chairman of<br/>the Audit<br/>Committee</i> | <i>Member of the<br/>Board of<br/>Directors,<br/>Member of the<br/>Audit<br/>Committee</i> | <i>Member of the<br/>Board of<br/>Directors,<br/>Chief Executive<br/>Officer</i> | <i>Financial<br/>Management and<br/>Planning<br/>Vice Chief<br/>Executive Officer</i> | <i>Financial<br/>Accounting<br/>Department<br/>Head</i> |

For any questions regarding this financial report, contact details of the personnel in charge is given below:

Name/Title : Turgay Ayık/Director  
Tel/Fax No : 0216 503 52 09 /0212 340 09 90

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**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

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

**SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK**

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

Türkiye Halk Bankası Anonim Şirketi (the “Parent Bank” or “Halkbank”) was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

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

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

As of 30 June 2018 the shareholders’ structure and their respective ownerships are summarized as follows:

| <b>Shareholders</b>                | <b>30 June<br/>2018</b> | <b>%</b>      | <b>31 December<br/>2017</b> | <b>%</b>      |
|------------------------------------|-------------------------|---------------|-----------------------------|---------------|
| Türkiye Varlık Fonu <sup>(1)</sup> | 638.276                 | 51,06         | 638.276                     | 51,06         |
| Public shares <sup>(1)</sup>       | 611.641                 | 48,93         | 611.640                     | 48,93         |
| Other shareholders <sup>(2)</sup>  | 83                      | 0,01          | 84                          | 0,01          |
| <b>Total</b>                       | <b>1.250.000</b>        | <b>100,00</b> | <b>1.250.000</b>            | <b>100,00</b> |

<sup>(1)</sup> The shares of the Türkiye Varlık Fonu A.Ş. 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 A.Ş. is 51,11% of the total shares.

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

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

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

**III. EXPLANATIONS REGARDING THE PARENT BANK’S CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE PARENT BANK, IF ANY <sup>(1)</sup>**

| <b>Name</b>             | <b>Title</b>  |
|-------------------------|---|
| R. Süleyman ÖZDİL       | Chairman of the Board of Directors  |
| Sadık TILTAK            | Vice Chairman of the Board of Directors, Independent<br>Member of the Board of Director, Chairman of the Audit<br>Committee |
| Osman ARSLAN            | Member of the Board of Directors, Chief Executive Officer   |
| Yunus KARAN             | Member of the Board of Directors  |
| Cenap AŞÇI              | Member of the Board of Directors  |
| Yahya BAYRAKTAR         | Independent Member of the Board of Directors, Member of the<br>Audit Committee  |
| Mehmet Nihat ÖMEROĞLU   | Independent Member of the Board of Directors  |
| Maksut SERİM            | Member of the Board of Directors  |
| Meltem TAYLAN AYDIN     | Member of the Board of Directors  |
| Faruk ÖZÇELİK           | Member of the Audit Committee   |
| Yılmaz ÇOLAK            | Member of the Audit Committee   |
| Selahattin SÜLEYMANOĞLU | Executive Vice President, Human Resources and Support<br>Management   |
| Mehmet Akif AYDEMİR     | Executive Vice President, Loan Allocation and Management  |
| Mehmet Sebahattin BULUT | Executive Vice President, Loan Policies, Risk Monitoring and<br>Legal   |
| Levend TORUSDAĞ         | Executive Vice President, SME and Artisans Banking  |
| Ergin KAYA              | Executive Vice President, Banking Operations and Information<br>Technology  |
| Hakan ERYILMAZ          | Executive Vice President, Treasury Management and<br>International Banking  |
| Mustafa ÇÖDEK           | Executive Vice President, Retail Banking  |
| Yusuf Duran OCAK        | Executive Vice President, Financial Management and Planning   |
| Hasan TUNCAY            | Executive Vice President, Corporate and Commercial<br>Marketing   |
| Metin KÖSTEK            | Executive Vice President, Internal Systems  |

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

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

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

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

- a) The professionals to the Parent Bank’s top management who have assigned to their position in 2018 are listed with titles and dates of assignment.

None.

- b) The professionals from the Parent Bank’s top management who have left their position in 2018 are listed with titles and dates of leaving.

| Title                    | Name Surname        | Leaving Date |
|--------------------------|---------------------|--------------|
| Executive Vice President | Mehmet Hakan ATILLA | 2 June 2018  |

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

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

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

**V. BRIEF INFORMATION ON THE PARENT BANK'S FUNCTIONS AND LINES OF ACTIVITY**

a) General information about the Bank:

Türkiye Halk Bankası Anonim Şirketi was established in Turkey in accordance with the Law No: 2284 in 1933 and began its operations in 1938 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. 13<sup>th</sup> Department of Council of State with its decision numbered 2006/4258 dated 29 November 2006 to cease the execution of the High Council of Privatization's decision numbered 2006/69 dated 11 August 2006. Thereupon, as per the decision of the Higher Council of Privatization numbered 2007/8 dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the 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 CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

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

**SECTION I: GENERAL INFORMATION ABOUT THE PARENT 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 Parent Bank's service activities and operating areas: The Parent Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

As of 30 June 2018, the Bank operates with a total of 978 branches consisting of 972 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 32 satellite branches. The Bank has also 3 representative office in England, Singapore and Iran.

**VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION**

The Parent Bank and its subsidiaries;

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

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

The Parent Bank's associates;

- Demir-Halk Bank N.V.
- Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
- Türk P ve I Sigorta AŞ

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

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

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

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

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

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

Halk Banka A.D., Skopje, formerly Export and Credit Bank A.D., Skopje is a subsidiary of the Parent Bank as of 8 April 2011, operating in Macedonia. The Bank's main activities include commercial lending, accepting deposits, and retail banking services in the country and abroad.

Halk Portföy Yönetimi AŞ ("Halk Portföy"), a subsidiary of the Parent Bank established in 2011, was registered on 30 June 2011. Halk Portföy's main line of business is to provide portfolio and fund management services.

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

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

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

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

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

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

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

**VII. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF 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 Parent Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Banka A.D. Skopje, Halk Faktoring AŞ, Halkbank A.D. Beograd and Halk Varlık Kiralama AŞ are included in the scope of consolidation by line-by-line method.

Demir-Halk Bank N.V. ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve I Sigorta AŞ which are qualified as investments in associates, are presented in the consolidated financial statements based on equity method of accounting. An associate is a partnership in whose capital the Parent Bank participates and over which it has no significant influence and control, established at home and abroad.

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

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

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

Immediate transfer of the shareholder's equity between the Parent Bank and its subsidiaries is not in question. Dividend distribution from shareholders' equity is done according to related regulations.

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

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

**SECTION II: CONSOLIDATED FINANCIAL STATEMENTS**

- I. Consolidated Balance Sheet (Consolidated Statement of Financial Position)
- II. Consolidated Statement of Off-Balance Sheet Items
- III. Consolidated Statement of Income
- IV. Consolidated Statement of Income and Expense Items Accounted for under Shareholders' Equity
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flows

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2018**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

|   |             | Reviewed           |                    |                    |
|---|-------------|--------------------|--------------------|--------------------|
|   |             | Current Period     |                    |                    |
|   |             | 30 June 2018       |                    |                    |
| ASSETS  | Note        | TRY                | FC                 | TOTAL              |
| <b>I. FINANCIAL ASSETS (NET)</b>  |             | <b>60.151.944</b>  | <b>42.460.585</b>  | <b>102.612.529</b> |
| <b>1.1 Cash and Cash Equivalents</b>  |             | <b>8.493.645</b>   | <b>30.689.626</b>  | <b>39.183.271</b>  |
| 1.1.1 Cash and Balances with Central Bank   | (1)         | 8.360.101          | 25.646.252         | 34.006.353         |
| 1.1.2 Banks   | (3)         | 105.430            | 5.043.374          | 5.148.804          |
| 1.1.3 Money Markets   |             | 28.114             | -                  | 28.114             |
| <b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>                                      | <b>(2)</b>  | <b>15.118.161</b>  | <b>83.848</b>      | <b>15.202.009</b>  |
| 1.2.1 Government Debt Securities  |             | 15.085.245         | 82.611             | 15.167.856         |
| 1.2.2 Equity Instruments  |             | 337                | 985                | 1.322              |
| 1.2.3 Other Financial Assets  |             | 32.579             | 252                | 32.831             |
| <b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>                          | <b>(4)</b>  | <b>1.045.819</b>   | <b>1.123.990</b>   | <b>2.169.809</b>   |
| 1.3.1 Government Debt Securities  |             | 1.018.414          | 1.049.141          | 2.067.555          |
| 1.3.2 Equity Instruments  |             | 27.287             | 74.849             | 102.136            |
| 1.3.3 Other Financial Assets  |             | 118                | -                  | 118                |
| <b>1.4 Financial Assets Measured at Amortised Cost</b>  | <b>(6)</b>  | <b>35.515.496</b>  | <b>9.648.298</b>   | <b>45.163.794</b>  |
| 1.4.1 Government Debt Securities  |             | 35.471.528         | 9.648.298          | 45.119.826         |
| 1.4.2 Other Financial Assets  |             | 43.968             | -                  | 43.968             |
| <b>1.5 Derivative Financial Assets</b>  | <b>(2)</b>  | <b>672</b>         | <b>915.070</b>     | <b>915.742</b>     |
| 1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss                                |             | 672                | 915.070            | 915.742            |
| 1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income                    |             | -                  | -                  | -                  |
| <b>1.6 Non – Performing Financial Assets</b>  |             | <b>-</b>           | <b>-</b>           | <b>-</b>           |
| <b>1.7 Expected Loss Provision (-)</b>  |             | <b>21.849</b>      | <b>247</b>         | <b>22.096</b>      |
| <b>II. LOANS (Net)</b>  |             | <b>164.239.395</b> | <b>79.890.304</b>  | <b>244.129.699</b> |
| <b>2.1 Loans</b>  | <b>(5)</b>  | <b>162.914.871</b> | <b>77.431.641</b>  | <b>240.346.512</b> |
| 2.1.1 Measured at Amortised Cost  |             | 162.914.871        | 77.431.641         | 240.346.512        |
| 2.1.2 Fair Value Through Profit or Loss   |             | -                  | -                  | -                  |
| 2.1.3 Fair Value Through Other Comprehensive Income   |             | -                  | -                  | -                  |
| <b>2.2 Lease Receivables</b>  | <b>(10)</b> | <b>639.155</b>     | <b>2.174.786</b>   | <b>2.813.941</b>   |
| 2.2.1 Financial Lease Receivables   |             | 809.818            | 2.544.106          | 3.353.924          |
| 2.2.2 Operating Lease Receivables   |             | -                  | -                  | -                  |
| 2.2.3 Unearned Income (-)   |             | 170.663            | 369.320            | 539.983            |
| <b>2.3 Factoring Receivables</b>  |             | <b>1.364.431</b>   | <b>193.782</b>     | <b>1.558.213</b>   |
| 2.3.1 Measured at Amortised Cost  |             | 1.364.431          | 193.782            | 1.558.213          |
| 2.3.2 Fair Value Through Profit or Loss   |             | -                  | -                  | -                  |
| 2.3.3 Fair Value Through Other Comprehensive Income   |             | -                  | -                  | -                  |
| <b>2.4 Non- Performing Loans</b>  | <b>(5)</b>  | <b>6.625.778</b>   | <b>391.830</b>     | <b>7.017.608</b>   |
| <b>2.5 Expected Credit Loss (-)</b>   | <b>(5)</b>  | <b>7.304.840</b>   | <b>301.735</b>     | <b>7.606.575</b>   |
| 2.5.1 12 Month Expected Credit Losses (Stage I)   |             | 1.060.510          | 33.796             | 1.094.306          |
| 2.5.2 Significant Increase in Credit Risk (Stage II)  |             | 967.922            | 6.825              | 974.747            |
| 2.5.3 Credit – Impaired Losses (Stage III / Special Provision)  |             | 5.276.408          | 261.114            | 5.537.522          |
| <b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)</b> | <b>(14)</b> | <b>5.038</b>       | <b>-</b>           | <b>5.038</b>       |
| 3.1 Held for Sale Purpose   |             | 5.038              | -                  | 5.038              |
| 3.2 Related to Discontinued Operations  |             | -                  | -                  | -                  |
| <b>IV. EQUITY INVESTMENTS</b>   |             | <b>78.727</b>      | <b>397.752</b>     | <b>476.479</b>     |
| <b>4.1 Investments in Associates (Net)</b>  | <b>(7)</b>  | <b>26.549</b>      | <b>397.752</b>     | <b>424.301</b>     |
| 4.1.1 Associates Valued Based on Equity Method  |             | 17.197             | 397.752            | 414.949            |
| 4.1.2 Unconsolidated Associates   |             | 9.352              | -                  | 9.352              |
| <b>4.2 Subsidiaries (Net)</b>   | <b>(8)</b>  | <b>52.178</b>      | <b>-</b>           | <b>52.178</b>      |
| 4.2.1 Unconsolidated Financial Subsidiaries   |             | -                  | -                  | -                  |
| 4.2.2 Unconsolidated Non- Financial Subsidiaries  |             | 52.178             | -                  | 52.178             |
| <b>4.3 Joint Ventures (Net)</b>   | <b>(9)</b>  | <b>-</b>           | <b>-</b>           | <b>-</b>           |
| 4.3.1 Joint Ventures Valued Based on Equity Method  |             | -                  | -                  | -                  |
| 4.3.2 Unconsolidated Joint Ventures   |             | -                  | -                  | -                  |
| <b>V. PROPERTY AND EQUIPMENT (Net)</b>  |             | <b>4.154.746</b>   | <b>107.086</b>     | <b>4.261.832</b>   |
| <b>VI. INTANGIBLE ASSETS (Net)</b>  |             | <b>103.665</b>     | <b>26.684</b>      | <b>130.349</b>     |
| 6.1 Goodwill  |             | -                  | -                  | -                  |
| 6.2 Other   |             | 103.665            | 26.684             | 130.349            |
| <b>VII. INVESTMENT PROPERTIES (Net)</b>   | <b>(12)</b> | <b>947.857</b>     | <b>5.371</b>       | <b>953.228</b>     |
| <b>VIII. CURRENT TAX ASSET</b>  | <b>(13)</b> | <b>9.938</b>       | <b>2.224</b>       | <b>12.162</b>      |
| <b>IX. DEFERRED TAX ASSET</b>   |             | <b>102.286</b>     | <b>2.664</b>       | <b>104.950</b>     |
| <b>X. OTHER ASSETS</b>  | <b>(15)</b> | <b>3.079.234</b>   | <b>1.064.175</b>   | <b>4.143.409</b>   |
| <b>TOTAL ASSETS</b>   |             | <b>232.872.830</b> | <b>123.956.845</b> | <b>356.829.675</b> |

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

|                     |   | Audited          |                    |                    |                    |
|---------------------|---|------------------|--------------------|--------------------|--------------------|
|                     |   | Prior period     |                    |                    |                    |
|                     |   | 31 December 2017 |                    |                    |                    |
| ASSETS              | Note  | TRY              | FC                 | Total              |                    |
| <b>I.</b>           | <b>CASH AND BALANCES WITH THE CENTRAL BANK</b>                          | <b>(1)</b>       | <b>12.917.490</b>  | <b>23.763.887</b>  | <b>36.681.377</b>  |
| <b>II.</b>          | <b>FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)</b>             | <b>(2)</b>       | <b>10.120.010</b>  | <b>363.498</b>     | <b>10.483.508</b>  |
| 2.1                 | Trading financial assets  |                  | 10.120.010         | 363.498            | 10.483.508         |
| 2.1.1               | Public sector debt securities   |                  | 10.095.327         | -                  | 10.095.327         |
| 2.1.2               | Share certificates  |                  | 354                | 886                | 1.240              |
| 2.1.3               | Financial assets held for trading                                       |                  | 118                | 362.398            | 362.516            |
| 2.1.4               | Other marketable securities   |                  | 24.211             | 214                | 24.425             |
| 2.2                 | Financial assets at fair value through profit and loss                  |                  | -                  | -                  | -                  |
| 2.2.1               | Public sector debt securities   |                  | -                  | -                  | -                  |
| 2.2.2               | Share certificates  |                  | -                  | -                  | -                  |
| 2.2.3               | Loans   |                  | -                  | -                  | -                  |
| 2.2.4               | Other marketable securities   |                  | -                  | -                  | -                  |
| <b>III.</b>         | <b>BANKS</b>  | <b>(3)</b>       | <b>677.360</b>     | <b>5.635.807</b>   | <b>6.313.167</b>   |
| <b>IV.</b>          | <b>MONEY MARKET PLACEMENTS</b>  |                  | <b>1.288.168</b>   | <b>-</b>           | <b>1.288.168</b>   |
| 4.1                 | Interbank money market placements                                       |                  | 1.258.647          | -                  | 1.258.647          |
| 4.2                 | Takasbank (Clearing & Settlement Bank) Money Market placements          |                  | 29.211             | -                  | 29.211             |
| 4.3                 | Receivables from reverse repurchase agreements                          |                  | 310                | -                  | 310                |
| <b>V.</b>           | <b>FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>                        | <b>(4)</b>       | <b>11.599.564</b>  | <b>6.099.614</b>   | <b>17.699.178</b>  |
| 5.1                 | Share certificates  |                  | 24.561             | 54.538             | 79.099             |
| 5.2                 | Public sector debt securities   |                  | 11.575.003         | 6.045.076          | 17.620.079         |
| 5.3                 | Other marketable securities   |                  | -                  | -                  | -                  |
| <b>VI.</b>          | <b>LOANS AND RECEIVABLES</b>  | <b>(5)</b>       | <b>139.626.734</b> | <b>65.925.861</b>  | <b>205.552.595</b> |
| 6.1                 | Loans and receivables   |                  | 138.299.409        | 65.842.861         | 204.142.270        |
| 6.1.1               | Loans extended to risk group of the Bank                                |                  | -                  | -                  | -                  |
| 6.1.2               | Public sector debt securities   |                  | -                  | -                  | -                  |
| 6.1.3               | Other   |                  | 138.299.409        | 65.842.861         | 204.142.270        |
| 6.2                 | Loans under follow-up   |                  | 6.106.597          | 189.809            | 6.296.406          |
| 6.3                 | Specific provisions (-)   |                  | 4.779.272          | 106.809            | 4.886.081          |
| <b>VII.</b>         | <b>FACTORING RECEIVABLES</b>  |                  | <b>1.051.939</b>   | <b>159.993</b>     | <b>1.211.932</b>   |
| <b>VIII.</b>        | <b>HELD TO MATURITY INVESTMENTS (Net)</b>                               | <b>(6)</b>       | <b>19.304.493</b>  | <b>2.682.606</b>   | <b>21.987.099</b>  |
| 8.1                 | Public sector debt securities   |                  | 19.261.098         | 2.682.606          | 21.943.704         |
| 8.2                 | Other marketable securities   |                  | 43.395             | -                  | 43.395             |
| <b>IX.</b>          | <b>INVESTMENTS IN ASSOCIATES (Net)</b>                                  | <b>(7)</b>       | <b>22.590</b>      | <b>330.548</b>     | <b>353.138</b>     |
| 9.1                 | Accounted for under equity method                                       |                  | 16.270             | 330.548            | 346.818            |
| 9.2                 | Unconsolidated associates   |                  | 6.320              | -                  | 6.320              |
| 9.2.1               | Financial investments   |                  | -                  | -                  | -                  |
| 9.2.2               | Non-financial investments   |                  | 6.320              | -                  | 6.320              |
| <b>X.</b>           | <b>INVESTMENTS IN SUBSIDIARIES (Net)</b>                                | <b>(8)</b>       | <b>52.178</b>      | <b>-</b>           | <b>52.178</b>      |
| 10.1                | Unconsolidated financial subsidiaries                                   |                  | -                  | -                  | -                  |
| 10.2                | Unconsolidated non-financial subsidiaries                               |                  | 52.178             | -                  | 52.178             |
| <b>XI.</b>          | <b>JOINT VENTURES (Net)</b>   | <b>(9)</b>       | <b>-</b>           | <b>-</b>           | <b>-</b>           |
| 11.1                | Accounted for under equity method                                       |                  | -                  | -                  | -                  |
| 11.2                | Unconsolidated joint ventures   |                  | -                  | -                  | -                  |
| 11.2.1              | Financial joint ventures  |                  | -                  | -                  | -                  |
| 11.2.2              | Non-financial joint ventures  |                  | -                  | -                  | -                  |
| <b>XII.</b>         | <b>FINANCE LEASE RECEIVABLES (Net)</b>                                  | <b>(10)</b>      | <b>626.642</b>     | <b>2.044.611</b>   | <b>2.671.253</b>   |
| 12.1                | Finance lease receivables   |                  | 788.528            | 2.378.704          | 3.167.232          |
| 12.2                | Operating lease receivables   |                  | -                  | -                  | -                  |
| 12.3                | Other   |                  | -                  | -                  | -                  |
| 12.4                | Unearned income (-)   |                  | 161.886            | 334.093            | 495.979            |
| <b>XIII.</b>        | <b>DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT</b>                  | <b>(11)</b>      | <b>-</b>           | <b>-</b>           | <b>-</b>           |
| 13.1                | Fair value risk hedging   |                  | -                  | -                  | -                  |
| 13.2                | Cash flow risk hedging  |                  | -                  | -                  | -                  |
| 13.3                | Net foreign investment risk hedging                                     |                  | -                  | -                  | -                  |
| <b>XIV.</b>         | <b>TANGIBLE ASSETS (Net)</b>  | <b>(12)</b>      | <b>3.658.962</b>   | <b>92.638</b>      | <b>3.751.600</b>   |
| <b>XV.</b>          | <b>INTANGIBLE ASSETS (Net)</b>  | <b>(13)</b>      | <b>120.393</b>     | <b>22.702</b>      | <b>143.095</b>     |
| 15.1                | Goodwill  |                  | -                  | -                  | -                  |
| 15.2                | Other   |                  | 120.393            | 22.702             | 143.095            |
| <b>XVI.</b>         | <b>INVESTMENT PROPERTIES (Net)</b>                                      | <b>(14)</b>      | <b>905.720</b>     | <b>4.658</b>       | <b>910.378</b>     |
| <b>XVII.</b>        | <b>TAX ASSETS</b>   | <b>(15)</b>      | <b>87.747</b>      | <b>6.296</b>       | <b>94.043</b>      |
| 17.1                | Current tax assets  |                  | 2.841              | 4.021              | 6.862              |
| 17.2                | Deferred tax assets   |                  | 84.906             | 2.275              | 87.181             |
| <b>XVIII.</b>       | <b>ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b> | <b>(16)</b>      | <b>790</b>         | <b>-</b>           | <b>790</b>         |
| 18.1                | Held for sale purpose   |                  | 790                | -                  | 790                |
| 18.2                | Held from discontinued operations                                       |                  | -                  | -                  | -                  |
| <b>XIX.</b>         | <b>OTHER ASSETS</b>   | <b>(17)</b>      | <b>2.630.828</b>   | <b>395.429</b>     | <b>3.026.257</b>   |
| <b>TOTAL ASSETS</b> |   |                  | <b>204.691.608</b> | <b>107.528.148</b> | <b>312.219.756</b> |

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2018**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

|  |      | Reviewed           |                    |                    |
|--|------|--------------------|--------------------|--------------------|
|  |      | Current Period     |                    |                    |
|  |      | 30 June 2018       |                    |                    |
| LIABILITIES  | Note | TRY                | FC                 | TOTAL              |
| <b>I. DEPOSITS</b>   | (1)  | <b>129.406.816</b> | <b>92.528.118</b>  | <b>221.934.934</b> |
| <b>II. FUNDS BORROWED</b>  | (3)  | <b>1.791.319</b>   | <b>18.268.192</b>  | <b>20.059.511</b>  |
| <b>III. MONEY MARKET BORROWINGS</b>  |      | <b>37.064.763</b>  | <b>4.440.686</b>   | <b>41.505.449</b>  |
| <b>IV. SECURITIES ISSUED (Net)</b>   | (4)  | <b>3.589.694</b>   | <b>10.377.787</b>  | <b>13.967.481</b>  |
| 4.1 Bills  |      | 3.464.112          | -                  | 3.464.112          |
| 4.2 Assets Backed Securities   |      | 125.582            | -                  | 125.582            |
| 4.3 Bonds  |      | -                  | 10.377.787         | 10.377.787         |
| <b>V. FUNDS</b>  | (5)  | <b>2.769.229</b>   | <b>-</b>           | <b>2.769.229</b>   |
| 5.1 Borrower Funds   |      | 323                | -                  | 323                |
| 5.2 Other  |      | 2.768.906          | -                  | 2.768.906          |
| <b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>  |      | <b>-</b>           | <b>-</b>           | <b>-</b>           |
| <b>VII. DERIVATIVE FINANCIAL ASSETS</b>  | (2)  | <b>1.193</b>       | <b>387.081</b>     | <b>388.274</b>     |
| 7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss                                      |      | 1.193              | 387.081            | 388.274            |
| 7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income                          |      | -                  | -                  | -                  |
| <b>VIII. FACTORING LIABILITIES</b>   |      | <b>1.025</b>       | <b>34</b>          | <b>1.059</b>       |
| <b>IX. LEASE LIABILITIES</b>   | (7)  | <b>-</b>           | <b>-</b>           | <b>-</b>           |
| 9.1 Financial Lease  |      | -                  | -                  | -                  |
| 9.2 Operating Lease  |      | -                  | -                  | -                  |
| 9.3 Other  |      | -                  | -                  | -                  |
| 9.4 Deferred Financial Lease Expenses ( - )  |      | -                  | -                  | -                  |
| <b>X. PROVISIONS</b>   | (9)  | <b>3.694.661</b>   | <b>12.340</b>      | <b>3.707.001</b>   |
| 10.1 Restructuring Provisions  |      | -                  | -                  | -                  |
| 10.2 Reserve for Employee Benefits   |      | 956.079            | 4.816              | 960.895            |
| 10.3 Insurance for Technical Provision(Net)  |      | 2.126.729          | -                  | 2.126.729          |
| 10.4 Other Provisions  |      | 611.853            | 7.524              | 619.377            |
| <b>XI. CURRENT TAX LIABILITY</b>   | (10) | <b>676.487</b>     | <b>3.626</b>       | <b>680.113</b>     |
| <b>XII. DEFERRED TAX LIABILITIES</b>   | (10) | <b>627.383</b>     | <b>2.152</b>       | <b>629.535</b>     |
| <b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b> | (11) | <b>-</b>           | <b>-</b>           | <b>-</b>           |
| 13.1 Held for Sale Purpose   |      | -                  | -                  | -                  |
| 13.2 Related to Discontinued Operations  |      | -                  | -                  | -                  |
| <b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>  | (12) | <b>1.001.322</b>   | <b>-</b>           | <b>1.001.322</b>   |
| 14.1 Loans   |      | -                  | -                  | -                  |
| 14.2 Other Debt Instruments  |      | 1.001.322          | -                  | 1.001.322          |
| <b>XV. OTHER LIABILITIES</b>   | (6)  | <b>20.544.115</b>  | <b>1.020.478</b>   | <b>21.564.593</b>  |
| <b>XVI. SHAREHOLDERS' EQUITY</b>   | (13) | <b>28.267.862</b>  | <b>353.312</b>     | <b>28.621.174</b>  |
| 16.1 Paid in Capital   |      | 1.250.000          | -                  | 1.250.000          |
| 16.2 Capital Reserves  |      | 1.270.002          | 39                 | 1.270.041          |
| 16.2.1 Share Premium   |      | 39.737             | -                  | 39.737             |
| 16.2.2 Share Cancellation Profits  |      | -                  | -                  | -                  |
| 16.2.3 Other Capital Reserves  |      | 1.230.265          | 39                 | 1.230.304          |
| 16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss                    |      | 2.239.242          | 275                | 2.239.517          |
| 16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit ort Loss                       |      | (19.507)           | (142.306)          | (161.813)          |
| 16.5 Profit Reserves   |      | 16.951.539         | 269.754            | 17.221.293         |
| 16.5.1 Legal Reserves  |      | 1.791.118          | 10.386             | 1.801.504          |
| 16.5.2 Status Reserves   |      | -                  | -                  | -                  |
| 16.5.3 Extraordinary Reserves  |      | 15.113.279         | 59.840             | 15.173.119         |
| 16.5.4 Other Profit Reserves   |      | 47.142             | 199.528            | 246.670            |
| 16.6 Income or (Loss)  |      | 6.352.298          | 221.609            | 6.573.907          |
| 16.6.1 Prior Periods' Income or (Loss)   |      | 4.548.107          | 188.035            | 4.736.142          |
| 16.6.2 Current Period Income or (Loss)   |      | 1.804.191          | 33.574             | 1.837.765          |
| 16.7 Minority Shares   |      | 224.288            | 3.941              | 228.229            |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |      | <b>229.435.869</b> | <b>127.393.806</b> | <b>356.829.675</b> |

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

|   |             | Audited            |                    |                    |
|---|-------------|--------------------|--------------------|--------------------|
|   |             | Prior period       |                    |                    |
|   |             | 31 December 2017   |                    |                    |
| LIABILITIES AND SHAREHOLDERS' EQUITY  | Note        | TRY                | FC                 | Total              |
| <b>I. DEPOSITS</b>  | <b>(1)</b>  | <b>116.559.965</b> | <b>76.710.656</b>  | <b>193.270.621</b> |
| 1.1 Deposits Held by the Risk Group of the Bank   |             | 21.534             | 8                  | 21.542             |
| 1.2 Other   |             | 116.538.431        | 76.710.648         | 193.249.079        |
| <b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>                                | <b>(2)</b>  | <b>146</b>         | <b>150.527</b>     | <b>150.673</b>     |
| <b>III. FUNDS BORROWED</b>  | <b>(3)</b>  | <b>1.436.861</b>   | <b>18.621.623</b>  | <b>20.058.484</b>  |
| <b>IV. MONEY MARKET BALANCES</b>  | <b>(3)</b>  | <b>29.615.560</b>  | <b>5.387.762</b>   | <b>35.003.322</b>  |
| 4.1 Interbank money market borrowings   |             | 29.030.813         | 1.247.014          | 30.277.827         |
| 4.2 Takasbank (Clearing & Settlement Bank) Money Market takings                             |             | 377.295            | -                  | 377.295            |
| 4.3 Funds from repurchase agreements  |             | 207.452            | 4.140.748          | 4.348.200          |
| <b>V. MARKETABLE SECURITIES ISSUED (Net)</b>  | <b>(4)</b>  | <b>3.381.225</b>   | <b>8.640.905</b>   | <b>12.022.130</b>  |
| 5.1 Treasury bills  |             | 3.280.789          | -                  | 3.280.789          |
| 5.2 Asset-backed securities   |             | 100.436            | -                  | 100.436            |
| 5.3 Bonds   |             | -                  | 8.640.905          | 8.640.905          |
| <b>VI. FUNDS</b>  | <b>(5)</b>  | <b>2.724.634</b>   | <b>-</b>           | <b>2.724.634</b>   |
| 6.1 Borrower Funds  |             | 860                | -                  | 860                |
| 6.2 Other   |             | 2.723.774          | -                  | 2.723.774          |
| <b>VII. SUNDRY CREDITORS</b>  |             | <b>3.678.813</b>   | <b>179.545</b>     | <b>3.858.358</b>   |
| <b>VIII. OTHER LIABILITIES</b>  | <b>(6)</b>  | <b>11.476.631</b>  | <b>526.985</b>     | <b>12.003.616</b>  |
| <b>IX. FACTORING PAYABLES</b>   |             | <b>2.307</b>       | <b>755</b>         | <b>3.062</b>       |
| <b>X. FINANCE LEASE PAYABLES</b>  | <b>(7)</b>  | <b>-</b>           | <b>-</b>           | <b>-</b>           |
| 10.1 Finance lease payables   |             | -                  | -                  | -                  |
| 10.2 Operating lease payables   |             | -                  | -                  | -                  |
| 10.3 Other  |             | -                  | -                  | -                  |
| 10.4 Deferred finance lease expenses (-)  |             | -                  | -                  | -                  |
| <b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>                        | <b>(8)</b>  | <b>-</b>           | <b>-</b>           | <b>-</b>           |
| 11.1 Fair value risk hedging  |             | -                  | -                  | -                  |
| 11.2 Cash flow risk hedging   |             | -                  | -                  | -                  |
| 11.3 Net foreign investment risk hedging  |             | -                  | -                  | -                  |
| <b>XII. PROVISIONS</b>  | <b>(9)</b>  | <b>5.299.348</b>   | <b>40.741</b>      | <b>5.340.089</b>   |
| 12.1 General loan provisions  |             | 2.288.701          | 28.456             | 2.317.157          |
| 12.2 Restructuring provisions   |             | -                  | -                  | -                  |
| 12.3 Employee benefits provisions   |             | 854.242            | 6.198              | 860.440            |
| 12.4 Insurance technical reserves (Net)   |             | 1.810.804          | -                  | 1.810.804          |
| 12.5 Other provisions   |             | 345.601            | 6.087              | 351.688            |
| <b>XIII. TAX LIABILITIES</b>  | <b>(10)</b> | <b>1.244.449</b>   | <b>7.244</b>       | <b>1.251.693</b>   |
| 13.1 Current tax liabilities  |             | 672.431            | 5.092              | 677.523            |
| 13.2 Deferred tax liabilities   |             | 572.018            | 2.152              | 574.170            |
| <b>XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b> | <b>(11)</b> | <b>-</b>           | <b>-</b>           | <b>-</b>           |
| 14.1 Held for sale purpose  |             | -                  | -                  | -                  |
| 14.2 Held from discontinued operations  |             | -                  | -                  | -                  |
| <b>XV. SUBORDINATED LOAN</b>  | <b>(12)</b> | <b>1.004.385</b>   | <b>-</b>           | <b>1.004.385</b>   |
| <b>XVI. SHAREHOLDERS' EQUITY</b>  | <b>(13)</b> | <b>25.378.161</b>  | <b>150.528</b>     | <b>25.528.689</b>  |
| 16.1 Paid-in capital  |             | 1.250.000          | -                  | 1.250.000          |
| 16.2 Capital reserves   |             | 3.088.739          | (240.647)          | 2.848.092          |
| 16.2.1 Share Premium  |             | 39.737             | -                  | 39.737             |
| 16.2.2 Share cancellation profits   |             | -                  | -                  | -                  |
| 16.2.3 Marketable securities revaluation fund   |             | (366.800)          | (240.961)          | (607.761)          |
| 16.2.4 Tangible assets revaluation reserves   |             | 2.253.371          | 275                | 2.253.646          |
| 16.2.5 Intangible assets revaluation reserves   |             | -                  | -                  | -                  |
| 16.2.6 Revaluation reserves of investment properties  |             | -                  | -                  | -                  |
| 16.2.7 Bonus shares of subsidiaries, associates and joint ventures                          |             | 4.723              | -                  | 4.723              |
| 16.2.8 Hedging Funds (effective portion)  |             | -                  | -                  | -                  |
| 16.2.9 Value Increase on Assets Held for Sale   |             | -                  | -                  | -                  |
| 16.2.10 Other capital reserves  |             | 1.157.708          | 39                 | 1.157.747          |
| 16.3 Profit reserves  |             | 16.900.753         | 180.650            | 17.081.403         |
| 16.3.1 Legal reserves   |             | 1.750.382          | 8.559              | 1.758.941          |
| 16.3.2 Statutory reserves   |             | -                  | -                  | -                  |
| 16.3.3 Extraordinary reserves   |             | 15.103.229         | 27.317             | 15.130.546         |
| 16.3.4 Other profit reserves  |             | 47.142             | 144.774            | 191.916            |
| 16.4 Profit/Loss  |             | 3.932.096          | 206.974            | 4.139.070          |
| 16.4.1 Prior years' profits/losses  |             | (4.150)            | 104.981            | 100.831            |
| 16.4.2 Period profit/loss   |             | 3.936.246          | 101.993            | 4.038.239          |
| 16.5 Minority shares  | <b>(14)</b> | 206.573            | 3.551              | 210.124            |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |             | <b>201.802.485</b> | <b>110.417.271</b> | <b>312.219.756</b> |

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**  
**AS OF 30 JUNE 2018**

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

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

|   |  | Reviewed              |                    |                      |
|---|--|-----------------------|--------------------|----------------------|
|   |  | Current Period        |                    |                      |
|   |  | 30 June 2018          |                    |                      |
| OFF BALANCE SHEET                             | Note   | TRY                   | FC                 | TOTAL                |
| <b>A.</b>                                     | <b>COMMITMENTS AND CONTINGENCIES (I+II+III)</b>              | <b>74.886.198</b>     | <b>98.347.238</b>  | <b>173.233.436</b>   |
| <b>I.</b>                                     | <b>GUARANTEES AND SURETIES</b>                               | <b>(1) 33.970.524</b> | <b>36.776.391</b>  | <b>70.746.915</b>    |
| 1.1   | Letters of guarantee   | 32.292.320            | 28.433.190         | 60.725.510           |
| 1.1.1   | Guarantees subject to public procurement law                 | 1.782.441             | 12.209.041         | 13.991.482           |
| 1.1.2   | Guarantees given for foreign trade operations                | -                     | 58.119             | 58.119               |
| 1.1.3   | Other letters of guarantee                                   | 30.509.879            | 16.166.030         | 46.675.909           |
| 1.2   | Bank loans   | 10.216                | 4.285.093          | 4.295.309            |
| 1.2.1   | Import acceptances   | -                     | 152.441            | 152.441              |
| 1.2.2   | Other bank acceptances                                       | 10.216                | 4.132.652          | 4.142.868            |
| 1.3   | Letters of credit  | 30.364                | 3.926.366          | 3.956.730            |
| 1.3.1   | Documentary letters of credit                                | 30.364                | 3.926.366          | 3.956.730            |
| 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   | 1.637.624             | 131.742            | 1.769.366            |
| 1.9   | Other sureties   | -                     | -                  | -                    |
| <b>II.</b>                                    | <b>COMMITMENTS</b>   | <b>(1) 25.662.251</b> | <b>4.381.436</b>   | <b>30.043.687</b>    |
| 2.1   | Irrevocable commitments                                      | 25.607.103            | 3.194.712          | 28.801.815           |
| 2.1.1   | Forward asset purchase commitments                           | 1.124.809             | 2.255.014          | 3.379.823            |
| 2.1.2   | Forward deposit purchase and sale commitments                | -                     | -                  | -                    |
| 2.1.3   | Capital commitments to subsidiaries and associates           | -                     | -                  | -                    |
| 2.1.4   | Loan granting commitments                                    | 4.513.541             | 584.780            | 5.098.321            |
| 2.1.5   | Securities underwriting commitments                          | -                     | -                  | -                    |
| 2.1.6   | Payment commitments for reserve deposits                     | -                     | -                  | -                    |
| 2.1.7   | Payment commitments for Cheques                              | 3.653.584             | -                  | 3.653.584            |
| 2.1.8   | Tax and fund liabilities from export commitments             | 46.439                | -                  | 46.439               |
| 2.1.9   | Commitments for credit card expenditure limits               | 12.500.921            | 44.613             | 12.545.534           |
| 2.1.10  | Commitments for credit cards and banking services promotions | 33.296                | -                  | 33.296               |
| 2.1.11  | Receivables from short sale commitments                      | -                     | -                  | -                    |
| 2.1.12  | Payables for short sale commitments                          | -                     | -                  | -                    |
| 2.1.13  | Other irrevocable commitments                                | 3.734.513             | 310.305            | 4.044.818            |
| 2.2   | Revocable commitments  | 55.148                | 1.186.724          | 1.241.872            |
| 2.2.1   | Revocable loan granting commitments                          | -                     | 968.143            | 968.143              |
| 2.2.2   | Other revocable commitments                                  | 55.148                | 218.581            | 273.729              |
| <b>III.</b>                                   | <b>DERIVATIVE FINANCIAL INSTRUMENTS</b>                      | <b>15.253.423</b>     | <b>57.189.411</b>  | <b>72.442.834</b>    |
| 3.1   | Derivative financial instruments held for risk management    | -                     | -                  | -                    |
| 3.1.1   | Fair value risk hedging transactions                         | -                     | -                  | -                    |
| 3.1.2   | Cash flow risk hedging transactions                          | -                     | -                  | -                    |
| 3.1.3   | Net foreign investment risk hedging transactions             | -                     | -                  | -                    |
| 3.2   | Transactions for trading                                     | 15.253.423            | 57.189.411         | 72.442.834           |
| 3.2.1   | Forward foreign currency buy/sell transactions               | 4.726.371             | 15.535.464         | 20.261.835           |
| 3.2.1.1                                       | Forward foreign currency transactions-buy                    | 1.856.706             | 9.976.069          | 11.832.775           |
| 3.2.1.2                                       | Forward foreign currency transactions-sell                   | 2.869.665             | 5.559.395          | 8.429.060            |
| 3.2.2   | Currency and interest rate swaps                             | 6.048.718             | 30.219.181         | 36.267.899           |
| 3.2.2.1                                       | Currency swap-buy  | 1.693.263             | 10.031.751         | 11.725.014           |
| 3.2.2.2                                       | Currency swap-sell   | 4.355.455             | 7.199.374          | 11.554.829           |
| 3.2.2.3                                       | Interest rate swap-buy                                       | -                     | 6.494.028          | 6.494.028            |
| 3.2.2.4                                       | Interest rate swap-sell                                      | -                     | 6.494.028          | 6.494.028            |
| 3.2.3   | Currency, interest rate and marketable securities options    | 4.478.334             | 5.442.009          | 9.920.343            |
| 3.2.3.1                                       | Currency call options  | 2.239.229             | 2.720.942          | 4.960.171            |
| 3.2.3.2                                       | Currency put options   | 2.239.105             | 2.721.067          | 4.960.172            |
| 3.2.3.3                                       | Interest rate call options                                   | -                     | -                  | -                    |
| 3.2.3.4                                       | Interest rate put options                                    | -                     | -                  | -                    |
| 3.2.3.5                                       | Marketable securities call options                           | -                     | -                  | -                    |
| 3.2.3.6                                       | Marketable securities put options                            | -                     | -                  | -                    |
| 3.2.4   | Currency futures   | -                     | -                  | -                    |
| 3.2.4.1                                       | Currency futures-buy   | -                     | -                  | -                    |
| 3.2.4.2                                       | Currency futures-sell  | -                     | -                  | -                    |
| 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  | -                     | 5.992.757          | 5.992.757            |
| <b>B.</b>                                     | <b>CUSTODY AND PLEDGED ASSETS (IV+V+VI)</b>                  | <b>920.512.265</b>    | <b>259.012.413</b> | <b>1.179.524.678</b> |
| <b>IV.</b>                                    | <b>CUSTODIES</b>   | <b>461.959.771</b>    | <b>34.827.561</b>  | <b>496.787.332</b>   |
| 4.1   | Assets under management                                      | -                     | -                  | -                    |
| 4.2   | Custody marketable securities                                | 182.429.978           | 719.063            | 183.149.041          |
| 4.3   | Cheques in collection process                                | 17.194.305            | 22.908.690         | 40.102.995           |
| 4.4   | Commercial notes in collection process                       | 223.954.582           | 4.211.829          | 228.166.411          |
| 4.5   | Other assets in collection process                           | -                     | -                  | -                    |
| 4.6   | Underwritten securities                                      | -                     | -                  | -                    |
| 4.7   | Other custodies  | 4.321.105             | 193.508            | 4.514.613            |
| 4.8   | Custodians   | 34.059.801            | 6.794.471          | 40.854.272           |
| <b>V.</b>                                     | <b>PLEDGED ASSETS</b>  | <b>458.552.494</b>    | <b>224.184.852</b> | <b>682.737.346</b>   |
| 5.1   | Marketable securities  | 5.387.285             | 666.416            | 6.053.701            |
| 5.2   | Collateral notes   | 8.533.154             | 1.042.461          | 9.575.615            |
| 5.3   | Commodity  | 25.813                | -                  | 25.813               |
| 5.4   | Warranty   | -                     | -                  | -                    |
| 5.5   | Land and buildings   | 362.668.647           | 188.852.375        | 551.521.022          |
| 5.6   | Other pledged assets   | 74.626.753            | 30.964.024         | 105.590.777          |
| 5.7   | Pledges  | 7.310.842             | 2.659.576          | 9.970.418            |
| <b>VI.</b>                                    | <b>ACCEPTED BILL GUARANTEES AND SURETIES</b>                 | <b>-</b>              | <b>-</b>           | <b>-</b>             |
| <b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b> |  | <b>995.398.463</b>    | <b>357.359.651</b> | <b>1.352.758.114</b> |

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**  
**AS OF 31 DECEMBER 2017**

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

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

|   |             | <b>Audited</b>          |                    |                      |
|---|-------------|-------------------------|--------------------|----------------------|
|   |             | <b>Prior period</b>     |                    |                      |
|   |             | <b>31 December 2017</b> |                    |                      |
| <b>OFF BALANCE SHEET</b>  | <b>Note</b> | <b>TRY</b>              | <b>FC</b>          | <b>Total</b>         |
| <b>A. COMMITMENTS AND CONTINGENCIES (I+II+III)</b>                  |             | <b>55.825.715</b>       | <b>59.017.870</b>  | <b>114.843.585</b>   |
| <b>I. GUARANTEES AND SURETIES</b>                                   | <b>(1)</b>  | <b>28.091.702</b>       | <b>30.695.956</b>  | <b>58.787.658</b>    |
| 1.1 Letters of guarantee  |             | 26.885.534              | 22.774.574         | 49.660.108           |
| 1.1.1 Guarantees subject to public procurement law                  |             | 1.522.672               | 10.045.779         | 11.568.451           |
| 1.1.2 Guarantees given for foreign trade operations                 |             | -                       | 24.183             | 24.183               |
| 1.1.3 Other letters of guarantee                                    |             | 25.362.862              | 12.704.612         | 38.067.474           |
| 1.2 Bank loans  |             | 16.829                  | 3.676.678          | 3.693.507            |
| 1.2.1 Import acceptances  |             | -                       | 226.526            | 226.526              |
| 1.2.2 Other bank acceptances  |             | 16.829                  | 3.450.152          | 3.466.981            |
| 1.3 Letters of credit   |             | 47.204                  | 4.100.917          | 4.148.121            |
| 1.3.1 Documentary letters of credit                                 |             | 47.204                  | 4.100.917          | 4.148.121            |
| 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  |             | 1.142.135               | 143.787            | 1.285.922            |
| 1.9 Other sureties  |             | -                       | -                  | -                    |
| <b>II. COMMITMENTS</b>  | <b>(1)</b>  | <b>22.879.077</b>       | <b>2.235.117</b>   | <b>25.114.194</b>    |
| 2.1 Irrevocable commitments   |             | 22.879.077              | 1.310.028          | 24.189.105           |
| 2.1.1 Forward asset purchase commitments                            |             | 248.484                 | 661.967            | 910.451              |
| 2.1.2 Forward deposit purchase and sale commitments                 |             | -                       | -                  | -                    |
| 2.1.3 Capital commitments to subsidiaries and associates            |             | -                       | -                  | -                    |
| 2.1.4 Loan granting commitments                                     |             | 4.191.402               | 493.963            | 4.685.365            |
| 2.1.5 Securities underwriting commitments                           |             | -                       | -                  | -                    |
| 2.1.6 Payment commitments for reserve deposits                      |             | -                       | -                  | -                    |
| 2.1.7 Payment commitments for Cheques                               |             | 3.269.281               | -                  | 3.269.281            |
| 2.1.8 Tax and fund liabilities from export commitments              |             | 38.072                  | -                  | 38.072               |
| 2.1.9 Commitments for credit card expenditure limits                |             | 11.562.109              | 37.787             | 11.599.896           |
| 2.1.10 Commitments for credit cards and banking services promotions |             | 32.736                  | -                  | 32.736               |
| 2.1.11 Receivables from short sale commitments                      |             | -                       | -                  | -                    |
| 2.1.12 Payables for short sale commitments                          |             | -                       | -                  | -                    |
| 2.1.13 Other irrevocable commitments                                |             | 3.536.993               | 116.311            | 3.653.304            |
| 2.2 Revocable commitments   |             | -                       | 925.089            | 925.089              |
| 2.2.1 Revocable loan granting commitments                           |             | -                       | 57.071             | 57.071               |
| 2.2.2 Other revocable commitments                                   |             | -                       | 868.018            | 868.018              |
| <b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>                        |             | <b>4.854.936</b>        | <b>26.086.797</b>  | <b>30.941.733</b>    |
| 3.1 Derivative financial instruments held for risk management       |             | -                       | -                  | -                    |
| 3.1.1 Fair value risk hedging transactions                          |             | -                       | -                  | -                    |
| 3.1.2 Cash flow risk hedging transactions                           |             | -                       | -                  | -                    |
| 3.1.3 Net foreign investment risk hedging transactions              |             | -                       | -                  | -                    |
| 3.2 Transactions for trading  |             | 4.854.936               | 26.086.797         | 30.941.733           |
| 3.2.1 Forward foreign currency buy/sell transactions                |             | 2.711.228               | 6.374.073          | 9.085.301            |
| 3.2.1.1 Forward foreign currency transactions-buy                   |             | 1.359.880               | 4.498.627          | 5.858.507            |
| 3.2.1.2 Forward foreign currency transactions-sell                  |             | 1.351.348               | 1.875.446          | 3.226.794            |
| 3.2.2 Currency and interest rate swaps                              |             | 1.353.630               | 15.891.963         | 17.245.593           |
| 3.2.2.1 Currency swap-buy   |             | 418.414                 | 2.843.148          | 3.261.562            |
| 3.2.2.2 Currency swap-sell  |             | 935.216                 | 2.162.053          | 3.097.269            |
| 3.2.2.3 Interest rate swap-buy                                      |             | -                       | 5.443.381          | 5.443.381            |
| 3.2.2.4 Interest Rate swap-sell                                     |             | -                       | 5.443.381          | 5.443.381            |
| 3.2.3 Currency, interest rate and marketable securities options     |             | 790.078                 | 1.090.343          | 1.880.421            |
| 3.2.3.1 Currency call options                                       |             | 394.932                 | 545.279            | 940.211              |
| 3.2.3.2 Currency put options  |             | 395.146                 | 545.064            | 940.210              |
| 3.2.3.3 Interest rate call options                                  |             | -                       | -                  | -                    |
| 3.2.3.4 Interest rate put options                                   |             | -                       | -                  | -                    |
| 3.2.3.5 Marketable securities call options                          |             | -                       | -                  | -                    |
| 3.2.3.6 Marketable securities put options                           |             | -                       | -                  | -                    |
| 3.2.4 Currency futures  |             | -                       | -                  | -                    |
| 3.2.4.1 Currency futures-buy  |             | -                       | -                  | -                    |
| 3.2.4.2 Currency futures-sell                                       |             | -                       | -                  | -                    |
| 3.2.5 Interest rate buy/sell futures                                |             | -                       | -                  | -                    |
| 3.2.5.1 Interest rate futures-buy                                   |             | -                       | -                  | -                    |
| 3.2.5.2 Interest rate futures-sell                                  |             | -                       | -                  | -                    |
| 3.2.6 Other   |             | -                       | 2.730.418          | 2.730.418            |
| <b>B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)</b>                      |             | <b>835.132.210</b>      | <b>209.876.872</b> | <b>1.045.009.082</b> |
| <b>IV. CUSTODIES</b>  |             | <b>394.414.878</b>      | <b>29.275.633</b>  | <b>423.690.511</b>   |
| 4.1 Assets under management   |             | -                       | -                  | -                    |
| 4.2 Custody marketable securities                                   |             | 177.566.380             | 518.467            | 178.084.847          |
| 4.3 Cheques in collection process                                   |             | 15.489.840              | 22.716.178         | 38.206.018           |
| 4.4 Commercial notes in collection process                          |             | 193.733.321             | 491.087            | 194.224.408          |
| 4.5 Other assets in collection process                              |             | -                       | -                  | -                    |
| 4.6 Underwritten securities   |             | -                       | -                  | -                    |
| 4.7 Other custodies   |             | 4.136.680               | 127.221            | 4.263.901            |
| 4.8 Custodians  |             | 3.488.657               | 5.422.680          | 8.911.337            |
| <b>V. PLEDGED ASSETS</b>  |             | <b>440.717.332</b>      | <b>180.601.239</b> | <b>621.318.571</b>   |
| 5.1 Marketable securities   |             | 4.512.526               | 571.558            | 5.084.084            |
| 5.2 Collateral notes  |             | 7.261.444               | 911.790            | 8.173.234            |
| 5.3 Commodity   |             | 25.813                  | 145.204            | 171.017              |
| 5.4 Warranty  |             | -                       | -                  | -                    |
| 5.5 Land and buildings  |             | 324.029.119             | 151.762.384        | 475.791.503          |
| 5.6 Other pledged assets  |             | 67.075.089              | 23.900.616         | 90.975.705           |
| 5.7 Pledges   |             | 37.813.341              | 3.309.687          | 41.123.028           |
| <b>VI. ACCEPTED BILL GUARANTEES AND SURETIES</b>                    |             | <b>-</b>                | <b>-</b>           | <b>-</b>             |
| <b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>                       |             | <b>890.957.925</b>      | <b>268.894.742</b> | <b>1.159.852.667</b> |

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF INCOME AS OF 30 JUNE 2018**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

**III. CONSOLIDATED STATEMENT OF INCOME**

| INCOME AND EXPENSES |  | Note | Reviewed<br>Current Period |                          |
|---------------------|--|------|----------------------------|--------------------------|
|                     |  |      | 1 January-<br>30 June 2018 | 1 April-<br>30 June 2018 |
| <b>I.</b>           | <b>INTEREST INCOME</b>   | (1)  | <b>15.195.332</b>          | <b>8.084.566</b>         |
| 1.1                 | Interest on Loans  |      | 12.311.717                 | 6.547.225                |
| 1.2                 | Interest on Reserve Requirements   |      | 69.599                     | 33.106                   |
| 1.3                 | Interest on Banks  |      | 215.575                    | 115.368                  |
| 1.4                 | Interest on Money Market Transactions  |      | 24.555                     | 13.167                   |
| 1.5                 | Interest on Marketable Securities Portfolio  |      | 2.309.142                  | 1.233.996                |
| 1.5.1               | Fair Value Through Profit or Loss  |      | 7.358                      | 4.735                    |
| 1.5.2               | Fair Value Through Other Comprehensive Income  |      | 83.959                     | (350.833)                |
| 1.5.3               | Measured at Amortized Cost   |      | 2.217.825                  | 1.580.094                |
| 1.6                 | Financial Lease Income   |      | 124.428                    | 67.089                   |
| 1.7                 | Other Interest Income  |      | 140.316                    | 74.615                   |
| <b>II.</b>          | <b>INTEREST EXPENSE (-)</b>  | (2)  | <b>10.715.736</b>          | <b>5.749.099</b>         |
| 2.1                 | Interest on Deposits   |      | 7.791.850                  | 4.087.727                |
| 2.2                 | Interest on Funds Borrowed   |      | 343.375                    | 182.270                  |
| 2.3                 | Interest Expense on Money Market Transactions  |      | 1.900.052                  | 1.112.483                |
| 2.4                 | Interest on Securities Issued  |      | 566.109                    | 315.492                  |
| 2.5                 | Other Interest Expense   |      | 114.350                    | 51.127                   |
| <b>III.</b>         | <b>NET INTEREST INCOME (I - II)</b>  |      | <b>4.479.596</b>           | <b>2.335.467</b>         |
| <b>IV.</b>          | <b>NET FEES AND COMMISSIONS INCOME</b>   |      | <b>869.678</b>             | <b>473.737</b>           |
| <b>4.1</b>          | <b>Fees and Commissions Received</b>   |      | <b>1.218.741</b>           | <b>665.451</b>           |
| 4.1.1               | Non – cash Loans   |      | 253.387                    | 134.718                  |
| 4.1.2               | Other  |      | 965.354                    | 530.733                  |
| <b>4.2</b>          | <b>Fees and Commissions Paid (-)</b>   |      | <b>349.063</b>             | <b>191.714</b>           |
| 4.2.1               | Non – cash Loans   |      | 1.999                      | 1.159                    |
| 4.2.2               | Other  |      | 347.064                    | 190.555                  |
| <b>V.</b>           | <b>PERSONNEL EXPENSE (-)</b>   |      | <b>(1.258.636)</b>         | <b>(659.260)</b>         |
| <b>VI.</b>          | <b>DIVIDEND INCOME</b>   | (3)  | <b>12.663</b>              | <b>12.578</b>            |
| <b>VII.</b>         | <b>TRADING INCOME / LOSS (Net)</b>   | (4)  | <b>91.276</b>              | <b>54.215</b>            |
| 7.1                 | Trading Gains / (Losses) on Securities   |      | 15.487                     | 4.462                    |
| 7.2                 | Gains / (Losses) on Derivate Financial Transactions  |      | 323.546                    | 262.394                  |
| 7.3                 | Foreign Exchange Gains / (Losses)  |      | (247.757)                  | (212.641)                |
| <b>VIII.</b>        | <b>OTHER OPERATING INCOME</b>  | (5)  | <b>1.220.853</b>           | <b>637.568</b>           |
| <b>IX.</b>          | <b>GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>   |      | <b>5.415.430</b>           | <b>2.854.305</b>         |
| <b>X.</b>           | <b>EXPECTED LOSS PROVISIONS (-)</b>  | (6)  | <b>1.045.701</b>           | <b>571.933</b>           |
| <b>XI.</b>          | <b>OTHER OPERATING EXPENSES (-)</b>  | (7)  | <b>2.087.075</b>           | <b>1.171.579</b>         |
| <b>XII.</b>         | <b>NET OPERATING INCOME /LOSS (IX-X-XI)</b>  |      | <b>2.282.654</b>           | <b>1.110.793</b>         |
| <b>XIII.</b>        | <b>EXCESS AMOUNT RECORDED AS</b>   |      |                            |                          |
|                     | <b>INCOME AFTER MERGER</b>   |      | -                          | -                        |
| <b>XIV.</b>         | <b>INCOME / (LOSS ) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b> |      | <b>13.800</b>              | <b>7.278</b>             |
| <b>XV.</b>          | <b>INCOME / (LOSS) ON NET MONETARY POSITION</b>  |      | -                          | -                        |
| <b>XVI.</b>         | <b>PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>                       | (8)  | <b>2.296.454</b>           | <b>1.118.071</b>         |
| <b>XVII.</b>        | <b>TAX PROVISIONS FOR CONTINUED OPERATIONS (±)</b>   | (9)  | <b>(451.046)</b>           | <b>(217.460)</b>         |
| 17.1                | Current Tax Provision  |      | 82.028                     | 19.960                   |
| 17.2                | Deferred Tax Income Effect (+)   |      | (769.949)                  | (571.772)                |
| 17.3                | Deferred Tax Expense Effect (-)  |      | 400.931                    | 334.352                  |
| <b>XVIII.</b>       | <b>CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVI±XVII)</b>                     | (10) | <b>1.845.408</b>           | <b>900.611</b>           |
| <b>XIX.</b>         | <b>INCOME FROM DISCONTINUED OPERATIONS</b>   |      | -                          | -                        |
| 19.1                | Income from non- Current Assets Held for Sale  |      | -                          | -                        |
| 19.2                | Profit from Sales of Associates, Subsidiaries and Joint Ventures                             |      | -                          | -                        |
| 19.3                | Income from Other Discontinued Operations  |      | -                          | -                        |
| <b>XX.</b>          | <b>EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>  |      | -                          | -                        |
| 20.1                | Expenses for Non-current Assets Held for Sale  |      | -                          | -                        |
| 20.2                | Loss from Sales of Associates, Subsidiaries and Joint Ventures                               |      | -                          | -                        |
| 20.3                | Expenses for Other Discontinued Operations   |      | -                          | -                        |
| <b>XXI.</b>         | <b>PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)</b>                          |      | -                          | -                        |
| <b>XXII.</b>        | <b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>   |      | -                          | -                        |
| 22.1                | Current Tax Provision  |      | -                          | -                        |
| 22.2                | Deferred Tax Expense Effect (+)  |      | -                          | -                        |
| 22.3                | Deferred Tax Income Effect (-)   |      | -                          | -                        |
| <b>XXIII.</b>       | <b>PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>                        |      | -                          | -                        |
| <b>XXIV.</b>        | <b>NET PROFIT/(LOSS) (XVIII+XXIII)</b>   | (11) | <b>1.845.408</b>           | <b>900.611</b>           |
| 24.1                | Profit / (Loss) of Group   |      | 1.837.765                  | 895.862                  |
| 24.2                | Profit / (Loss) of Minority Shares (-)   |      | 7.643                      | 4.749                    |
|                     | Profit / (Loss) Per Share  |      | 1,4702                     | 0,7167                   |

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF INCOME AS OF 30 JUNE 2017**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

**III. CONSOLIDATED STATEMENT OF INCOME**

| INCOME AND EXPENSES |   | Note        | Reviewed<br>Prior period    |                           |
|---------------------|---|-------------|-----------------------------|---------------------------|
|                     |   |             | 1 January -<br>30 June 2017 | 1 April -<br>30 June 2017 |
| <b>I.</b>           | <b>INTEREST INCOME</b>  | <b>(1)</b>  | <b>10.847.572</b>           | <b>5.541.132</b>          |
| 1.1                 | Interest on loans   |             | 8.481.881                   | 4.391.050                 |
| 1.2                 | Interest received from reserve deposits   |             | 52.130                      | 30.094                    |
| 1.3                 | Interest received from banks  |             | 115.111                     | 68.886                    |
| 1.4                 | Interest received from money market placements                                    |             | 23.549                      | 11.187                    |
| 1.5                 | Interest income on marketable securities  |             | 1.988.376                   | 947.659                   |
| 1.5.1               | Financial assets held for trading   |             | 1.483                       | 1.002                     |
| 1.5.2               | Financial assets at fair value through profit and loss                            |             | -                           | -                         |
| 1.5.3               | Financial assets available-for-sale   |             | 807.883                     | 394.114                   |
| 1.5.4               | Investments held-to-maturity  |             | 1.179.010                   | 552.543                   |
| 1.6                 | Finance lease income  |             | 90.730                      | 46.553                    |
| 1.7                 | Other interest income   |             | 95.795                      | 45.703                    |
| <b>II.</b>          | <b>INTEREST EXPENSE</b>   | <b>(2)</b>  | <b>6.385.857</b>            | <b>3.481.073</b>          |
| 2.1                 | Interest on deposits  |             | 4.611.837                   | 2.514.814                 |
| 2.2                 | Interest on borrowings  |             | 260.868                     | 122.204                   |
| 2.3                 | Interest on money market borrowings   |             | 1.056.489                   | 621.896                   |
| 2.4                 | Interest on bonds issued  |             | 391.703                     | 195.541                   |
| 2.5                 | Other interest expense  |             | 64.960                      | 26.618                    |
| <b>III.</b>         | <b>NET INTEREST INCOME [ I – II ]</b>   |             | <b>4.461.715</b>            | <b>2.060.059</b>          |
| <b>IV.</b>          | <b>NET FEES AND COMMISSIONS INCOME</b>  |             | <b>965.679</b>              | <b>460.523</b>            |
| 4.1                 | Fees and commissions income   |             | 1.246.407                   | 609.507                   |
| 4.1.1               | Non-cash loans  |             | 187.471                     | 96.119                    |
| 4.1.2               | Other   |             | 1.058.936                   | 513.388                   |
| 4.2                 | Fees and commissions expenses   |             | 280.728                     | 148.984                   |
| 4.2.1               | Non-cash loans  |             | 1.973                       | 1.298                     |
| 4.2.2               | Other   |             | 278.755                     | 147.686                   |
| <b>V.</b>           | <b>DIVIDEND INCOME</b>  | <b>(3)</b>  | <b>3.467</b>                | <b>3.263</b>              |
| <b>VI.</b>          | <b>NET TRADING PROFIT (NET)</b>   | <b>(4)</b>  | <b>122.262</b>              | <b>46.839</b>             |
| 6.1                 | Profit/loss from capital market operations  |             | 19.503                      | 10.255                    |
| 6.2                 | Profit/loss from financial derivative transactions                                |             | (189.887)                   | (46.336)                  |
| 6.3                 | Foreign exchange gains/losses   |             | 292.646                     | 82.920                    |
| <b>VII.</b>         | <b>OTHER OPERATING INCOME</b>   | <b>(5)</b>  | <b>996.165</b>              | <b>520.634</b>            |
| <b>VIII.</b>        | <b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>                                   |             | <b>6.549.288</b>            | <b>3.091.318</b>          |
| <b>IX.</b>          | <b>IMPAIRMENT LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>                       | <b>(6)</b>  | <b>741.492</b>              | <b>262.363</b>            |
| <b>X.</b>           | <b>OTHER OPERATING EXPENSES(-)</b>  | <b>(7)</b>  | <b>2.718.469</b>            | <b>1.447.930</b>          |
| <b>XI.</b>          | <b>NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>                                    |             | <b>3.089.327</b>            | <b>1.381.025</b>          |
| <b>XII.</b>         | <b>AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER</b>                             |             | -                           | -                         |
| <b>XIII.</b>        | <b>PROFIT/LOSSES FROM SUBSIDIARIES ACCOUNTED FOR AT EQUITY METHOD</b>             |             | <b>9.934</b>                | <b>4.886</b>              |
| <b>XIV.</b>         | <b>GAIN / (LOSS) ON NET MONETARY POSITION</b>                                     |             | -                           | -                         |
| <b>XV.</b>          | <b>INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)</b>                               | <b>(8)</b>  | <b>3.099.261</b>            | <b>1.385.911</b>          |
| <b>XVI.</b>         | <b>TAX INCOME PROVISION (±)</b>   | <b>(9)</b>  | <b>(632.651)</b>            | <b>(275.946)</b>          |
| 16.1                | Current tax charge  |             | (601.981)                   | (296.622)                 |
| 16.2                | Deferred tax (charge) / benefit   |             | (30.670)                    | 20.676                    |
| <b>XVII.</b>        | <b>NET OPERATING INCOME AFTER TAX (XV±XVI)</b>                                    | <b>(10)</b> | <b>2.466.610</b>            | <b>1.109.965</b>          |
| <b>XVIII.</b>       | <b>INCOME FROM DISCONTINUED OPERATIONS</b>  |             | -                           | -                         |
| 18.1                | Property and equipment income held for sale                                       |             | -                           | -                         |
| 18.2                | Sale profits from associates, subsidiaries and joint ventures (business partners) |             | -                           | -                         |
| 18.3                | Other income from terminated operations   |             | -                           | -                         |
| <b>XIX.</b>         | <b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>                                  |             | -                           | -                         |
| 19.1                | Property and equipment expense held for sale                                      |             | -                           | -                         |
| 19.2                | Sale losses from associates, subsidiaries and joint ventures (business partners)  |             | -                           | -                         |
| 19.3                | Other expenses from discontinued operations                                       |             | -                           | -                         |
| <b>XX.</b>          | <b>INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>       |             | -                           | -                         |
| <b>XXI.</b>         | <b>PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)</b>             |             | -                           | -                         |
| 21.1                | Current tax charge  |             | -                           | -                         |
| 21.2                | Deferred tax charge   |             | -                           | -                         |
| <b>XXII.</b>        | <b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>                    |             | -                           | -                         |
| <b>XXIII.</b>       | <b>NET PROFIT/(LOSS) (XVII+XXII)</b>  | <b>(11)</b> | <b>2.466.610</b>            | <b>1.109.965</b>          |
| 23.1                | Group's profit/loss   |             | 2.459.899                   | 1.107.224                 |
| 23.2                | Minority shares profit/loss   |             | 6.711                       | 2.741                     |
|                     | Earnings/losses per share (Full TRY)  |             | 1,96792                     | 0,88578                   |

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS**  
**ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF 30 JUNE 2018**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

**IV. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY**

|   | <b>Reviewed</b>       |
|---|-----------------------|
|   | <b>Current Period</b> |
|   | <b>1 January –</b>    |
|   | <b>30 June 2018</b>   |
| <b>STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>   |                       |
| <b>I. CURRENT PERIOD INCOME/LOSS</b>  | <b>1.845.408</b>      |
| <b>II. OTHER COMPREHENSIVE INCOME</b>   | <b>442.563</b>        |
| <b>2.1 Not Reclassified Through Profit or Loss</b>  | <b>(3.385)</b>        |
| 2.1.1 Property and Equipment Revaluation Increase/Decrease  | (3.884)               |
| 2.1.2 Intangible Assets Revaluation Increase/Decrease   | -                     |
| 2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss  | -                     |
| 2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss  | -                     |
| 2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss                                      | 499                   |
| <b>2.2 Reclassified Through Profit or Loss</b>  | <b>445.948</b>        |
| 2.2.1 Foreign Currency Translation Differences  | 84.812                |
| 2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income | 451.435               |
| 2.2.3 Cash Flow Hedge Income/Loss   | -                     |
| 2.2.4 Foreign Net Investment Hedge Income/Loss  | -                     |
| 2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Loss  | -                     |
| 2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss  | (90.299)              |
| <b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>   | <b>2.287.971</b>      |

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS**  
**ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF 30 JUNE 2017**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

**IV. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY**

|   | Reviewed                   |
|---|----------------------------|
|   | Prior period               |
|   | 1 January-<br>30 June 2017 |
| <b>STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>   |                            |
| <b>I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS</b>  | <b>362.590</b>             |
| <b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>  | <b>21.777</b>              |
| <b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>   | -                          |
| <b>IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>   | <b>140.328</b>             |
| <b>V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)</b>                        | -                          |
| <b>VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)</b> | -                          |
| <b>VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES</b>  | -                          |
| <b>VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS</b>  | <b>2.951</b>               |
| <b>IX. DEFERRED TAX ON VALUATION DIFFERENCES</b>  | <b>(23.467)</b>            |
| <b>X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)</b>  | <b>504.179</b>             |
| <b>XI. PROFIT/LOSS</b>  | <b>2.466.610</b>           |
| 11.1 Change in fair value of marketable securities (Transfer to profit/loss)  | 18.258                     |
| 11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement  | -                          |
| 11.3 Transfer of hedge of net investments in foreign operations to income statement   | -                          |
| 11.4 Other  | 2.448.352                  |
| <b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)</b>   | <b>2.970.789</b>           |

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 JUNE 2018**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

**V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

| Reviewed<br>(1 January – 30 June 2018)   | Accumulated Other Comprehensive Income<br>or Expense Not Reclassified through Profit or Loss |                   |                                  |                           |  |  | Accumulated Other Comprehensive Income<br>or Expense Reclassified through Profit or Loss   |   |   |  |                    |                                  | Total Equity                       |                    |                    |                   |
|--|--|-------------------|----------------------------------|---------------------------|--|--|--|---|---|--|--------------------|----------------------------------|------------------------------------|--------------------|--------------------|-------------------|
|  | Paid in<br>Capital   | Share<br>Premiums | Share<br>Cancellation<br>Profits | Other Capital<br>Reserves | Accumulated<br>Revaluation<br>Increase/Decrease of<br>Fixed Assets | Accumulated<br>Remeasurement<br>Gain/Loss of Defined<br>Benefit Pension Plan | Other(Shares of<br>Investments<br>Valued<br>by Equity<br>Method in Other<br>Comprehensive<br>Income Not<br>Classified<br>Through Profit<br>or Loss and<br>Other<br>Accumulated<br>Amounts of<br>Other<br>Comprehensive<br>Income Items<br>Not<br>Reclassified<br>Through Other<br>Profit or<br>Loss) | Foreign<br>Currency<br>Translation<br>Differences | Accumulated<br>Revaluation<br>and/or<br>Remeasurement<br>Gain/Loss of the<br>Financial Assets<br>at Fair<br>Value Through<br>Other<br>Comprehensive<br>Income | Other (Cash<br>Flow Hedge<br>Gain/Loss,<br>Shares of<br>Investments<br>Valued by<br>Equity Method<br>in Other<br>Comprehensive<br>Income<br>Classified<br>Through Profit<br>or Loss and<br>Other<br>Accumulated<br>Amounts of<br>Other<br>Comprehensive<br>Income Items<br>Reclassified<br>Through Other<br>Profit or<br>Loss) | Profit<br>Reserves | Prior Period<br>Profit or (Loss) | Current Period<br>Profit or (Loss) | Minority<br>Shares | Minority<br>Shares | Total<br>Equity   |
| <b>I. Prior Period End Balance</b>   | <b>1.250.000</b>   | <b>39.737</b>     | -                                | <b>1.173.214</b>          | <b>2.253.646</b>   | <b>(10.744)</b>  | -  | <b>52.631</b>                                     | <b>(660.392)</b>  | -  | <b>17.081.403</b>  | <b>4.139.070</b>                 | -                                  | <b>25.318.565</b>  | <b>210.124</b>     | <b>25.528.689</b> |
| <b>II. Corrections and Accounting Policy Changes Made<br/>According to TAS 8</b> | -  | -                 | -                                | -                         | -  | -  | -  | -   | -   | -  | <b>678.853</b>     | -                                | -                                  | <b>678.853</b>     | <b>4</b>           | <b>678.857</b>    |
| 2.1 Effects of Corrections   | -  | -                 | -                                | -                         | -  | -  | -  | -   | -   | -  | -                  | -                                | -                                  | -                  | -                  | -                 |
| 2.2 Effects of the Changes in Accounting Policies                                | -  | -                 | -                                | -                         | -  | -  | -  | -   | -   | -  | <b>678.853</b>     | -                                | -                                  | <b>678.853</b>     | <b>4</b>           | <b>678.857</b>    |
| <b>III. Adjusted Beginning Balance (I+II)</b>                                    | <b>1.250.000</b>   | <b>39.737</b>     | -                                | <b>1.173.214</b>          | <b>2.253.646</b>   | <b>(10.744)</b>  | -  | <b>52.631</b>                                     | <b>(660.392)</b>  | -  | <b>17.081.403</b>  | <b>4.817.923</b>                 | -                                  | <b>25.997.418</b>  | <b>210.128</b>     | <b>26.207.546</b> |
| IV. Total Comprehensive Income   | -  | -                 | -                                | -                         | (3.385)  | -  | -  | 84.812  | 361.136   | -  | -                  | -                                | 1.837.765                          | 2.280.328          | 7.643              | 2.287.971         |
| V. Capital Increase by Cash  | -  | -                 | -                                | -                         | -  | -  | -  | -   | -   | -  | -                  | -                                | -                                  | -                  | -                  | -                 |
| VI. Capital Increase by Internal Sources   | -  | -                 | -                                | -                         | -  | -  | -  | -   | -   | -  | -                  | -                                | -                                  | -                  | -                  | -                 |
| VII. Paid in Capital Inflation Adjustment Difference                             | -  | -                 | -                                | -                         | -  | -  | -  | -   | -   | -  | -                  | -                                | -                                  | -                  | -                  | -                 |
| VIII. Convertible Bonds to Share   | -  | -                 | -                                | -                         | -  | -  | -  | -   | -   | -  | -                  | -                                | -                                  | -                  | -                  | -                 |
| IX. Subordinated Debt Instruments  | -  | -                 | -                                | -                         | -  | -  | -  | -   | -   | -  | -                  | -                                | -                                  | -                  | -                  | -                 |
| X. Increase / Decrease by Other Changes  | -  | -                 | -                                | 57.090                    | -  | -  | -  | -   | -   | -  | 54.161             | 5.512                            | -                                  | 116.763            | 11.415             | 128.178           |
| XI. Profit Distribution  | -  | -                 | -                                | -                         | -  | -  | -  | -   | -   | -  | 85.729             | (87.293)                         | -                                  | (1.564)            | (957)              | (2.521)           |
| 11.1 Dividends Paid  | -  | -                 | -                                | -                         | -  | -  | -  | -   | -   | -  | -                  | -                                | -                                  | -                  | (2.521)            | (2.521)           |
| 11.2 Transfers to Reserves   | -  | -                 | -                                | -                         | -  | -  | -  | -   | -   | -  | 85.729             | (87.293)                         | -                                  | (1.564)            | 1.564              | -                 |
| 11.3 Other   | -  | -                 | -                                | -                         | -  | -  | -  | -   | -   | -  | -                  | -                                | -                                  | -                  | -                  | -                 |
| <b>Period End Balance (III+IV+.....+X+XI)</b>                                    | <b>1.250.000</b>   | <b>39.737</b>     | -                                | <b>1.230.304</b>          | <b>2.250.261</b>   | <b>(10.744)</b>  | -  | <b>137.443</b>                                    | <b>(299.256)</b>  | -  | <b>17.221.293</b>  | <b>4.736.142</b>                 | <b>1.837.765</b>                   | <b>28.392.945</b>  | <b>228.229</b>     | <b>28.621.174</b> |

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 JUNE 2017**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

**V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

| Reviewed  | Note | Paid in capital | Effect of inflation adjustments on paid in capital | Share premium | Share certificate cancellation profit | Legal reserves | Statutory reserves | Extra-ordinary reserves | Other reserves | Current period net income/(loss) | Prior period net income/(loss) | Valuation changes in marketable sec. | Revaluation changes in prop. and equip. and int. assets | Bonus shares from shareholders | Hedging funds | Value change in pro. and equip. held for sale purp./term. op.f. | Total Shareholder's equity |                            |            |            |
|---|------|-----------------|--|---------------|---------------------------------------|----------------|--------------------|-------------------------|----------------|----------------------------------|--------------------------------|--------------------------------------|---|--------------------------------|---------------|---|----------------------------|----------------------------|------------|------------|
|   |      |                 |  |               |                                       |                |                    |                         |                |                                  |                                |                                      |   |                                |               |   | Minority Shares            | Total shareholders' equity |            |            |
| <b>I. 1 January 2017 – 30 June 2017</b>   |      |                 |  |               |                                       |                |                    |                         |                |                                  |                                |                                      |   |                                |               |   |                            |                            |            |            |
| <b>Balance at end of prior period</b>   |      | 1.250.000       | 1.220.451  | 39.737        | - 1.562.172                           | -              | -                  | 12.956.536              | 33.837         | 2.533.607                        | 166.949                        | (718.928)                            | 2.107.278   | 4.723                          | -             | -   | 21.156.362                 | 213.158                    | 21.369.520 |            |
| Changes within the period   |      |                 |  |               |                                       |                |                    |                         |                |                                  |                                |                                      |   |                                |               |   |                            |                            |            |            |
| <b>II. Increase/decrease generated by merger</b>  |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | -                                | -                              | -                                    | -   | -                              | -             | -   | -                          | -                          | -          |            |
| <b>III. Valuation changes in marketable securities</b>  |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | -                                | -                              | 340.203                              | -   | -                              | -             | -   | -                          | 340.203                    | 9          | 340.212    |
| <b>IV. Hedging funds (effective portion)</b>  |      | -               | -  | -             | -                                     | -              | -                  | -                       | (42.781)       | -                                | -                              | -                                    | -   | -                              | -             | -   | -                          | (42.781)                   | -          | (42.781)   |
| 4.1 Cash-flow hedge   |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | -                                | -                              | -                                    | -   | -                              | -             | -   | -                          | -                          | -          | -          |
| 4.2 Hedges for investment made in foreign countries   |      | -               | -  | -             | -                                     | -              | -                  | -                       | (42.781)       | -                                | -                              | -                                    | -   | -                              | -             | -   | -                          | (42.781)                   | -          | (42.781)   |
| <b>V. Revaluation changes of property and equipment</b>   |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | -                                | -                              | -                                    | 20.688  | -                              | -             | -   | -                          | 20.688                     | -          | 20.688     |
| <b>VI. Revaluation changes of intangible assets</b>   |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | -                                | -                              | -                                    | -   | -                              | -             | -   | -                          | -                          | -          | -          |
| <b>VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners).</b>   |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | -                                | -                              | -                                    | -   | -                              | -             | -   | -                          | -                          | -          | -          |
| <b>VIII. Foreign exchange differences</b>   |      | -               | -  | -             | -                                     | -              | -                  | -                       | 140.144        | -                                | -                              | -                                    | -   | -                              | -             | -   | -                          | 140.144                    | 184        | 140.328    |
| <b>IX. Changes after disposal of securities</b>   |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | -                                | -                              | -                                    | -   | -                              | -             | -   | -                          | -                          | -          | -          |
| <b>X. Changes after reclassification of securities</b>  |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | -                                | -                              | -                                    | -   | -                              | -             | -   | -                          | -                          | -          | -          |
| <b>XI. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity</b> |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | -                                | -                              | -                                    | -   | -                              | -             | -   | -                          | -                          | -          | -          |
| <b>XII. Increase in capital</b>   |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | -                                | -                              | -                                    | -   | -                              | -             | -   | -                          | -                          | -          | -          |
| 12.1 Cash   |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | -                                | -                              | -                                    | -   | -                              | -             | -   | -                          | -                          | -          | -          |
| 12.2 From internal resources  |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | -                                | -                              | -                                    | -   | -                              | -             | -   | -                          | -                          | -          | -          |
| <b>XIII. Issuance of share certificates at end of period</b>  |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | -                                | -                              | -                                    | -   | -                              | -             | -   | -                          | -                          | -          | -          |
| <b>XIV. Share cancellation profits</b>  |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | -                                | -                              | -                                    | -   | -                              | -             | -   | -                          | -                          | -          | -          |
| <b>XV. Adjustment to paid-in capital</b>  |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | -                                | -                              | -                                    | -   | -                              | -             | -   | -                          | -                          | -          | -          |
| <b>XVI. Other<sup>(1)</sup></b>   |      | -               | -  | -             | (257)                                 | -              | -                  | 491                     | 9.446          | -                                | 34.404                         | -                                    | -   | -                              | -             | -   | -                          | -                          | -          | -          |
| <b>XVII. Net profit or losses</b>   |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | 2.459.899                        | -                              | -                                    | -   | -                              | -             | -   | -                          | 2.459.899                  | 6.711      | 2.466.610  |
| <b>XVIII. Profit distribution</b>   |      | -               | -  | -             | 169.229                               | -              | -                  | 2.166.464               | -              | (2.533.607)                      | (60.828)                       | -                                    | -   | -                              | -             | -   | -                          | (258.742)                  | -          | (258.742)  |
| 18.1 Dividends distributed  |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | -                                | (258.742)                      | -                                    | -   | -                              | -             | -   | -                          | (258.742)                  | -          | (258.742)  |
| 18.2 Transfers to legal reserves  |      | -               | -  | -             | 169.229                               | -              | -                  | 2.166.464               | -              | -                                | (2.335.693)                    | -                                    | -   | -                              | -             | -   | -                          | -                          | -          | -          |
| 18.3 Other  |      | -               | -  | -             | -                                     | -              | -                  | -                       | -              | (2.533.607)                      | 2.533.607                      | -                                    | -   | -                              | -             | -   | -                          | -                          | -          | -          |
| <b>Period End Balance</b>   |      | 1.250.000       | 1.220.451  | 39.737        | - 1.731.144                           | -              | -                  | 15.123.491              | 140.646        | 2.459.899                        | 140.525                        | (378.725)                            | 2.127.966   | 4.723                          | -             | -   | -                          | 23.859.857                 | 221.710    | 24.081.567 |

<sup>(1)</sup> Due to change in group shares.

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30 JUNE 2018**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

**VI. CONSOLIDATED STATEMENT OF CASH FLOWS**

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30 JUNE 2017**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

**VI. CONSOLIDATED STATEMENT OF CASH FLOWS**

|             |  | <b>Reviewed</b>     |
|-------------|--|---------------------|
|             |  | <b>Prior period</b> |
|             |  | <b>1 January –</b>  |
|             |  | <b>30 June 2017</b> |
|             | <b>Note</b>  |                     |
| <b>A.</b>   | <b>CASH FLOWS FROM BANKING OPERATIONS</b>  |                     |
| <b>1.1</b>  | <b>Operating profit before changes in operating assets and liabilities</b>       | <b>3.924.428</b>    |
| 1.1.1       | Interest received  | 10.460.340          |
| 1.1.2       | Interest paid  | (5.716.311)         |
| 1.1.3       | Dividend received  | 3.467               |
| 1.1.4       | Fees and commissions received  | 1.246.407           |
| 1.1.5       | Other income   | 826.416             |
| 1.1.6       | Collections from previously written off loans                                    | 302.430             |
| 1.1.7       | Cash payments to personnel and service suppliers                                 | (1.036.596)         |
| 1.1.8       | Taxes paid   | (520.041)           |
| 1.1.9       | Other  | (1.641.684)         |
| <b>1.2</b>  | <b>Assets and Liabilities Subject to Banking Operations</b>                      | <b>2.431.938</b>    |
| 1.2.1       | Net (increase) decrease in financial assets held for sale                        | 16.143              |
| 1.2.2       | Net (increase) decrease in financial assets at fair value through profit or loss | -                   |
| 1.2.3       | Net (increase) decrease in due from banks and other financial institutions       | 15.497              |
| 1.2.4       | Net (increase) decrease in loans   | (22.588.509)        |
| 1.2.5       | Net (increase) decrease in other assets  | (4.341.004)         |
| 1.2.6       | Net increase (decrease) in bank deposits   | (5.935.607)         |
| 1.2.7       | Net increase (decrease) in other deposits  | 26.952.159          |
| 1.2.8       | Net increase (decrease) in loans borrowed  | (1.444.895)         |
| 1.2.9       | Net increase (decrease) in matured payables                                      | -                   |
| 1.2.10      | Net increase (decrease) in other liabilities                                     | 9.758.154           |
| <b>I.</b>   | <b>Net cash provided from banking operations</b>                                 | <b>6.356.366</b>    |
| <b>B.</b>   | <b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>                                     |                     |
| <b>II.</b>  | <b>Net cash provided from/ (used in) investing activities</b>                    | <b>(4.659.768)</b>  |
| 2.1         | Cash paid for purchase of joint ventures, associates and subsidiaries            | -                   |
| 2.2         | Cash obtained from sale of entities joint ventures, associates and subsidiaries  | -                   |
| 2.3         | Fixed assets purchases   | (182.921)           |
| 2.4         | Fixed assets sales   | 68.337              |
| 2.5         | Cash paid for purchase of financial assets available for sale                    | (4.724.069)         |
| 2.6         | Cash obtained from sale of financial assets available for sale                   | 2.811.559           |
| 2.7         | Cash paid for purchase of investment securities                                  | (3.810.874)         |
| 2.8         | Cash obtained from sale of investment securities                                 | 1.176.467           |
| 2.9         | Other  | 1.733               |
| <b>C.</b>   | <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                      |                     |
| <b>III.</b> | <b>Net cash used in financing activities</b>                                     | <b>750.580</b>      |
| 3.1         | Cash obtained from loans borrowed and securities issued                          | 3.095.680           |
| 3.2         | Cash used for repayment of loans borrowed and securities issued                  | (2.086.358)         |
| 3.3         | Bonds issued   | -                   |
| 3.4         | Dividends paid   | (258.742)           |
| 3.5         | Payments for finance leases  | -                   |
| 3.6         | Other  | -                   |
| <b>IV.</b>  | <b>Effect of change in foreign exchange rate on cash and cash equivalents</b>    | <b>33.734</b>       |
| <b>V.</b>   | <b>Net increase / (decrease) in cash and cash equivalents</b>                    | <b>2.480.912</b>    |
| <b>VI.</b>  | <b>Cash and cash equivalents at beginning of the period</b>                      | <b>15.530.596</b>   |
| <b>VII.</b> | <b>Cash and cash equivalents at end of the period</b>                            | <b>18.011.508</b>   |

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

The Parent Bank prepares its financial statements in accordance with the BRSA Accounting and Reporting Regulation” which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting 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.

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 with Turkish Accounting Standards issued by Public Oversight Agency for the matters not regulated by the aforementioned legislations and have been applied consistently by the Parent Bank. Prior year consolidated financial statements and its related notes have not been restated due to the change in the accounting policy, as part of the transition clause of the adoption of TFRS 9. Accounting policies and valuation principles used in the preparation of the financial statements for 2018 and 2017 periods are presented separately. Accounting policies applicable for 2017 period are presented in the Section 3, Note XXVI. The impact of the adoption of TFRS 9 on the statement of financial position is explained in the Section 3, Note VII.

**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.

**Disclosures of TFRS 9 Financial Instruments:**

TFRS 9 “Financial Instruments”, which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017. As of 1 January 2018, the application of TFRS 9 replaced “TAS 39: Financial Instruments: Recognition and Measurement.” standard.

All recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss.

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**I. EXPLANATIONS ON BASIS OF PRESENTATION (continued)**

**Disclosures of IFRS 9 Financial Instruments Standard (continued):**

The Group has applied the classification, measurement and impairment requirements retrospectively by adjusting the opening balance sheet and opening equity at 1 January 2018, with no restatement of comparative periods. In this respect, the explanations of impacts on equity regarding the adoption of TFRS 9 is given in the Section 3, Note VII.

Classification and measurement of financial assets:

For the determination of which category a financial instrument shall be classified at initial recognition and whether contractual cash flows represent solely payments of principal and interest in accordance with TFRS 9 Standard is tested by the Group. According to the test results and business model of the Group, financial assets are recognized in the financial statements.

Impairment of financial assets:

As of 1 January 2018, the Group has started to recognize provisions for impairment in accordance with the TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Note XXVI of Explanation on Accounting Policies has been changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets have been divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized life time expected credit losses for such financial assets.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life time expected credit losses for such financial assets.

**TFRS 15 Revenue From Contracts with Customers**

TFRS 15 Revenue from Contracts with Customers standard provides single and comprehensive model and guidance regarding recognition of revenue and replaces TAS 18 Revenue Standard. The Standard is in effect starting from 1 January 2018 and the positive effect of the Group’s financial statements, which have been booked to the opening equity amounting to TRY 8.002 dated 1 January 2018 without restating previous period financial statements.

**New Standards not effective as of 1 January 2018**

**TFRS 16 Leases**

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The standard will be effective from annual periods beginning on or after 1 January 2019 and the Group’s adoption process regarding the mentioned amendments continues as of the reporting date.

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

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

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

1) The Group's strategy on financial instruments:

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

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

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

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

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

Assets and liabilities of the foreign branches and subsidiaries of the Parent Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. The foreign branches' income and expenses are converted by at exchange rates at the dates of the transactions. The foreign subsidiaries' income and expenses are converted by average rate of the exchange of the current year.

The Group hedged the net investment risk from the foreign currency exchange rate fluctuations on foreign financial investments (Halkbank A.D. Beograd (subsidiary), Demir-Halk Bank N.V. (affiliate) and Halk Banka A.D., Skopje (subsidiary) with the foreign currency denominated funds (hedging instrument) as of 1 July 2015. In this context, exchange differences recorded in profit/loss and arising from funds denominated in foreign currencies that are determined to be effective in the current period will be shown in equity.

**III. INFORMATION ABOUT THE CONSOLIDATED ASSOCIATES AND SUBSIDIARIES**

1. Basis of consolidation:

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

a. Basis of consolidation of subsidiaries:

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

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

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

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

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

1. Basis of consolidation (continued):

a. Basis of consolidation of subsidiaries (continued):

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

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

b. Basis of consolidation of associates:

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

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

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

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

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

c. Basis of consolidation of joint ventures:

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

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

Accounting for business combinations

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

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

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

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

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

1. Basis of consolidation (continued):

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

*Acquisitions on or after 1 January 2010*

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

- The fair value of the acquisition cost; plus
- The recognized amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

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

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

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

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

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

**SECTION 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 Parent Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic's credit risk. As of 30 June 2018, the bank has credit default swap transaction amounting to USD 260 million with 5 year maturity. In this transactions the Parent Bank sells protection.

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

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

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

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

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

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

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

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

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

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

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

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)**

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.

***Assesment of Business Model***

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

The Group's business model is related with how the Group manages its financial assets to generate cash flows. In other terms, the source of cash flows depends on the Group's business model whether the cash flow is generated from contractual terms or through sale of financial asset or both.

Classification of financial assets is made at initial recognition considering the aim of purchase of the financial asset.

The Group's business models are classified in three main categories in accordance with TFRS 9.

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

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

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

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

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

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

**3. Other Business Models:**

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

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

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

1. Financial assets measured at amortized cost,
2. Financial assets measured at fair value through other comprehensive income and
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.

**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 derecognised or reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

**3. Financial Assets Measured at Fair Value through profit or loss**

According to TFRS 9 paragraph 4.1.4, the financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. However, the Group may irrevocably prefer to apply to the financial assets at fair value through other comprehensive income for reflecting future changes in fair value for certain investments in equity instruments that would normally be measured at fair value through profit or loss at the time of initial inception in the financial statements.

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)**

***Cash Equivalents and Banks***

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

***Loans and receivables***

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

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

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

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

**Reclassification of Financial Assets in accordance with TFRS 9**

Reclassifications and remeasurements during the first time adoption of TFRS 9 Financial Instruments standard and the impairment provision as of 31 December 2017 calculated by the Group and expected loss provision as of 1 January 2018 in accordance with TFRS 9 are reconciled as follows:

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)**  
**Reclassification of Financial Assets in accordance with TFRS 9 (continued)**

| ASSETS   | Before TFRS 9      | Reclassification Effect | Measurement Effect | TFRS 9             |
|--|--------------------|-------------------------|--------------------|--------------------|
|  | Book Value         |                         |                    | Book Value         |
|  | 31 December 2017   |                         |                    | 1 January 2018     |
| <b>Financial Assets (Net)</b>  | <b>94.452.497</b>  | <b>(23.511)</b>         | <b>7.229</b>       | <b>94.436.215</b>  |
| Cash and Cash Equivalents  | 44.282.712         | -                       | -                  | 44.282.712         |
| Cash Balances and Central Bank   | 36.681.377         | -                       | -                  | 36.681.377         |
| Banks  | 6.313.167          | -                       | -                  | 6.313.167          |
| Receivables from Money Market  | 1.288.168          | -                       | -                  | 1.288.168          |
| Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)                | 10.120.992         | -                       | -                  | 10.120.992         |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) | -                  | 17.699.178              | -                  | 17.699.178         |
| Financial Assets Measured at Amortised Cost  | -                  | 21.987.099              | -                  | 21.987.099         |
| Derivative Financial Assets  | 362.516            | -                       | -                  | 362.516            |
| Non – Performing Financial Assets  | -                  | -                       | -                  | -                  |
| Expected Credit Losses (-)   | -                  | 23.511                  | (7.229)            | 16.282             |
| Financial Assets Available for Sale (Net)  | 17.699.178         | (17.699.178)            | -                  | -                  |
| Investments Held to Maturity (Net)   | 21.987.099         | (21.987.099)            | -                  | -                  |
| Hedging Derivative Financial Assets  | -                  | -                       | -                  | -                  |
| <b>Loans (Net)</b>   | <b>209.435.780</b> | <b>(2.185.709)</b>      | <b>284.212</b>     | <b>207.534.283</b> |
| Loans  | 204.142.270        | -                       | -                  | 204.142.270        |
| Performing Loans   | 198.939.764        | -                       | -                  | 198.939.764        |
| Loans Under Follow up  | 5.202.506          | -                       | -                  | 5.202.506          |
| Lease Receivables  | 2.671.253          | (90.437)                | -                  | 2.580.816          |
| Factoring Receivables  | 1.211.932          | -                       | -                  | 1.211.932          |
| Non – performing Receivables   | 6.296.406          | 327.506                 | -                  | 6.623.912          |
| Expected Credit Losses (-)*  | 4.886.081          | 2.422.778               | (284.212)          | 7.024.647          |
| 12 Month ECL (Stage 1)   | -                  | 2.080.595               | (1.066.065)        | 1.014.530          |
| Lifetime ECL Significant Increase in Credit Risk (Stage 2)                         | -                  | 105.114                 | 662.865            | 767.979            |
| Lifetime ECL Impaired Credits (Stage 3/Special Provision)                          | 4.886.081          | 237.069                 | 118.988            | 5.242.138          |
| Assets Held for Sale and Assets of Discontinued Operations (Net)                   | 790                | -                       | -                  | 790                |
| <b>Equity Investments</b>  | <b>405.316</b>     | <b>-</b>                | <b>-</b>           | <b>405.316</b>     |
| Associates (Net)   | 353.138            | -                       | -                  | 353.138            |
| Subsidiaries (Net)   | 52.178             | -                       | -                  | 52.178             |
| Joint Ventures (Net)   | -                  | -                       | -                  | -                  |
| Tangible Assets (Net)  | 3.751.600          | -                       | -                  | 3.751.600          |
| Intangible Assets (Net)  | 143.095            | -                       | -                  | 143.095            |
| Investment Properties (Net)  | 910.378            | -                       | -                  | 910.378            |
| Current Tax Asset  | 6.862              | -                       | -                  | 6.862              |
| Deferred Tax Assets  | 87.181             | -                       | -                  | 87.181             |
| Other Assets   | 3.026.257          | -                       | -                  | 3.026.257          |
| <b>TOTAL ASSETS</b>  | <b>312.219.756</b> | <b>(2.209.220)</b>      | <b>291.441</b>     | <b>310.301.977</b> |

\*The table above does not include the expected credit loss provisions calculated for non-cash loans that accounted for under liabilities.

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)**

**Effects on Equity with TFRS 9 Transition**

The Group reflected the classification, measurement and impairment requirements to opening equity without restating previous period financial statements. In this respect, TRY 249.633 arising between the provision for impairments of the previous period of the Group and the provision for the loan losses that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 is classified as “Prior Period Profit or Loss”.

Deferred tax on previously booked general provisions (formerly general provisions now allocated for TFRS 9 expected loss provisions for the loans under first and second stages), is accounted for the first time as of 1 January 2018. Accordingly, deferred tax assets amounting to TRY 421.222 have been booked to the opening financial statements of 1 January 2018 and the related amount has been classified under “Prior Period Profit or Loss” under equity.

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS**

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

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

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

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

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

**Calculation of expected credit losses**

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

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

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)**

**Probability of Default (PD)**

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

**Loss given Default (LGD)**

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

**Exposure at Default (EAD)**

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

**12 Month Probability of Default**

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

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

**Lifetime PD**

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

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

TFRS 9 Standard does not include a direct definition of default, but requires a consistent definition of default to be used in credit risk management. The Group is considering qualitative indicators (eg 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 PD (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 the Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk by Internal-ratings Based Approaches assumes that debt defaulted if at least one of the following two conditions occurs.

- a) Considering that a debtor is unlikely to pay credit obligations to the Parent Bank and to the Parent Bank’s consolidated financial subsidiaries without using guarantees
- b) Considering that a debt having past due more than 90 days to the Parent Bank or its financial subsidiaries

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

**Low Credit Risk**

IFRS 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 5.5.20 of IFRS 9, if the entity determines that a financial instrument has a low credit risk as of the reporting date, it assumes that the credit risk on the financial instrument has not increased significantly following its initial recognition in the financial statement. Those transactions in the Group are classified as follows:

- a) CBRT transactions (Currencies held in CBRT and reserve requirements)
- b) Securities (Fair value through other comprehensive income and financial assets measured at amortised cost)
- a) Treasury Loans (Transactions with Treasury Republic of Turkey)
- b) Loans guaranteed by Treasury of Republic of Turkey

**The Rules of Significant Increase in Credit Risk**

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

**IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

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

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

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

**XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS**

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

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 3 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 AND EQUIPMENT**

Property and equipment except buildings that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Property 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 and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

As of 1 April 2015, the Group adopted the revaluation method for buildings in tangible assets in accordance with Turkish Accounting Standard No: 16 “Property, Plant and Equipment” (TAS 16). Expertise values determined by independent appraisal companies are reflected to the financial statements. Revaluation differences are recorded in “Accumulated Other Comprehensive Income or Loss Not Reclassified through Profit or Loss” under the shareholders’ equity.

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

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

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

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

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

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

*Classification of Investment Properties:*

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

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

**XIV. EXPLANATIONS ON INVESTMENT PROPERTIES**

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

Investment properties in the attached consolidated financial statements that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property 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 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 and equipment (movable properties) account and are depreciated by using the straight line method.

In the cases of the Group as lessor, the net investment of the assets held under financial leases at the initial recognition is recognized as financial lease receivables in the balance sheet. Finance lease income, as the difference between total financial lease receivable and investment value, is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Unrealised finance lease income is recognized in the account of unaccrued interest income in the related period.

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

**XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE**

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

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

**XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS**

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

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

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

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

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

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

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

**XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS (continued)**

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

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

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

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

**XVIII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES**

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

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

**XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES**

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

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

T. Halk Bankası Employee Pension Fund and T. Ziraat Bankası ve 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.

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

**XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES (continued)**

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

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

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the present value of the actuarial liabilities will be calculated with the technical interest rate of 9,8%. Moreover, after the transfer to SII, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2017 no technical deficit has been reported.

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

**XX. EXPLANATIONS ON TAXATION**

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

The tax rate used in the calculation of deferred tax assets and liabilities is 22% over temporary timing differences expected to reverse in 2018, 2019 and 2020 and 20% over temporary timing differences expected to reverse on and after 2021 (31 December 2017: 20%)

Calculated corporate tax as of 31 December 2017 has been paid in February 2018 thereby setting off calculated advanced taxes in previous periods. Moreover, accrued advance tax for 1 January-31 March 2018 period is paid in May 2018 and accrued advance tax for 1 April-30 June 2018 period is paid in August 2018.

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 income statement 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 on each consolidated entity's non-consolidated financial statements. 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)**

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

**Tax practices in the countries that foreign branches operate (continued):**

Halk Gayrimenkul Yatırım Ortaklığı AŞ

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

Halk Banka A.D. Skopje

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

"Distributions" are split into two components:

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

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

*Recognition of tax provisions:*

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

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

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

Halk Bank A.D. Beograd

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

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

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

**XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS**

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

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

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

**XXII. EXPLANATIONS ON SHARES ISSUED**

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

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

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

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

Halk Varlık Kiralama A.Ş. applied to the the Capital Markets Board for public offering of lease certificates with a maturity of 87 days, with regards to initial issue of TRY 100.000, at 19 December 2017, with a maturity of 96 days second issue of TRY 100.000 was issued at 16 March 2018, with a maturity of 89 days third issue of TRY 25.000 was issued at 23 March 2018, with a maturity of 91 days fourth issue of TRY 125.000 was issued at 20 June 2018 within the total public offering limit of TRY 1.000.000.

**XXIII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES**

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

**XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES**

There are no government incentives utilized by the Parent Bank in the current and prior period.

**XXV. EXPLANATIONS ON SEGMENT REPORTING**

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

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

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**XXVI. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD**

TFRS 9 Financial Instruments" standard came into effect to replace "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies no longer applicable after the transition of TFRS 9 are given below.

The Group categorized its financial assets as "Fair value through profit/loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity" in prior periods.

1. Financial assets at fair value through profit and loss

1.1. Financial assets held for trading

Financial assets held for trading are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are financial assets included in a portfolio with a pattern of short-term profit taking.

Financial Assets Held for Trading are presented in the balance sheet with their fair values and are measured at fair values after the initial recognition. All gains and losses arising from valuations of trading financial assets are reflected in the income statement. In accordance with descriptions of the uniform chart of accounts, favorable difference between acquisition cost of financial asset and its discounted value are recognized in "Interest Income", in the case of fair value of asset is above its discounted value, favorable difference between them are recognized in "Capital Market Transactions Profits" account, in the case of fair value is below discounted value, unfavorable difference between them are recognized in "Capital Market Transactions Losses" account and the dividends presented under dividend income. In the case of financial asset is sold off before its maturity, consisted gains or losses are accounted within the same principals.

1.2. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not acquired for trading purposes. Recognition of fair value differences of those assets are similar to the financial asset held for trading.

2. Investments held to maturity

Investments held to maturity are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their amortized cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity is recognized in the income statement as an interest income. There are no financial assets that are classified by the Group as investments held to maturity; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

3. Financial assets available for sale

Financial assets available for sale represent non-derivative financial assets other than bank loans and receivables, investments held to maturity and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based on the fair value including transaction costs. The amount arising from the difference between cost and amortized cost is recognized through income statement by using the internal rate of return. If a price does not occur in an active market, fair value cannot be reliably determined and "amortized cost" using the internal rate of return is regarded as the fair value. Unrealized gains and losses arising from changes in fair value of the financial assets available for sale are not recognized in the income statement, they are recognized in the "Marketable Securities Revaluation Fund" until the disposal, sale, redemption or impairment of those assets. Fair value differences accounted for under equity arising from the application of fair value are reflected to the income statement when these assets are sold or when proceeds are collected.

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

**XXVI. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD (continued)**

4. 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 income statement 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 income statement.

Non-performing loans are classified in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No: 26333 dated 1 November 2006 and specific provisions are allocated for those loans. Specific provisions are reflected to “820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses” account. Provisions released in same year are recognized as a credit movement under the “Provision Expenses”, released portion of the previous period provisions are recognized under the “Other Operating Income” account.

***Explanations on Impairment of Financial Assets***

At each balance sheet date, the Group reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Group determines the related impairment amount. A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event (“loss event”) subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrance, future expected losses are not recognized

Impairment losses attributable to the investments held to maturity are measured as the difference between the present values of estimated future cash flows discounted using the original interest rate of financial asset and the book value of asset. The related difference is recognized as a loss and it decreases the book value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When a decline occurs in the fair values of the “financial assets available for sale” of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

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

**XXVI. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD (continued)**

*Explanations on Impairment of Financial Assets (continued)*

For loans and receivables; the Group's management performs consistent loan portfolio reviews and if any doubts on the collectability of the loans arise, the related loans are classified in accordance with legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions ("Communiqué")" published in the Official Gazette numbered 26333 and dated 1 November 2006. The Bank does not book provisions for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the respective coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount excluding the surety type of collaterals defined in the Article 9 of the related legislation. Unindemnified and not reimbursed non-cash loans extended to follow-up entities are added to the follow-up risk amount after conversion by credit conversion rates defined in the Communiqué. The Bank sets provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount that are calculated by deducting the collateral amount, and calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation. Collections made related to those loans are offset against the principal, and interest collections are recognized under the "Interest Received from Non-performing Loans" item of the income statement.

The Parent Bank provides general allowances for loan and other receivables in accordance with the Provisioning Regulation. The allowances are recorded in income statement of the related period. Provisions made during the period are recorded under "provision for losses on loans and other receivables". Provisions booked in the prior periods and released in the current year are recorded under "other operating income

**XXVII. 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 CONSOLIDATED EQUITY**

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 30 June 2018, the Group's capital adequacy ratio in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 12,75% (31 December 2017: 13,59%), The equity is calculated as TRY 31.463.140 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2017: TRY 28.415.296).

1. Information About Total Consolidated Capital Items:

| <b>Current Period</b>   | <b>Amount</b>     | <b>Amounts related to treatment before 1/1/2014<sup>(*)</sup></b> |
|---|-------------------|---|
| <b>COMMON EQUITY TIER 1 CAPITAL</b>   |                   |   |
| Paid-in Capital to be Entitled for Compensation after All Creditors   | 2.470.451         |   |
| Share Premium   | 39.737            |   |
| Reserves  | 17.225.914        |   |
| Other Comprehensive Income according to TAS Profit  | 2.078.213         |   |
| Current Period Profit   | 6.573.907         |   |
| Prior Period Profit   | 1.837.765         |   |
| Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit  | 4.736.142         |   |
| Minority Interest   | 4.723             |   |
|   | 1.663             |   |
| <b>Common Equity Tier I Capital Before Deductions</b>   | <b>28.394.608</b> |   |
| <b>Deductions From Common Equity Tier I Capital</b>   |                   |   |
| Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital  | -                 |   |
| Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS   | -                 |   |
| Leasehold Improvements on Operational Leases  | 66.615            |   |
| Goodwill Netted with Deferred Tax Liabilities   | -                 |   |
| Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights   | 130.349           | 130.349   |
| 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 pension 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               | -                 |   |
| Excess amount arising from mortgage servicing rights  | -                 |   |
| Excess Amount arising from Deferred Tax Assets from Temporary Differences   | -                 |   |
| Other items to be Defined by the BRSA   | -                 |   |
| Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals   | -                 |   |
| <b>Total Deductions From Common Equity Tier I Capital</b>   | <b>196.964</b>    |   |
| <b>Total Common Equity Tier I Capital</b>   | <b>28.197.644</b> |   |

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

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

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

|  |                   |
|--|-------------------|
| <b>ADDITIONAL TIER I CAPITAL</b>   |                   |
| Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums  | -                 |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA   | -                 |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)  | -                 |
| Shares of Third Parties in Additional Tier I Capital   | -                 |
| Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)  | -                 |
| <b>Additional Tier I Capital before Deductions</b>   | -                 |
| <b>Deductions from Additional Tier I Capital</b>   |                   |
| Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)   | -                 |
| Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation   | -                 |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  | -                 |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)   | -                 |
| Other items to be defined by the BRSA (-)  | -                 |
| <b>Items to be Deducted from Tier I Capital During the Transition Period</b>   |                   |
| Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)  | -                 |
| Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)   | -                 |
| Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)  | -                 |
| <b>Total Deductions from Additional Tier I Capital</b>   | -                 |
| <b>Total Additional Tier I Capital</b>   | -                 |
| <b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>   | <b>28.197.644</b> |
| <b>TIER II CAPITAL</b>   |                   |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA   | 1.000.000         |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)  | -                 |
| Third parties' share in the Tier II Capital  | -                 |
| Third parties' share in the Tier II Capital (Temporary Article 3)  | -                 |
| Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)   | 2.276.891         |
| <b>Tier II Capital Before Deductions</b>   | <b>3.276.891</b>  |
| <b>Deductions From Tier II Capital</b>   |                   |
| Direct and Indirect Investments of the Bank on its own Tier II Capital (-)   | -                 |
| Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation  | -                 |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  | -                 |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-) | -                 |
| Other items to be defined by the BRSA (-)  | -                 |
| <b>Total Deductions from Tier II Capital</b>   | -                 |
| <b>Total Tier II Capital</b>   | <b>3.276.891</b>  |
| <b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>   | <b>31.474.535</b> |
| <b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>  | <b>31.463.140</b> |
| Loans Granted against the Articles 50 and 51 of the Banking Law (-)  | 10                |
| 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 (-)  | 11.385            |

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

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

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

| <b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>   |             |
|---|-------------|
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)  | -           |
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)  | -           |
| The Sum of net long positions of investments in the common stock of banking, financial and insurance  |             |
| The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) | -           |
| <b>TOTAL CAPITAL</b>  |             |
| Total Capital   | 31.463.140  |
| Total Risk Weighted Assets  | 246.836.366 |
| <b>Capital Adequacy Ratios</b>  |             |
| CET1 Capital Ratio (%)  | 11,42       |
| Tier I Capital Ratio (%)  | 11,42       |
| Capital Adequacy Ratio (%)  | 12,75       |
| <b>BUFFERS</b>  |             |
| Bank-specific total CET1 Capital Ratio (a+b+c)  | 2,681       |
| a) Capital Conservation Buffer Ratio (%)  | 1,875       |
| b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%) **   | 0,056       |
| c) Systemic significant bank buffer ratio (%)   | 0,750       |
| Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation   | 4,747       |
| <b>Amounts Lower Than Excesses as per Deduction Rules</b>   |             |
| Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital   | 86.231      |
| Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital   | 2.018.496   |
| Remaining Mortgage Servicing Rights   | -           |
| Net Deferred Tax Assets arising from Temporary Differences  | 1.018.769   |
| <b>Limits for Provisions Used in Tier II Capital Calculation</b>  |             |
| General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)   | 2.276.891   |
| General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets   | 2.276.891   |
| Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach   | -           |
| Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets   | -           |
| <b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>  |             |
| Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4  | -           |
| Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit   | -           |
| Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4   | -           |
| Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit  | -           |

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

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

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

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

| Prior Period  | Amount            | Amounts related to treatment before 1/1/2014 <sup>(*)</sup> |
|---|-------------------|---|
| <b>COMMON EQUITY TIER 1 CAPITAL</b>   |                   |   |
| Paid-in Capital to be Entitled for Compensation after All Creditors   | 2.470.451         |   |
| Share Premium   | 39.737            |   |
| Reserves  | 17.028.610        |   |
| Other Comprehensive Income according to TAS   | 1.635.974         |   |
| Profit  | 4.139.070         |   |
| Current Period Profit   | 4.038.239         |   |
| Prior Period Profit   | 100.831           |   |
| Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit  | 4.723             |   |
| Minority Interests  | 1.655             |   |
| <b>Common Equity Tier I Capital Before Deductions</b>   | <b>25.320.220</b> |   |
| <b>Deductions From Common Equity Tier I Capital</b>   |                   |   |
| Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital  | -                 |   |
| Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS   | -                 |   |
| Leasehold Improvements on Operational Leases (-)  | 64.929            |   |
| Goodwill Netted with Deferred Tax Liabilities   | -                 |   |
| Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights   | 114.476           | 143.095   |
| 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 pension 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               | -                 |   |
| Excess amount arising from mortgage servicing rights  | -                 |   |
| Excess Amount arising from Deferred Tax Assets from Temporary Differences   | -                 |   |
| Other items to be Defined by the BRSA   | -                 |   |
| Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals   | -                 |   |
| <b>Total Deductions From Common Equity Tier 1 Capital</b>   | <b>179.405</b>    |   |
| <b>Total Common Equity Tier 1 Capital</b>   | <b>25.140.815</b> |   |

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

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

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

|  |                   |
|--|-------------------|
| <b>ADDITIONAL TIER I CAPITAL</b>   |                   |
| Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums  | -                 |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA   | -                 |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)  | -                 |
| Shares of Third Parties in Additional Tier I Capital   | -                 |
| Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)  | -                 |
| <b>Additional Tier I Capital before Deductions</b>   | -                 |
| <b>Deductions from Additional Tier I Capital</b>   |                   |
| Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)   | -                 |
| Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation   | -                 |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  | -                 |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)   | -                 |
| Other items to be defined by the BRSA (-)  | -                 |
| <b>Items to be Deducted from Tier I Capital During the Transition Period</b>   | <b>28.619</b>     |
| Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)  | 28.619            |
| Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)   | -                 |
| Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)  | -                 |
| <b>Total Deductions from Additional Tier I Capital</b>   | -                 |
| <b>Total Additional Tier I Capital</b>   | -                 |
| <b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>   | <b>25.112.196</b> |
| <b>TIER II CAPITAL</b>   |                   |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA   | 1.000.000         |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)  | -                 |
| Third parties' share in the Tier II Capital  | -                 |
| Third parties' share in the Tier II Capital (Temporary Article 3)  | -                 |
| Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)   | 2.317.157         |
| <b>Tier II Capital Before Deductions</b>   | <b>3.317.157</b>  |
| <b>Deductions From Tier II Capital</b>   |                   |
| Direct and Indirect Investments of the Bank on its own Tier II Capital (-)   | -                 |
| Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation  | -                 |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  | -                 |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-) | -                 |
| Other items to be defined by the BRSA (-)  | -                 |
| <b>Total Deductions from Tier II Capital</b>   | -                 |
| <b>Total Tier II Capital</b>   | <b>3.317.157</b>  |
| <b>Total Capital (Total Tier I Capital and Tier II Capital)</b>  | <b>28.429.353</b> |
| <b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>  | <b>28.415.296</b> |
| Loans Granted against the Articles 50 and 51 of the Banking Law (-)  | 10                |
| 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 (-)  | 14.047            |

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

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

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

| <b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>   |             |
|---|-------------|
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)  | -           |
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)  | -           |
| The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) | -           |
| <b>CAPITAL</b>  |             |
| Total Capital ( Total of Tier I Capital and Tier II Capital )   | 28.415.296  |
| Total Risk Weighted Assets  | 209.028.282 |
| <b>CAPITAL ADEQUACY RATIOS</b>  |             |
| CET1 Capital Ratio (%)  | 12,03       |
| Tier I Capital Ratio (%)  | 12,01       |
| Capital Adequacy Ratio (%)  | 13,59       |
| <b>BUFFERS</b>  |             |
| Bank-specific total CET1 Capital Ratio  | 6,278       |
| Capital Conservation Buffer Ratio (%)   | 1,250       |
| Bank-specific Counter-Cyclical Capital Buffer Ratio (%)   | 0,028       |
| Systemic Bank Buffer Ratio (%)  | 0,500       |
| Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation   | 5,594       |
| <b>Amounts Lower Than Excesses as per Deduction Rules</b>   |             |
| Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital   | 65.577      |
| 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   | 1.965.971   |
| Remaining Mortgage Servicing Rights   | -           |
| Net Deferred Tax Assets arising from Temporary Differences  | 317.442     |
| <b>Limits for Provisions Used in Tier II Capital Calculation</b>  |             |
| General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)   | 2.317.157   |
| General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets   | 2.317.157   |
| Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach   | -           |
| Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets   | -           |
| <b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>  |             |
| Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4  | -           |
| Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit   | -           |
| Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4   | -           |
| Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit  | -           |

\*Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary

- (2) The equity is calculated on the capital adequacy ratio calculation basis having reduced deductible assets on equity from the sum of core capital and supplementary capital within the scope of "Regulation on Equities of Banks" (Regulation). The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision and subordinated debt instruments. On the other hand, in the calculation of the Total Capital, development costs for operating leases followed under property and equipment 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 EQUITY (continued)**

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

| <b>Details on Subordinated Liabilities:</b>   |  |
|---|--|
| Issuer  | T. Halk Bankası A.Ş.   |
| Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)                              | TRSTHALE2716   |
| Governing Law(s) of the instrument  | BRSA and CMB Legislation   |
| <b>Regulatory treatment</b>   |  |
| Transitional Basel III rules  | No   |
| Eligible at unconsolidated / consolidated   | Consolidated - Unconsolidated  |
| Instrument type (types to be specified by each jurisdiction)  | Public Sector Bond   |
| Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)                   | 1.000  |
| Par value of instrument   | 1.000  |
| Accounting classification   | 346.011  |
| Original date of issuance   | 20.10.2017   |
| Perpetual or dated  | Dated  |
| Original maturity date  | 20.10.2017   |
| Issuer call subject to prior supervisory approval   | At the end of the fifth year, the Bank has an early redemption option. |
| Optional call date, contingent call dates and redemption amount   | -  |
| Subsequent call dates, if applicable  | -  |
| <b>Coupons / dividends</b>  |  |
| Fixed or floating dividend/coupon   | Floating Coupon  |
| Coupon rate and any related index   | Government Debt Security for 5 years +350 base points                  |
| Existence of a dividend stopper   | -  |
| Fully discretionary, partially discretionary or mandatory   | -  |
| Existence of step up or other incentive to redeem   | -  |
| Noncumulative or cumulative   | -  |
| <b>Convertible or non-convertible</b>   |  |
| If convertible, conversion trigger (s)  | -  |
| If convertible, fully or partially  | -  |
| If convertible, conversion rate   | -  |
| If convertible, mandatory or optional conversion  | -  |
| If convertible, specify instrument type convertible into  | -  |
| If convertible, specify issuer of instrument it converts into   | -  |
| <b>Write-down feature</b>   |  |
| If write-down, write-down trigger(s)  | -  |
| If write-down, full or partial  | -  |
| If write-down, permanent or temporary   | -  |
| If temporary write-down, description of write-up mechanism  | -  |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | -  |
| In compliance with article number 7 and 8 of "Own fund regulation"  | The instrument is in compliance with article number 8.                 |
| Details of noncompliances with article number 7 and 8 of "Own fund regulation"                                | The instrument is not in compliant with article numbered 7.            |

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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK  
MANAGEMENT OF THE 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 30 June 2018 and the previous five working days in full TRY are as follows:

|     | <b>22.06.2018</b> | <b>25.06.2018</b> | <b>26.06.2018</b> | <b>27.06.2018</b> | <b>28.06.2018</b> | <b>29.06.2018</b> |
|-----|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| USD | 4,6600000         | 4,6600000         | 4,6200000         | 4,5800000         | 4,5700000         | 4,5500000         |
| CHF | 4,6960000         | 4,7088000         | 4,6538000         | 4,5973000         | 4,5801000         | 4,5750000         |
| GBP | 6,1711000         | 6,1752000         | 6,1056000         | 6,0157000         | 5,9798000         | 5,9850000         |
| JPY | 0,0423231         | 0,0424447         | 0,0419541         | 0,0414064         | 0,0413834         | 0,0410441         |
| EUR | 5,4184000         | 5,4454000         | 5,3858000         | 5,3146000         | 5,2982000         | 5,3023000         |

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 30 June 2018 are as follows:

|     | <b>Monthly average</b> |
|-----|------------------------|
| USD | 4,5950000              |
| CHF | 4,6382200              |
| GBP | 6,0974950              |
| JPY | 0,0417107              |
| EUR | 5,3697350              |

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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:

| <b>Current Period</b>  | <b>EUR</b>         | <b>USD</b>         | <b>OTHER FC</b>   | <b>TOTAL</b>       |
|--|--------------------|--------------------|-------------------|--------------------|
| <b>Assets</b>  |                    |                    |                   |                    |
| Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT | 7.060.935          | 12.262.950         | 6.322.367         | 25.646.252         |
| Banks  | 788.244            | 3.657.833          | 597.297           | 5.043.374          |
| Financial assets at fair value through profit and loss <sup>(3)</sup>  | 21.287             | 37.467             | 25.094            | 83.848             |
| Money market placements  | -                  | -                  | -                 | -                  |
| Financial assets at fair value through other comprehensive income <sup>(5)</sup>   | 494.811            | 78.838             | 550.341           | 1.123.990          |
| Loans <sup>(2)</sup>   | 41.551.368         | 37.765.402         | 2.189.333         | 81.506.103         |
| Subsidiaries, associates and entities under common control <sup>(5)</sup>  | 397.752            | -                  | -                 | 397.752            |
| Financial assets measured at amortized cost  | 2.537              | 9.480.279          | 165.482           | 9.648.298          |
| Derivative financial assets held for risk management   | -                  | -                  | -                 | -                  |
| Tangible assets  | -                  | -                  | 107.086           | 107.086            |
| Intangible assets  | -                  | -                  | -                 | -                  |
| Other assets <sup>(3)</sup>  | 293.594            | 1.650.462          | 44.969            | 1.989.025          |
| <b>Total assets</b>  | <b>50.610.528</b>  | <b>64.933.231</b>  | <b>10.001.969</b> | <b>125.545.728</b> |
| <b>Liabilities</b>   |                    |                    |                   |                    |
| Bank deposits  | 9.063.956          | 4.854.741          | 937.188           | 14.855.885         |
| Foreign currency deposits  | 39.515.668         | 32.879.169         | 5.277.396         | 77.672.233         |
| Money market balances  | -                  | 4.440.686          | -                 | 4.440.686          |
| Funds provided from other financial institutions   | 8.786.284          | 9.445.639          | 36.269            | 18.268.192         |
| Bonds issued   | -                  | 10.377.787         | -                 | 10.377.787         |
| Sundry creditors   | 221.469            | 162.024            | 66.167            | 449.660            |
| Derivative financial liabilities held for risk management  | -                  | -                  | -                 | -                  |
| Other liabilities <sup>(3)</sup>   | 350.981            | 515.118            | 109.952           | 976.051            |
| <b>Total liabilities</b>   | <b>57.938.358</b>  | <b>62.675.164</b>  | <b>6.426.972</b>  | <b>127.040.494</b> |
| <b>Net balance sheet position</b>  | <b>(7.327.830)</b> | <b>2.258.067</b>   | <b>3.574.997</b>  | <b>(1.494.766)</b> |
| <b>Net off-balance sheet position</b>  |                    |                    |                   |                    |
| <b>Financial derivative assets<sup>(4)</sup></b>   | <b>10.005.399</b>  | <b>12.342.350</b>  | <b>2.370.156</b>  | <b>24.717.905</b>  |
| <b>Financial derivative liabilities<sup>(4)</sup></b>  | <b>2.500.128</b>   | <b>13.955.389</b>  | <b>5.282.947</b>  | <b>21.738.464</b>  |
| <b>Non-cash loans<sup>(1)</sup></b>  | <b>15.872.997</b>  | <b>18.792.350</b>  | <b>2.111.044</b>  | <b>36.776.391</b>  |
| <b>Prior period</b>  |                    |                    |                   |                    |
| Total assets   | 43.271.609         | 58.465.139         | 7.839.511         | 109.576.259        |
| Total liabilities  | 43.859.517         | 61.136.255         | 5.270.971         | 110.266.743        |
| <b>Net balance sheet position</b>  | <b>(587.908)</b>   | <b>(2.671.116)</b> | <b>2.568.540</b>  | <b>(690.484)</b>   |
| <b>Net off-balance sheet position</b>  |                    |                    |                   |                    |
| Financial derivative assets  | 223.198            | 2.534.947          | (1.995.069)       | 763.076            |
| Financial derivative liabilities   | 1.065.746          | 5.996.311          | 1.250.482         | 8.312.539          |
| Financial derivative liabilities   | 842.548            | 3.461.364          | 3.245.551         | 7.549.463          |
| Non-cash loans <sup>(1)</sup>  | 12.618.873         | 16.362.849         | 1.714.234         | 30.695.956         |

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

(2) Includes TRY 1.615.799 of foreign currency indexed loans and their accruals (31 December 2017: TRY 2.070.996).

(3) In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", foreign currency intangible assets TRY 26.684, prepaid expenses TRY 232 in assets; and shareholders' equity TRY 353.312 in liabilities and foreign currency minority shares TRY 3.941 are not taken into consideration in the currency risk measurement.

(4) Financial derivative assets include forward precious metal purchase transactions amounted to TRY 1.345.716. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 4.647.041. 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 Parent Bank. The Parent 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 Parent Bank's risk management department is to avoid the effects of the interest rate volatility. Sensitivity analysis performed within this context is calculated by the risk management department and reported to the Asset-Liability Committee.

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

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

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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:

| <b>Current period</b>  | <b>Up to 1 month</b> | <b>1-3 months</b> | <b>3-12 Months</b> | <b>1-5 years</b>  | <b>5 years and over</b> | <b>Non-bearing interest</b> | <b>Total</b>       |
|--|----------------------|-------------------|--------------------|-------------------|-------------------------|-----------------------------|--------------------|
| <b>Assets</b>  |                      |                   |                    |                   |                         |                             |                    |
| Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT | 19.988.343           | -                 | -                  | -                 | -                       | 14.018.010                  | 34.006.353         |
| Banks  | 3.486.454            | 8                 | 13.849             | -                 | -                       | 1.648.493                   | 5.148.804          |
| Financial assets at fair value through profit and loss                               | 118.592              | 32.408            | 19.006             | 28.630            | 14.585                  | 14.988.788                  | 15.202.009         |
| Money market placements  | 28.114               | -                 | -                  | -                 | -                       | -                           | 28.114             |
| Financial assets at fair value through other comprehensive income                    | 976                  | 491.263           | 743.744            | 456.901           | 374.789                 | 102.136                     | 2.169.809          |
| Loans  | 35.951.619           | 34.541.774        | 85.777.942         | 68.924.861        | 14.390.746              | 4.542.757                   | 244.129.699        |
| Financial assets measured at amortised cost  | 1.271.246            | 13.551.941        | 5.450.543          | 9.502.487         | 15.387.577              | -                           | 45.163.794         |
| Other assets <sup>(1) (2)</sup>  | 834.988              | 306.355           | 198.956            | 39.820            | 2.386                   | 9.598.588                   | 10.981.093         |
| <b>Total assets</b>  | <b>61.680.332</b>    | <b>48.923.749</b> | <b>92.204.040</b>  | <b>78.952.699</b> | <b>30.170.083</b>       | <b>44.898.772</b>           | <b>356.829.675</b> |
| <b>Liabilities</b>   |                      |                   |                    |                   |                         |                             |                    |
| Bank deposits  | 12.701.875           | 4.136.152         | 294.284            | 2.134             | -                       | 8.459.481                   | 25.593.926         |
| Other deposits   | 115.239.701          | 34.220.692        | 13.376.864         | 1.214.842         | 14.799                  | 32.274.110                  | 196.341.008        |
| Money market balances  | 39.277.635           | 301.710           | 1.833.638          | -                 | -                       | 92.466                      | 41.505.449         |
| Sundry creditors   | 2.132.208            | 20.577            | 59.282             | 106.646           | -                       | 2.181.615                   | 4.500.328          |
| Bonds issued   | 944.410              | 1.994.409         | 2.925.598          | 7.946.555         | -                       | 156.509                     | 13.967.481         |
| Funds provided from other financial institutions <sup>(3)</sup>                      | 2.035.602            | 6.035.990         | 8.074.420          | 2.747.428         | 1.003.376               | 162.695                     | 20.059.511         |
| Other liabilities <sup>(4)</sup>   | 1.044.253            | 13.131            | 19.165.743         | 7.268             | 161.346                 | 34.470.231                  | 54.861.972         |
| <b>Total liabilities</b>   | <b>173.375.684</b>   | <b>46.722.661</b> | <b>45.729.829</b>  | <b>12.024.873</b> | <b>1.179.521</b>        | <b>77.797.107</b>           | <b>356.829.675</b> |
| Balance sheet long position  | -                    | 2.201.088         | 46.474.211         | 66.927.826        | 28.990.562              | -                           | 144.593.687        |
| Balance sheet short position   | (111.695.352)        | -                 | -                  | -                 | -                       | (32.898.335)                | (144.593.687)      |
| Off-balance sheet long position  | 726.346              | 955.500           | 4.288.038          | 983.667           | 2.263.347               | 27.140.808                  | 36.357.706         |
| Off-balance sheet short position   | (362.420)            | (1.319.500)       | (3.244.374)        | (1.827.577)       | (2.263.347)             | (27.067.910)                | (36.085.128)       |
| <b>Total position</b>  | <b>(111.331.426)</b> | <b>1.837.088</b>  | <b>47.517.875</b>  | <b>66.083.916</b> | <b>28.990.562</b>       | <b>(32.825.437)</b>         | <b>272.578</b>     |

<sup>(1)</sup> TRY 104.950 of deferred tax asset is disclosed under the non-bearing interest column in other assets and TRY 629.535 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

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

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

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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 (continued):

| Prior period   | Up to 1 month       | 1-3 months          | 3-12 months       | 1-5 years         | 5 years and over  | Non-bearing interest | Total              |
|--|---------------------|---------------------|-------------------|-------------------|-------------------|----------------------|--------------------|
| <b>Assets</b>  |                     |                     |                   |                   |                   |                      |                    |
| Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT | 26.154.546          | -                   | -                 | -                 | -                 | 10.526.831           | 36.681.377         |
| Banks and financial institutions   | 4.962.270           | 78.154              | 4.019             | -                 | -                 | 1.268.724            | 6.313.167          |
| Financial assets at fair value through profit and loss   | 70.098              | 20.154              | 20.268            | 253               | 27                | 10.372.708           | 10.483.508         |
| Money market placements  | 1.285.499           | -                   | -                 | -                 | -                 | 2.669                | 1.288.168          |
| Financial assets available-for-sale  | 209.656             | 3.283.663           | 1.797.894         | 4.690.439         | 7.634.250         | 83.276               | 17.699.178         |
| Loans  | 92.563.366          | 23.010.263          | 46.800.052        | 31.070.822        | 7.744.943         | 2.952.824            | 204.142.270        |
| Held-to-maturity investments   | 378.421             | 8.694.535           | 1.541.221         | 4.447.720         | 6.925.202         | -                    | 21.987.099         |
| Other assets <sup>(1)(2)</sup>   | 708.980             | 889.929             | 945.432           | 1.493.736         | 418.697           | 9.168.215            | 13.624.989         |
| <b>Total assets</b>  | <b>126.332.836</b>  | <b>35.976.698</b>   | <b>51.108.886</b> | <b>41.702.970</b> | <b>22.723.119</b> | <b>34.375.247</b>    | <b>312.219.756</b> |
| <b>Liabilities</b>   |                     |                     |                   |                   |                   |                      |                    |
| Bank deposits  | 13.061.761          | 2.079.237           | 212.098           | 1.094             | -                 | 3.860.508            | 19.214.698         |
| Other deposits   | 98.554.760          | 33.932.876          | 14.099.653        | 785.744           | 9.584             | 26.673.306           | 174.055.923        |
| Money market balances  | 33.735.853          | 1.216.309           | 2.938             | 3.603             | -                 | 44.619               | 35.003.322         |
| Sundry creditors   | 1.815.820           | 3.003               | 50.894            | 123.013           | -                 | 1.865.628            | 3.858.358          |
| Bonds issued   | 777.925             | 2.308.085           | 295.215           | 8.510.538         | -                 | 130.367              | 12.022.130         |
| Funds provided from other financial institutions <sup>(4)</sup>  | 1.696.625           | 6.003.694           | 8.775.415         | 2.366.544         | 1.088.283         | 127.923              | 20.058.484         |
| Other liabilities <sup>(3)</sup>   | 1.325.837           | 2.410.526           | 11.375.120        | -                 | -                 | 32.895.358           | 48.006.841         |
| <b>Total liabilities</b>   | <b>150.968.581</b>  | <b>47.953.730</b>   | <b>34.811.333</b> | <b>11.790.536</b> | <b>1.097.867</b>  | <b>65.597.709</b>    | <b>312.219.756</b> |
| Balance sheet long position  | -                   | -                   | 16.297.553        | 29.912.434        | 21.625.252        | -                    | 67.835.239         |
| Balance sheet short position   | (24.635.745)        | (11.977.032)        | -                 | -                 | -                 | (31.222.462)         | (67.835.239)       |
| Off-balance sheet long position  | 379.000             | 568.500             | 2.919.781         | 819.361           | 1.902.329         | 8.939.672            | 15.528.643         |
| Off-balance sheet short position   | -                   | (568.500)           | (2.532.191)       | (1.424.801)       | (1.902.329)       | (8.985.269)          | (15.413.090)       |
| <b>Total position</b>  | <b>(24.256.745)</b> | <b>(11.977.032)</b> | <b>16.685.143</b> | <b>29.306.994</b> | <b>21.625.252</b> | <b>(31.268.059)</b>  | <b>115.553</b>     |

<sup>(1)</sup> TRY 87.181 of deferred tax assets is disclosed under the non-bearing interest column in other assets and TRY 574.170 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

<sup>(2)</sup> TRY 1.140.325 of net non-performing loans is disclosed under the non-bearing interest column in other assets.

<sup>(3)</sup> Shareholders' equity balance is disclosed under the non-bearing interest column in other liabilities line.

<sup>(4)</sup> Funds provided from other financial institutions include borrowings.

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

**III. EXPLANATIONS ON INTEREST RATE RISK (continued)**

2. Average interest rates applied to financial instruments:

| Current period   | EUR  | USD  | JPY  | TRY   |
|--|------|------|------|-------|
| <b>Assets</b>  |      |      |      |       |
| Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT <sup>(5)</sup> | -    | 1,50 | -    | 7,00  |
| Banks  | 0,18 | 1,91 | -    | 12,16 |
| Financial assets at fair value through profit and loss   | -    | -    | -    | 14,47 |
| Money market placements  | -    | -    | -    | 19,00 |
| Financial assets at fair value through other comprehensive income  | 4,57 | 6,83 | -    | 19,42 |
| Loans <sup>(2)</sup>   | 4,81 | 6,81 | 1,11 | 14,33 |
| Financial assets measured at amortised cost  | 2,50 | 5,88 | -    | 17,04 |
| <b>Liabilities</b>   |      |      |      |       |
| Bank deposits  | 2,10 | 4,54 | -    | 11,82 |
| Other deposits <sup>(4)</sup>  | 1,82 | 3,67 | 0,25 | 14,10 |
| Money market borrowings  | -    | 3,40 | -    | 17,60 |
| Sundry creditors <sup>(3)</sup>  | -    | -    | -    | 4,75  |
| Bonds issued   | -    | 4,46 | -    | 15,62 |
| Funds provided from other financial institutions <sup>(4)</sup>  | 1,05 | 3,45 | 1,11 | 14,12 |

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

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

<sup>(3)</sup> Declared maximum deposits interest rate with a maturity of 12 months as of 30 June 2018.

<sup>(4)</sup> Customer based calculated interest rates are applied to TRY and FC deposits as of 30 June 2018.

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

| Prior Period   | EUR  | USD  | JPY  | TRY   |
|--|------|------|------|-------|
| <b>Assets</b>  |      |      |      |       |
| Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT <sup>(5)</sup> | -    | 1,25 | -    | 4,00  |
| Due from other banks and financial institutions <sup>(1)</sup>   | 0,08 | 1,41 | -    | 13,32 |
| Financial assets at fair value through profit and loss   | 1,10 | 1,86 | -    | 9,86  |
| Money market placements  | -    | -    | -    | 12,78 |
| Available-for-sale financial assets  | 4,60 | 5,46 | -    | 15,00 |
| Loans <sup>(2)</sup>   | 4,78 | 6,42 | 0,84 | 13,12 |
| Held-to-maturity investments   | 2,50 | 5,89 | -    | 18,33 |
| <b>Liabilities</b>   |      |      |      |       |
| Bank deposits  | 1,59 | 4,24 | 0,10 | 10,67 |
| Other deposits <sup>(4)</sup>  | 1,68 | 3,50 | 0,25 | 12,02 |
| Money market borrowings  | -    | 2,43 | -    | 12,75 |
| Sundry creditors <sup>(3)</sup>  | -    | -    | -    | 4,75  |
| Bonds issued   | -    | 4,46 | -    | 13,10 |
| Funds provided from other financial institutions   | 1,14 | 3,03 | 0,84 | 12,22 |

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

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

<sup>(3)</sup> Declared maximum deposits interest rate with a maturity of 12 months as of 31 December 2017.

<sup>(4)</sup> Customer based calculated interest rates are applied to TRY and FC deposits as of 31 December 2017.

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

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

**IV. EXPLANATIONS ON THE POSITION RISK OF SHARES**

Information about position risk of shares:

| Equities                                 | Comparison             |                         |              | The Amount of Capital Requirement |
|--|------------------------|-------------------------|--------------|-----------------------------------|
|  | Balance Sheet Value    | Fair Value Change       | Market Value |                                   |
| Stock investment excluding A,B,C,D group | 476.479 <sup>(*)</sup> | 365.859 <sup>(**)</sup> | -            | 80.722                            |

(\*) Includes TRY 52.178 of unconsolidated subsidiary, TRY 414.949 of associates accounted for under the equity method and TRY 9.352 of unconsolidated associates.

(\*\*)The financial information about the fair value of Demir-Halk Bank N.V. has been obtained from its valuation report as of 30 June 2018.

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

| Portfolio  | Realized gains (losses) in the current period |                                   | Revaluation surplus in the fair value |                                | Unrealized gains and losses       |  |
|--|---|-----------------------------------|---------------------------------------|--------------------------------|-----------------------------------|--|
|  | Total   | Included in supplementary capital | Total                                 | Included in total core capital | Included in supplementary capital |  |
| 1. Private equity investments                    | -   | -                                 | -                                     | -                              | -                                 |  |
| 2. Share certificates quoted on a stock exchange | -   | -                                 | -                                     | -                              | -                                 |  |
| 3. Other share certificates                      | -   | 18.586                            | 18.586                                | -                              | -                                 |  |
| <b>Total</b>                                     | -   | <b>18.586</b>                     | <b>18.586</b>                         | -                              | -                                 |  |

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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.

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

The Parent Bank's purpose is to have the level of liquidity to meet its obligations and commitments, which are due under the Bank liquidity planning program and aim to reach a reasonable cost with necessary liquidity. The liquidity gap analysis on the maturity remained day basis and projected ratios stated in "Liquidity Emergency Plan (LAEP)" are followed within the scope of liquidity risk measurement under this purpose. The Parent Bank's liquidity risk are digitized by daily follow-ups with first and second degree warnings for determined ratios relating to balance-sheet, liquidity deficit in all maturity gap and the Parent Bank's position against such ratios.

The upper limits of the Parent Bank consist of the following: max lending amount of TRY and FC category on all maturity in interbank OTC markets, the upper limit of repurchase and reverse repurchase transactions in TRY and FC category on all maturity in the interbank OTC markets, the maximum foreign exchange position limits that can be carried, and finally; the upper limit relating to forward and swap transactions is determined on the that the whole term of TRY and foreign currency denominated, forward and the upper limit relating to swap transactions is determined.

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

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

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

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

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

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

According to the "Regulations on the Banks' Liquidity Coverage Ratio Calculation" published by the BRSA, foreign currency and total liquidity coverage ratios calculated are monitored to ensure that banks keep high levels of liquid assets to cover net cash outflows.

Liquidity ratios and its daily changes monitored under calculated "Liquidity Coverage Ratio" and "Liquidity Emergency Action Plan" within the scope of the Regulation on "Banks' Liquidity Coverage Ratio Calculation" prepared by BRSA and then they are notified to the Parent Bank 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 these values are monitored are given in the table below:

Liquidity Minimum-Maximum

| Liquidity Coverage Ratio | FC            |        | TRY+FC        |        |
|--------------------------|---------------|--------|---------------|--------|
|                          | Related Month | (%)    | Related Month | (%)    |
| Maximum                  | 25.06.2018    | 206,49 | 09.04.2018    | 119,88 |
|                          | 01.07.2018    |        | 15.04.2018    |        |
| Minimum                  | 09.04.2018    | 119,01 | 28.05.2018    | 86,53  |
|                          | 15.04.2018    |        | 03.06.2018    |        |

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

| Current Period  | Total Unweighted Value<br>(average) <sup>(1)</sup> |                   | Total Weighted Value<br>(average) <sup>(1)</sup> |                   |
|---|--|-------------------|--|-------------------|
|   | TRY+FC   | FC                | TRY+FC   | FC                |
| <b>High Quality Liquid Assets</b>   |  |                   |  |                   |
| High Quality Liquid Assets  |  |                   | 46.969.845                                       | 25.797.829        |
| <b>Cash Outflows</b>  |  |                   |  |                   |
| Retail and Small Business Customers, of which;  | 98.448.820   | 35.072.900        | 8.619.543  | 3.507.290         |
| Stable Deposits   | 24.506.780   | -                 | 1.225.339  | -                 |
| Less Stable Deposits  | 73.942.040   | 35.072.900        | 7.394.204  | 3.507.290         |
| Unsecured wholesale funding , of which;   | 90.968.145   | 40.214.836        | 45.206.125                                       | 21.112.100        |
| Operational Deposits  | 6.862.456  | 2.245.500         | 1.715.614  | 561.375           |
| Non-operational Deposits  | 77.999.758   | 35.317.612        | 37.650.606                                       | 18.113.884        |
| Other Unsecured Funding   | 6.105.931  | 2.651.724         | 5.839.905  | 2.436.841         |
| Secured Funding   |  |                   | -  | -                 |
| Other cash outflows, of which;  | 6.360.772  | 3.853.092         | 2.969.857  | 2.149.274         |
| Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions | 142.147  | 754.713           | 142.147  | 754.713           |
| Obligations related to structured financial products  | -  | -                 | -  | -                 |
| Commitments related to debts to financial markets and other off-balance sheet obligations                             | 6.218.625  | 3.098.379         | 2.827.710  | 1.394.561         |
| Other revocable off-balance sheet commitments and contractual obligations.  | 74.570   | -                 | 74.570   | -                 |
| Other irrevocable or conditionally revocable off-balance sheet Obligations  | 85.632.677   | 32.252.777        | 6.671.861  | 2.573.879         |
| <b>Total Cash Outflows</b>  |  |                   | <b>63.541.956</b>                                | <b>29.342.543</b> |
| <b>Cash Inflows</b>   |  |                   |  |                   |
| Secured Lending   | -  | -                 | -  | -                 |
| Unsecured Lending   | 25.740.369   | 12.935.843        | 17.518.370                                       | 11.270.465        |
| Other Cash Inflows  | 69.194   | 9.204             | 69.194   | 9.204             |
| <b>Total Cash Inflows</b>   | <b>25.809.563</b>                                  | <b>12.945.047</b> | <b>17.587.564</b>                                | <b>11.279.669</b> |
|   |  |                   | <b>Total Adjusted Value</b>                      |                   |
| <b>Total HQLA Stock</b>   |  |                   | <b>46.969.845</b>                                | <b>25.797.829</b> |
| <b>Total Net Cash Outflows</b>  |  |                   | <b>45.954.392</b>                                | <b>18.062.874</b> |
| <b>Liquidity Coverage Ratio (%)</b>   |  |                   | <b>102,44%</b>                                   | <b>143,73%</b>    |

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

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

|   | Total Unweighted Value<br>(average) <sup>(1)</sup> |                   | Total Weighted Value<br>(average) <sup>(1)</sup> |                   |
|---|--|-------------------|--|-------------------|
|   | TRY+FC   | FC                | TRY+FC   | FC                |
| <b>Prior Period</b>   |  |                   |  |                   |
| <b>High Quality Liquid Assets</b>   |  |                   |  |                   |
| High Quality Liquid Assets  |  |                   | 41.538.443                                       | 27.288.632        |
| <b>Cash Outflows</b>  |  |                   |  |                   |
| Retail and Small Business Customers, of which;  | 89.583.117   | 31.827.153        | 7.824.424  | 3.182.715         |
| Stable Deposits   | 22.677.760   | -                 | 1.133.888  | -                 |
| Less Stable Deposits  | 66.905.357   | 31.827.153        | 6.690.536  | 3.182.715         |
| Unsecured wholesale funding , of which;   | 80.572.284   | 39.354.420        | 45.103.830                                       | 23.098.605        |
| Operational Deposits  | 1.475.503  | 25.764            | 368.876  | 6.441             |
| Non-operational Deposits  | 70.160.212   | 34.173.507        | 37.427.882                                       | 19.355.493        |
| Other Unsecured Funding   | 8.936.570  | 5.155.150         | 7.307.072  | 3.736.671         |
| Secured Funding   |  |                   | -  | -                 |
| Other cash outflows, of which;  | 5.608.065  | 3.687.070         | 2.673.873  | 2.164.857         |
| Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions | 230.559  | 918.474           | 230.559  | 918.474           |
| Obligations related to structured financial products  | -  | -                 | -  | -                 |
| Commitments related to debts to financial markets and other off-balance sheet obligations                             | 5.377.506  | 2.768.596         | 2.443.314  | 1.246.383         |
| Other revocable off-balance sheet commitments and contractual obligations.  | -  | -                 | -  | -                 |
| Other irrevocable or conditionally revocable off-balance sheet obligations  | 77.397.763   | 28.958.391        | 5.990.250  | 2.309.291         |
| <b>Total Cash Outflows</b>  |  |                   | <b>61.592.377</b>                                | <b>30.755.469</b> |
| <b>Cash Inflows</b>   |  |                   |  |                   |
| Secured Lending   | 585  | -                 | -  | -                 |
| Unsecured Lending   | 29.527.022   | 14.311.864        | 22.340.233                                       | 12.953.281        |
| Other Cash Inflows  | -  | -                 | -  | -                 |
| <b>Total Cash Inflows</b>   | <b>29.527.607</b>                                  | <b>14.311.864</b> | <b>22.340.233</b>                                | <b>12.953.281</b> |
|   |  |                   | <b>Total Adjusted Value</b>                      |                   |
| <b>Total HQLA Stock</b>   |  |                   | <b>41.538.443</b>                                | <b>27.288.632</b> |
| <b>Total Net Cash Outflows</b>  |  |                   | <b>39.252.144</b>                                | <b>17.802.188</b> |
| <b>Liquidity Coverage Ratio (%)</b>   |  |                   | <b>106,23%</b>                                   | <b>155,86%</b>    |

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

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

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

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

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

| Current period   | Demand              | Up to 1 month        | 1-3 months          | 3-12 Months       | 1-5 years          | 5 years and over  | Undistributed       | Total              |
|--|---------------------|----------------------|---------------------|-------------------|--------------------|-------------------|---------------------|--------------------|
| <b>Assets</b>  |                     |                      |                     |                   |                    |                   |                     |                    |
| Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT | 2.387.410           | 31.520.406           | -                   | 98.537            | -                  | -                 | -                   | 34.006.353         |
| Banks  | 1.763.902           | 3.368.183            | 8                   | 16.669            | 42                 | -                 | -                   | 5.148.804          |
| Financial assets at fair value through profit and loss                               | 7.090               | 119.528              | 30.270              | 14.996.868        | 32.389             | 14.585            | 1.279               | 15.202.009         |
| Receivables from Money market  | -                   | 28.114               | -                   | -                 | -                  | -                 | -                   | 28.114             |
| Financial assets at fair value through other comprehensive income                    | -                   | 8.863                | 26.052              | 652.059           | 1.130.226          | 250.473           | 102.136             | 2.169.809          |
| Loans  | 1.982.835           | 12.610.338           | 14.500.483          | 71.350.191        | 110.653.333        | 32.896.632        | 135.887             | 244.129.699        |
| Financial assets measured at amortised cost  | 32                  | 1.271.246            | 390.948             | 1.480.824         | 18.983.173         | 23.037.571        | -                   | 45.163.794         |
| Other assets <sup>(2)</sup>  | 234.204             | 504.238              | 776.688             | 889.637           | 39.312             | 61.809            | 8.475.205           | 10.981.093         |
| <b>Total assets</b>  | <b>6.375.473</b>    | <b>49.430.916</b>    | <b>15.724.449</b>   | <b>89.484.785</b> | <b>130.838.475</b> | <b>56.261.070</b> | <b>8.714.507</b>    | <b>356.829.675</b> |
| <b>Liabilities</b>   |                     |                      |                     |                   |                    |                   |                     |                    |
| Bank deposits  | 8.420.632           | 12.712.992           | 4.144.964           | 313.204           | 2.134              | -                 | -                   | 25.593.926         |
| Other deposits   | 30.748.354          | 116.612.601          | 34.446.017          | 13.454.539        | 1.054.207          | 18.496            | 6.794               | 196.341.008        |
| Funds provided from other financial institutions <sup>(3)</sup>                      | 718                 | 1.949.287            | 2.525.227           | 7.522.143         | 5.203.783          | 2.858.353         | -                   | 20.059.511         |
| Money market balances  | -                   | 39.340.151           | 302.541             | 1.862.757         | -                  | -                 | -                   | 41.505.449         |
| Bonds issued   | -                   | 997.449              | 2.089.855           | 2.933.622         | 7.946.555          | -                 | -                   | 13.967.481         |
| Sundry creditors   | 10.269              | 1.799.343            | 24.365              | 130.399           | 1.982.002          | 19.296            | 534.654             | 4.500.328          |
| Other liabilities <sup>(1)</sup>   | 635.615             | 1.992.830            | 203.597             | 17.758.455        | 333.647            | 3.227.755         | 30.710.073          | 54.861.972         |
| <b>Total liabilities</b>   | <b>39.815.588</b>   | <b>175.404.653</b>   | <b>43.736.566</b>   | <b>43.975.119</b> | <b>16.522.328</b>  | <b>6.123.900</b>  | <b>31.251.521</b>   | <b>356.829.675</b> |
| <b>Liquidity gap</b>   | <b>(33.440.115)</b> | <b>(125.973.737)</b> | <b>(28.012.117)</b> | <b>45.509.666</b> | <b>114.316.147</b> | <b>50.137.170</b> | <b>(22.537.014)</b> | <b>-</b>           |
| <b>Net off balance sheet position</b>  | <b>-</b>            | <b>35.801</b>        | <b>37.181</b>       | <b>(139.495)</b>  | <b>339.091</b>     | <b>-</b>          | <b>-</b>            | <b>272.578</b>     |
| Derivative financial assets  | -                   | 19.159.335           | 3.459.676           | 5.397.597         | 3.814.403          | 4.526.695         | -                   | 36.357.706         |
| Derivative financial liabilities   | -                   | (19.123.534)         | (3.422.495)         | (5.537.092)       | (3.475.312)        | (4.526.695)       | -                   | (36.085.128)       |
| <b>Non-cash loans</b>  | <b>2.084.789</b>    | <b>2.033.022</b>     | <b>4.215.128</b>    | <b>23.521.234</b> | <b>15.580.318</b>  | <b>23.312.424</b> | <b>-</b>            | <b>70.746.915</b>  |
| <b>Prior Period</b>  |                     |                      |                     |                   |                    |                   |                     |                    |
| Total Assets   | 5.976.920           | 53.989.072           | 14.969.679          | 74.950.291        | 106.647.425        | 48.029.463        | 7.656.906           | 312.219.756        |
| Total Liabilities  | 29.918.047          | 151.990.459          | 43.075.481          | 38.584.436        | 16.026.374         | 5.964.981         | 26.659.978          | 312.219.756        |
| <b>Liquidity Gap</b>   | <b>(23.941.127)</b> | <b>(98.001.387)</b>  | <b>(28.105.802)</b> | <b>36.365.855</b> | <b>90.621.051</b>  | <b>42.064.482</b> | <b>(19.003.072)</b> | <b>-</b>           |
| <b>Net off balance sheet position</b>  | <b>-</b>            | <b>(30.015)</b>      | <b>(18.941)</b>     | <b>11.949</b>     | <b>152.560</b>     | <b>-</b>          | <b>-</b>            | <b>115.553</b>     |
| Derivative financial assets  | -                   | 5.319.725            | 1.400.784           | 2.606.753         | 2.396.724          | 3.804.657         | -                   | 15.528.643         |
| Derivative financial liabilities   | -                   | (5.349.740)          | (1.419.725)         | (2.594.804)       | (2.244.164)        | (3.804.657)       | -                   | (15.413.090)       |
| <b>Non-cash loans</b>  | <b>19.713.335</b>   | <b>2.090.829</b>     | <b>4.541.264</b>    | <b>18.634.374</b> | <b>12.409.276</b>  | <b>1.098.547</b>  | <b>300.033</b>      | <b>58.787.658</b>  |

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

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

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

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

**VI. EXPLANATIONS ON LEVERAGE RATIO**

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

|  | <b>Current Period<sup>(2)</sup></b> |
|--|-------------------------------------|
| Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS <sup>(1)</sup>   | 311.354.034                         |
| The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1)</sup>  | (865.722)                           |
| The difference between total amount of derivative financial instruments and credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk balances of such instruments                 | 26.333.811                          |
| The difference between total amount of risk investment securities or commodity collateral financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such instruments | 15.886.381                          |
| The difference between total amount of off-balance sheet transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items  | 1.054.289                           |
| The other differences between amount of assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items   | -                                   |
| <b>Total Risk Amount</b>   | <b>439.105.202</b>                  |
|  | <b>Prior Period<sup>(2)</sup></b>   |
| Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS <sup>(1)</sup>   | 270.533.226                         |
| The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1)</sup>  | (1.145.283)                         |
| The difference between total amount of derivative financial instruments and credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk balances of such instruments                 | 17.716.168                          |
| The difference between total amount of risk investment securities or commodity collateral financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such instruments | 3.364.403                           |
| The difference between total amount of off-balance sheet transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items  | 797.772                             |
| The other differences between amount of assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items   | -                                   |
| <b>Total Risk Amount</b>   | <b>393.862.493</b>                  |

<sup>(1)</sup> The amounts are represented in the table as of 31 December 2017 and 30 June 2017.

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

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

**VI. EXPLANATIONS ON LEVERAGE RATIO (continued)**

|   | <b>Current Period <sup>(1)</sup></b> |
|---|--------------------------------------|
| <b>On-Balance Sheet Items</b>   |                                      |
| 1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)  | 340.602.375                          |
| 2. Assets that are deducted from core capital   | (197.719)                            |
| 3. Total on balance sheet exposures   | 340.404.656                          |
| <b>Derivative exposures and credit derivatives</b>  |                                      |
| 4. Replacement cost associated with derivative financial instruments and credit derivatives                                   | 740.936                              |
| 5. The potential amount of credit risk with derivative financial instruments and credit derivatives                           | 344.797                              |
| 6. The total amount of risk on derivative financial instruments and credit derivatives  | 1.085.733                            |
| <b>Investment securities or commodity collateral financing transactions</b>   |                                      |
| 7. The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items) | 1.393.825                            |
| 8. Risk amount of exchange brokerage operations   | -                                    |
| 9. Total risks related with securities or commodity financing transactions  | 1.393.825                            |
| <b>Off -Balance Sheet Items</b>   |                                      |
| 10. Gross notional amount of off-balance sheet items  | 97.275.277                           |
| 11. Adjustments for conversion to credit equivalent amounts   | (1.054.289)                          |
| 12. The total risk of off-balance sheet items   | 96.220.988                           |
| <b>Capital and Total Exposures</b>  |                                      |
| 13. Tier 1 Capital  | 27.467.607                           |
| 14. Total Exposures   | 439.105.202                          |
| <b>Leverage Ratio</b>   |                                      |
| 15. Leverage Ratio  | 6,26                                 |

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

|   | <b>Prior Period<sup>(1)</sup></b> |
|---|-----------------------------------|
| <b>On-Balance Sheet Items</b>   |                                   |
| 1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)  | 306.253.039                       |
| 2. Assets that are deducted from core capital   | (169.958)                         |
| 3. Total on balance sheet exposures   | 306.083.081                       |
| <b>Derivative exposures and credit derivatives</b>  |                                   |
| 4. Replacement cost associated with derivative financial instruments and credit derivatives                                   | 456.562                           |
| 5. The potential amount of credit risk with derivative financial instruments and credit derivatives                           | 236.834                           |
| 6. The total amount of risk on derivative financial instruments and credit derivatives  | 693.396                           |
| <b>Investment securities or commodity collateral financing transactions</b>   |                                   |
| 7. The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items) | 1.268.407                         |
| 8. Risk amount of exchange brokerage operations   | -                                 |
| 9. Total risks related with securities or commodity financing transactions  | 1.268.407                         |
| <b>Off -Balance Sheet Items</b>   |                                   |
| 10. Gross notional amount of off-balance sheet items  | 86.615.381                        |
| 11. Adjustments for conversion to credit equivalent amounts   | (797.772)                         |
| 12. The total risk of off-balance sheet items   | 85.817.609                        |
| <b>Capital and Total Exposures</b>  |                                   |
| 13. Tier 1 Capital  | 24.625.572                        |
| 14. Total Exposures   | 393.862.493                       |
| <b>Leverage Ratio</b>   |                                   |
| 15. Leverage Ratio  | 6,25                              |

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

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

**VII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION**

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

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

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

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

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

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

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

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

**VII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)**

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

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 30 June 2018 are presented in the table below.

| <b>Current Period<br/>(1 January – 30 June 2018)</b> | <b>Corporate</b>  | <b>Commercial</b> | <b>Integrated</b>  | <b>Treasury /<br/>Investment<sup>(1)</sup></b> | <b>Other<sup>(3)</sup></b> | <b>Total</b>       |
|--|-------------------|-------------------|--------------------|--|----------------------------|--------------------|
| <b>OPERATING INCOME / EXPENSES</b>                   |                   |                   |                    |  |                            |                    |
| <b>Interest income</b>                               | <b>1.500.947</b>  | <b>2.188.500</b>  | <b>8.636.525</b>   | <b>2.595.445</b>                               | <b>273.915</b>             | <b>15.195.332</b>  |
| Interest on loans                                    | 1.500.401         | 2.188.244         | 8.448.903          | 174.169  | -                          | 12.311.717         |
| Interest income on marketable securities             | -                 | -                 | 176.593            | 2.103.809                                      | 28.740                     | 2.309.142          |
| Interest received from banks                         | -                 | -                 | 6                  | 215.563  | 6                          | 215.575            |
| Other interest income                                | 546               | 256               | 11.023             | 101.904  | 245.169                    | 358.898            |
| <b>Interest expense</b>                              | <b>829.163</b>    | <b>500.187</b>    | <b>5.914.761</b>   | <b>3.330.788</b>                               | <b>140.837</b>             | <b>10.715.736</b>  |
| Interest on deposits                                 | 825.763           | 487.849           | 5.766.646          | 711.592  | -                          | 7.791.850          |
| Interest on borrowings                               | 301               | 3.527             | 16.452             | 208.344  | 114.751                    | 343.375            |
| Interest on money market borrowings                  | -                 | -                 | 70.279             | 1.823.566                                      | 6.207                      | 1.900.052          |
| Interest on marketable bonds issued                  | -                 | -                 | -                  | 547.232  | 18.877                     | 566.109            |
| Other interest expense <sup>(2)</sup>                | 3.099             | 8.811             | 61.384             | 40.054   | 1.002                      | 114.350            |
| <b>Net interest income</b>                           | <b>671.784</b>    | <b>1.688.313</b>  | <b>2.721.764</b>   | <b>(735.343)</b>                               | <b>133.078</b>             | <b>4.479.596</b>   |
| Net fees and commissions income / (expenses)         | 148.552           | 133.326           | 460.772            | 223.766  | (96.738)                   | 869.678            |
| Net trading profit / (loss) (Net)                    | 1.803             | 4.546             | 493.652            | (425.970)                                      | 17.245                     | 91.276             |
| Dividend income                                      | -                 | -                 | -                  | 12.271   | 392                        | 12.663             |
| Other income   | 32.679            | 90.675            | 191.438            | 176.544  | 743.317                    | 1.234.653          |
| Loans and other receivables' impairment loss         | 54.030            | 86.569            | 452.376            | 447.070  | 5.656                      | 1.045.701          |
| Other expenses                                       | 17.501            | 40.338            | 1.033.448          | 1.609.089                                      | 645.335                    | 3.345.711          |
| <b>Income before taxes</b>                           | <b>783.287</b>    | <b>1.789.953</b>  | <b>2.381.802</b>   | <b>(2.804.891)</b>                             | <b>146.303</b>             | <b>2.296.454</b>   |
| Income tax provision                                 | -                 | -                 | -                  | (387.738)                                      | (63.308)                   | (451.046)          |
| <b>Net profit for the period</b>                     | <b>783.287</b>    | <b>1.789.953</b>  | <b>2.381.802</b>   | <b>(3.192.629)</b>                             | <b>82.995</b>              | <b>1.845.408</b>   |
| <b>SEGMENT ASSETS<br/>(30 June 2018)</b>             |                   |                   |                    |  |                            |                    |
| Marketable securities                                | -                 | -                 | 6.937.634          | 55.312.770                                     | 285.208                    | 62.535.612         |
| Derivative financial assets                          | -                 | -                 | 60.510             | 855.232  | -                          | 915.742            |
| Banks and money market receivables                   | -                 | -                 | 1.097              | 5.161.100                                      | 14.721                     | 5.176.918          |
| Associates and subsidiaries (net)                    | -                 | -                 | -                  | 476.479  | -                          | 476.479            |
| Loans  | 36.260.026        | 46.746.884        | 149.966.150        | 6.753.354                                      | 4.403.285                  | 244.129.699        |
| Other assets <sup>(1)</sup>                          | 84.692            | 658.661           | 2.402.074          | 39.605.501                                     | 844.297                    | 43.595.225         |
| <b>TOTAL ASSETS</b>                                  | <b>36.344.718</b> | <b>47.405.545</b> | <b>159.367.465</b> | <b>108.164.436</b>                             | <b>5.547.511</b>           | <b>356.829.675</b> |
| <b>SEGMENT LIABILITIES<br/>(30 June 2018)</b>        |                   |                   |                    |  |                            |                    |
| Deposits   | 30.292.819        | 18.151.320        | 153.062.885        | 20.427.910                                     | -                          | 221.934.934        |
| Derivative financial liabilities                     | -                 | -                 | 28.628             | 359.634  | 12                         | 388.274            |
| Money market balances                                | -                 | -                 | 4.440.686          | 36.988.852                                     | 75.911                     | 41.505.449         |
| Loans  | 13.288            | 270.336           | 1.226.614          | 15.811.740                                     | 2.737.533                  | 20.059.511         |
| Marketable Securities issued                         | -                 | -                 | -                  | 13.676.888                                     | 290.593                    | 13.967.481         |
| Other liabilities                                    | 355.592           | 418.763           | 7.023.690          | 17.262.223                                     | 275.935                    | 25.336.203         |
| Provisions and tax payable                           | 68.676            | 111.626           | 281.386            | 2.339.370                                      | 2.215.591                  | 5.016.649          |
| Shareholders' equity                                 | 622.355           | 1.770.903         | 2.104.866          | 22.803.038                                     | 1.320.012                  | 28.621.174         |
| <b>TOTAL LIABILITIES</b>                             | <b>31.352.730</b> | <b>20.722.948</b> | <b>168.168.755</b> | <b>129.669.655</b>                             | <b>6.915.587</b>           | <b>356.829.675</b> |
| <b>OFF BALANCE SHEET ITEMS<br/>(30 June 2018)</b>    |                   |                   |                    |  |                            |                    |
| Guarantees and surety ships                          | 19.889.077        | 18.395.398        | 39.910.951         | 94.914.151                                     | 123.859                    | 173.233.436        |
| Commitments  | 64.221            | 910.405           | 11.013.439         | 17.934.997                                     | 120.625                    | 30.043.687         |
| Derivative financial instruments                     | -                 | -                 | 8.389.314          | 64.050.286                                     | 3.234                      | 72.442.834         |

<sup>(1)</sup> Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Bank A.D. Skopje transactions are presented under the treasury / investment column. In this context net of tangible assets amounting TRY 4.261.832 (net), deferred tax assets amounting TRY 104.950 is presented under the other column.

<sup>(2)</sup> Funds transfer pricing was distributed in other interest income and other interest expense.

<sup>(3)</sup> Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ and Halk Faktoring AŞ transactions are presented in other column.

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

**VII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)**

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 December 2017 are presented in the table below.

| Prior Period<br>(1 January –30 June 2017)             | Corporate         | Commercial        | SME /<br>Integrated | Treasury /<br>Investment <sup>(1)</sup> | Other <sup>(3)</sup> | Total              |
|---|-------------------|-------------------|---------------------|---|----------------------|--------------------|
| <b>OPERATING INCOME / EXPENSES</b>                    |                   |                   |                     |   |                      |                    |
| <b>Interest income</b>                                | <b>967.706</b>    | <b>1.437.094</b>  | <b>5.988.353</b>    | <b>2.259.495</b>                        | <b>194.924</b>       | <b>10.847.572</b>  |
| Interest on loans                                     | 965.980           | 1.436.132         | 5.881.436           | 198.333                                 | -                    | 8.481.881          |
| Interest income on marketable securities              | -                 | -                 | 92.742              | 1.874.516                               | 21.118               | 1.988.376          |
| Interest received from banks                          | -                 | -                 | 5.610               | 107.012                                 | 2.489                | 115.111            |
| Other interest income <sup>(2)</sup>                  | 1.726             | 962               | 8.565               | 79.634                                  | 171.317              | 262.204            |
| <b>Interest expense</b>                               | <b>644.987</b>    | <b>270.177</b>    | <b>3.367.232</b>    | <b>2.027.169</b>                        | <b>76.292</b>        | <b>6.385.857</b>   |
| Interest on deposits                                  | 644.543           | 247.825           | 3.284.929           | 434.540                                 | -                    | 4.611.837          |
| Interest on borrowings                                | 306               | 3.358             | 13.748              | 175.681                                 | 67.775               | 260.868            |
| Interest on money market borrowings                   | -                 | -                 | 23.562              | 1.032.927                               | -                    | 1.056.489          |
| Interest on marketable bonds issued                   | -                 | -                 | -                   | 383.658                                 | 8.045                | 391.703            |
| Other interest expense <sup>(2)</sup>                 | 138               | 18.994            | 44.993              | 363                                     | 472                  | 64.960             |
| <b>Net interest income</b>                            | <b>322.719</b>    | <b>1.166.917</b>  | <b>2.621.121</b>    | <b>232.326</b>                          | <b>118.632</b>       | <b>4.461.715</b>   |
| Net fees and commissions income /<br>(expenses)       | 118.858           | 233.972           | 538.695             | 194.458                                 | (120.304)            | 965.679            |
| Net trading profit / (loss)                           | (809)             | 2.685             | 51.724              | 55.068                                  | 13.594               | 122.262            |
| Dividend income                                       | -                 | -                 | -                   | 3.326                                   | 141                  | 3.467              |
| Other income  | 33.499            | 49.943            | 166.464             | 88.590                                  | 667.603              | 1.006.099          |
| Loans and other receivables' impairment loss          | 7.658             | 285.346           | 310.103             | 136.678                                 | 1.707                | 741.492            |
| Other expenses  | 15.742            | 33.905            | 880.158             | 1.283.386                               | 505.278              | 2.718.469          |
| <b>Income before taxes</b>                            | <b>450.867</b>    | <b>1.134.266</b>  | <b>2.187.743</b>    | <b>(846.296)</b>                        | <b>172.681</b>       | <b>3.099.261</b>   |
| Income tax provision                                  | -                 | -                 | (1.695)             | (585.902)                               | (45.054)             | (632.651)          |
| <b>Net profit for the period</b>                      | <b>450.867</b>    | <b>1.134.266</b>  | <b>2.186.048</b>    | <b>(1.432.198)</b>                      | <b>127.627</b>       | <b>2.466.610</b>   |
| <b>SEGMENT ASSETS<br/>(31 December 2017)</b>          |                   |                   |                     |   |                      |                    |
| Marketable securities                                 | -                 | -                 | 5.489.437           | 44.036.225                              | 281.607              | 49.807.269         |
| Derivative financial assets held for trading          | -                 | -                 | 79.852              | 282.664                                 | -                    | 362.516            |
| Banks and money market receivables                    | -                 | -                 | 289                 | 7.594.793                               | 6.253                | 7.601.335          |
| Associates and subsidiaries (net)                     | -                 | -                 | -                   | 405.316                                 | -                    | 405.316            |
| Loans   | 29.738.256        | 41.267.495        | 127.277.838         | 7.269.006                               | -                    | 205.552.595        |
| Other assets <sup>(1)</sup>                           | 90.690            | 264.257           | 1.885.260           | 41.804.276                              | 4.446.242            | 48.490.725         |
| <b>TOTAL ASSETS</b>                                   | <b>29.828.946</b> | <b>41.531.752</b> | <b>134.732.676</b>  | <b>101.392.280</b>                      | <b>4.734.102</b>     | <b>312.219.756</b> |
| <b>SEGMENT LIABILITIES<br/>(31 December 2017)</b>     |                   |                   |                     |   |                      |                    |
| Deposits  | 27.081.876        | 16.011.238        | 136.068.623         | 14.108.884                              | -                    | 193.270.621        |
| Derivative financial liabilities held for trading     | -                 | -                 | 46.160              | 104.509                                 | 4                    | 150.673            |
| Money market balances                                 | -                 | -                 | 4.140.748           | 30.822.778                              | 39.796               | 35.003.322         |
| Borrowing funding loans                               | 9.973             | 233.252           | 954.275             | 16.550.464                              | 2.310.520            | 20.058.484         |
| Bonds issued  | -                 | -                 | -                   | 11.727.130                              | 295.000              | 12.022.130         |
| Other liabilities                                     | 286.437           | 379.543           | 6.336.640           | 12.356.196                              | 235.239              | 19.594.055         |
| Provisions and tax payable                            | 57.741            | 88.335            | 252.213             | 4.308.512                               | 1.884.981            | 6.591.782          |
| Shareholders' equity                                  | 767.670           | 2.565.774         | 4.065.401           | 16.797.501                              | 1.332.343            | 25.528.689         |
| <b>TOTAL LIABILITIES</b>                              | <b>28.203.697</b> | <b>19.278.142</b> | <b>151.864.060</b>  | <b>106.775.974</b>                      | <b>6.097.883</b>     | <b>312.219.756</b> |
| <b>OFF BALANCE SHEET ITEMS<br/>(31 December 2017)</b> |                   |                   |                     |   |                      |                    |
| Guarantees and surety ships                           | 15.446.074        | 13.990.756        | 17.241.640          | 12.109.188                              | -                    | 58.787.658         |
| Commitments   | 63.996            | 878.037           | 10.134.667          | 14.002.992                              | 34.502               | 25.114.194         |
| Derivative financial instruments                      | -                 | -                 | 6.914.990           | 24.026.071                              | 672                  | 30.941.733         |

<sup>(1)</sup> Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Bank A.D. Skopje transactions are presented under the treasury / investment column. In this context net of tangible assets amounting TRY 3.751.600 (net), deferred tax assets amounting TRY 94.043 is presented under the other column.

<sup>(2)</sup> Funds transfer pricing was distributed in other interest income and other interest expense.

<sup>(3)</sup> Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ and Halk Faktoring AŞ transactions are presented in other column.

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

**VIII. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS**

**Explanations Related To Risk Management**

The Parent Bank's business model creates a comprehensive risk profile that includes all units of the Bank. Credit risk is a key component of the risk profile. The Parent Bank effectively implements risk management policies and procedures for loan and other risks which is determined within the framework of risk capacity and appetite and approved by board of directors. Risk appetite and capacity, which are directly related to the Parent Bank's strategic objectives, are limited by legal rates therefore the Bank associated with them.

Regarding the risk management structure; The Internal Audit Department, Internal Control Department and Risk Management Department, which are units within the scope of internal systems, carry out their activities in accordance with the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Assessment Process published in the Official Gazette No. 29057 dated 11 June 2014 and subject to the Board of Directors through the Audit Committee. The Financial Crimes Investigation Board (MASAK) Compliance Unit is directly affiliated to the Audit Committee. The structure of the internal systems determines the level of risk by identifying the risks that the bank is exposed to. In this direction, the relevant units are responsible for monitoring, controlling and reporting risks, limited to their areas of responsibility. Outside of internal systems, Top Management is directly responsible to the Board of Directors for the risks to which the Parent Bank is exposed in relation to its duties.

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

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

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

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

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

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

|    |   | Risk Weighted Amounts |                    | Minimum Capital Requirements |
|----|---|-----------------------|--------------------|------------------------------|
|    |   | Current Period        | Prior Period       | Current Period               |
| 1  | Credit risk (excluding counterparty credit risk) (CCR)                                | 221.491.456           | 187.858.563        | 17.719.316                   |
| 2  | Standardized approach (SA)  | 221.491.456           | 187.858.563        | 17.719.316                   |
| 3  | Internal rating-based (IRB) approach  | -                     | -                  | -                            |
| 4  | Counterparty credit risk  | 3.049.709             | 1.948.749          | 243.977                      |
| 5  | Standardized approach for counterparty credit risk (SA-CCR)                           | 3.049.709             | 1.948.749          | 243.977                      |
| 6  | Internal model method (IMM)   | -                     | -                  | -                            |
| 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 (RBA)  | -                     | -                  | -                            |
| 14 | IRB Supervisory Formula Approach (SFA)  | -                     | -                  | -                            |
| 15 | SA/simplified supervisory formula approach (SSFA)                                     | -                     | -                  | -                            |
| 16 | Market risk   | 2.709.825             | 3.629.588          | 216.786                      |
| 17 | Standardized approach (SA)  | 2.709.825             | 3.629.588          | 216.786                      |
| 18 | Internal model approaches (IMM)   | -                     | -                  | -                            |
| 19 | Operational Risk  | 18.548.004            | 14.724.338         | 1.483.840                    |
| 20 | Basic Indicator Approach  | 18.548.004            | 14.724.338         | 1.483.840                    |
| 21 | Standard Approach   | -                     | -                  | -                            |
| 22 | Advanced measurement approach   | -                     | -                  | -                            |
| 23 | The amount of the discount threshold under the equity (subject to a 250% risk weight) | 1.037.372             | 867.044            | 82.990                       |
| 24 | Floor adjustment  |                       |                    |                              |
| 25 | <b>Total ( 1+4+7+8+9+10+11+12+16+19+23+24)</b>  | <b>246.836.366</b>    | <b>209.028.282</b> | <b>19.746.909</b>            |

\*Credit risk standard approach also includes the amounts which below discount threshold.

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

**Analysis of counterparty credit risk (CCR) exposure by approach**

|  | Replacement cost | Potential future exposure | EEPE* | Alpha used for computing regulatory EAD | EAD post-CRM      | RWA              |
|--|------------------|---------------------------|-------|---|-------------------|------------------|
| Standard Approach-CCR (for derivatives)  | 915.740          | 417.833                   |       | 1,4                                     | 1.494.026         | 964.084          |
| Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) |                  |                           | -     | -                                       | -                 | -                |
| Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)              |                  |                           |       |   | 34.030.168        | 2.079.118        |
| Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)       |                  |                           |       |   | 8.561.293         | 6.507            |
| Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions                                       |                  |                           |       |   | -                 | -                |
| <b>Total</b>   |                  |                           |       |   | <b>44.085.487</b> | <b>3.049.709</b> |

(\*) Expected effective amount of risk

**Credit valuation adjustment (CVA) capital charge**

|   | EAD post-CRM     | RWA            |
|---|------------------|----------------|
| Total portfolios subject to the Advanced CVA capital charge   | -                | -              |
| (i) VaR component (including the 3×multiplier)                | -                | -              |
| (ii) Stressed VaR component (including the 3×multiplier)      | -                | -              |
| All portfolios subject to the Standardised CVA capital charge | 1.494.026        | 964.084        |
| <b>Total subject to the CVA capital charge</b>                | <b>1.494.026</b> | <b>964.084</b> |

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**VIII. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS**

(continued)

**Standardised approach – CCR exposures by regulatory portfolio and risk weights**

| <b>Risk Weight /Regulatory Portfolio</b>   | <b>0%</b>         | <b>10%</b>       | <b>20%</b>       | <b>50%</b>     | <b>75%</b>   | <b>100%</b>      | <b>150%</b> | <b>Other</b> | <b>Total Credit Risk</b> |
|--|-------------------|------------------|------------------|----------------|--------------|------------------|-------------|--------------|--------------------------|
| Sovereigns and their central banks   | 34.558.441        | 1.966.636        | -                | 2.557          | -            | 642              | -           | -            | 36.528.276               |
| Non-central government public sector entities  | 5                 | 180.820          | -                | 1.727          | -            | -                | -           | -            | 182.552                  |
| Regional governments or local authorities  | 147.216           | 5.155            | -                | -              | -            | 6.473            | -           | -            | 158.844                  |
| Multilateral development banks   | -                 | -                | -                | -              | -            | -                | -           | -            | -                        |
| International organizations  | -                 | -                | -                | -              | -            | -                | -           | -            | -                        |
| Multilateral development banks   | 628               | -                | 5.058.558        | 449.770        | -            | 1.221.454        | -           | -            | 6.730.410                |
| Corporate  | 27.865            | 22.237           | -                | -              | -            | 353.799          | -           | -            | 403.901                  |
| Regulatory retail portfolios   | 22.562            | 50.906           | -                | -              | 8.036        | -                | -           | -            | 81.504                   |
| Secured by residential property  | -                 | -                | -                | -              | -            | -                | -           | -            | -                        |
| Past-due loans   | -                 | -                | -                | -              | -            | -                | -           | -            | -                        |
| Higher-risk categories   | -                 | -                | -                | -              | -            | -                | -           | -            | -                        |
| Secured by mortgages   | -                 | -                | -                | -              | -            | -                | -           | -            | -                        |
| Securitization positions   | -                 | -                | -                | -              | -            | -                | -           | -            | -                        |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | -                 | -                | -                | -              | -            | -                | -           | -            | -                        |
| Undertakings for collective investments in mutual funds                                  | -                 | -                | -                | -              | -            | -                | -           | -            | -                        |
| Investments on securities  | -                 | -                | -                | -              | -            | -                | -           | -            | -                        |
| Other receivables  | -                 | -                | -                | -              | -            | -                | -           | -            | -                        |
| Other assets   | -                 | -                | -                | -              | -            | -                | -           | -            | -                        |
| <b>Total</b>   | <b>34.756.717</b> | <b>2.225.754</b> | <b>5.058.558</b> | <b>454.054</b> | <b>8.036</b> | <b>1.582.368</b> | <b>-</b>    | <b>-</b>     | <b>44.085.487</b>        |

**Composition of collateral for CCR exposure**

|                          | <b>Collateral used in derivative transactions</b> |                     |  |                     | <b>Collateral used in SFTs</b> |               |
|--------------------------|---|---------------------|--|---------------------|--------------------------------|---------------|
|                          | <b>Fair value of collateral received</b>          |                     | <b>Fair value of posted collateral</b> |                     |                                |               |
|                          | <b>Segregated</b>                                 | <b>Unsegregated</b> | <b>Segregated</b>                      | <b>Unsegregated</b> |                                |               |
| Cash – domestic currency | -   | -                   | -                                      | -                   | -                              | -             |
| Cash – other currencies  | -   | 302.430             | -                                      | 227.134             | 8.775                          | 59.423        |
| Domestic sovereign debt  | -   | -                   | -                                      | -                   | -                              | -             |
| Other sovereign debt     | -   | -                   | -                                      | -                   | -                              | -             |
| Government agency debt   | -   | -                   | -                                      | -                   | -                              | -             |
| Corporate bonds          | -   | -                   | -                                      | -                   | -                              | -             |
| Equity securities        | -   | -                   | -                                      | -                   | -                              | -             |
| Other collateral         | -   | -                   | -                                      | -                   | -                              | -             |
| <b>Total</b>             | <b>-</b>  | <b>302.430</b>      | <b>-</b>                               | <b>227.134</b>      | <b>8.775</b>                   | <b>59.423</b> |

**Credit derivatives exposures**

None.

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

**Exposures to central counterparties (CCP)**

|  | EAD post-CRM | RWA   |
|--|--------------|-------|
| Exposure to Qualified Central Counterparties(QCCPs)  |              | 1.586 |
| Exposures for trades at QCCPs(excluding initial margin and default fund contributions); of which     | 1.584        | 1.584 |
| (i) OTC Derivatives  | -            | -     |
| (ii) Exchange-traded Derivatives   | 1.584        | 1.584 |
| (iii) Securities financing transactions  | -            | -     |
| (iv) Netting sets where cross-product netting has been approved                                      | -            | -     |
| Segregated initial margin  | 4.550        |       |
| Non-segregated initial margin  | -            | -     |
| Pre-funded default fund contributions  | 730          | 2     |
| Unfunded default fund contributions  | -            | -     |
| Exposure to non-QCCPs(total)   |              | -     |
| Exposures for  | -            | -     |
| Exposures for trades at non-QCCPs(excluding initial margin and default fund contributions); of which | -            | -     |
| (i) OTC Derivatives  | -            | -     |
| (ii) Exchange-traded Derivatives   | -            | -     |
| (iii) Securities financing transactions  | -            | -     |
| (iv) Netting sets where cross-product netting has been approved                                      | -            | -     |
| Segregated initial margin  | -            | -     |
| Non-segregated initial margin  | -            | -     |
| Pre-funded default fund contributions  | -            | -     |

**Credit quality of assets**

|          |                      | Gross Carrying Values of TAS |                         | Allowances / amortization and impairments** | Net Values         |
|----------|----------------------|------------------------------|-------------------------|---|--------------------|
|          |                      | Defaulted exposures*         | Non-defaulted exposures |   |                    |
| 1        | Loans                | 7.017.608                    | 244.718.666             | 7.606.575                                   | 244.129.699        |
| 2        | Debt Securities      | -                            | 47.579.016              | 22.887                                      | 47.556.129         |
| 3        | Off-balance exposure | -                            | 100.790.602             | -   | 100.790.602        |
| <b>4</b> | <b>Total</b>         | <b>7.017.608</b>             | <b>393.088.284</b>      | <b>7.629.462</b>                            | <b>392.476.430</b> |

\* Shows the receivables which is identified as non performing receivables in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables qualification and the provisions for these".

\*\*Refers the provision, depreciation and impairment wick located in the regulation on "methods and principles for the determination of loans and other receivables qualification and the provisions for these.

**Changes in stock of defaulted loans and debt securities**

|          |   |                  |
|----------|---|------------------|
| 1        | Defaulted loans and debt securities at end of the previous reporting period           | 6.623.912        |
| 2        | Loans and debt securities that have defaulted since the last reporting period         | 1.097.222        |
| 3        | Returned to non-defaulted status  | (63.134)         |
| 4        | Amounts written off   | 28               |
| 5        | Other changes   | (640.364)        |
| <b>6</b> | <b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b> | <b>7.017.608</b> |

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

**Credit risk mitigation techniques – Overview**

|                      | Exposures unsecured: carrying amount | Exposures secured by collateral | Exposures secured by collateral, of which: secured amount | Exposures secured by financial guarantees | Exposures secured by financial guarantees, of which: secured amount | Exposures secured by credit derivatives | Exposures secured by credit derivatives, of which: secured amount |
|----------------------|--------------------------------------|---------------------------------|---|---|---|---|---|
| 1 Loans              | 144.644.474                          | 99.485.225                      | 84.586.996  | 20.647.403                                | 20.647.403  | -                                       | -   |
| 2 Debt Securities    | 47.556.129                           | -                               | -   | -   | -   | -                                       | -   |
| 3 Total              | 192.200.603                          | 99.485.225                      | 84.586.996  | 20.647.403                                | 20.647.403  | -                                       | -   |
| 4 Of which defaulted | 777.855                              | 702.231                         | 517.432   | 7.716                                     | 7.716   | -                                       | -   |

**Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects**

| Risk Classes   | Exposures before Credit Conversion Factor and Credit Risk Mitigation |                          | Exposures post-Credit Conversion Factor and Credit Risk Mitigation |                          | Risk Weighted Average and Risk Weighted Average Density |               |
|--|--|--------------------------|--|--------------------------|---|---------------|
|  | On-balance sheet amount  | Off-balance sheet amount | On-balance sheet amount  | Off-balance sheet amount | RWA   | RWA density   |
| Sovereigns and their central banks   | 115.878.473  | 312.330                  | 136.144.071  | 1.270.392                | 10.167.690  | 7,40%         |
| Non-central government public sector entities  | 3.741.313  | 99.890                   | 3.741.313  | 49.998                   | 1.813.810   | 47,84%        |
| Regional governments or local authorities  | 1.711.642  | 2.476.808                | 1.693.735  | 1.238.627                | 2.773.822   | 94,59%        |
| Multilateral development banks   | -  | -                        | -  | -                        | -   | 0,00%         |
| International organizations  | -  | -                        | -  | -                        | -   | 0,00%         |
| Banks and intermediary institutions  | 11.189.200   | 4.027.330                | 11.193.612   | 2.686.344                | 5.642.532   | 40,65%        |
| Corporates   | 89.029.393   | 57.933.995               | 82.039.163   | 34.033.947               | 114.008.045   | 98,22%        |
| Regulatory retail portfolios   | 80.189.876   | 29.958.292               | 66.928.037   | 5.659.170                | 52.209.134  | 71,93%        |
| Secured by residential property  | 41.097.041   | 1.465.811                | 41.097.007   | 813.772                  | 15.784.686  | 37,66%        |
| Secured by commercial real estate  | 24.952.904   | 2.443.928                | 24.952.904   | 1.783.032                | 13.367.968  | 50,00%        |
| Past-due loans   | 1.393.024  | 8.309                    | 1.393.024  | 4.286                    | 1.251.444   | 89,56%        |
| Higher-risk categories   | 14.047   | 159.275                  | 14.047   | 100.665                  | 172.068   | 150,00%       |
| Secured by mortgages   | -  | -                        | -  | -                        | -   | 0,00%         |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | -  | -                        | -  | -                        | -   | 0,00%         |
| Undertakings for collective investments in mutual funds                                  | -  | -                        | -  | -                        | -   | 0,00%         |
| Other assets   | 13.480.583   | -                        | 13.480.583   | -                        | 7.266.019   | 53,90%        |
| Investment on securities   | 498.895  | -                        | 498.895  | -                        | 1.121.319   | 224,76%       |
| <b>Total</b>   | <b>383.176.391</b>   | <b>98.885.968</b>        | <b>383.176.391</b>   | <b>47.640.233</b>        | <b>225.578.537</b>                                      | <b>52,36%</b> |

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

**Standardised approach – exposures by asset classes and risk weights**

| Risk Classes/ Risk weight  | 0%                 | 10%              | 20%              | 35%*              | 50%               | 75%               | 100%               | 150%           | 200%     | Others         | Total credit exposures amount (post CCF and post-CRM) |
|--|--------------------|------------------|------------------|-------------------|-------------------|-------------------|--------------------|----------------|----------|----------------|---|
| Sovereigns and their central banks   | 115.844.744        | 1.966.636        | -                | -                 | 19.264.114        | -                 | 338.969            | -              | -        | -              | 137.414.463   |
| Non-central government public sector entities  | 19.034             | 180.820          | -                | -                 | 3.591.457         | -                 | -                  | -              | -        | -              | 3.791.311   |
| Regional governments or local authorities  | 153.777            | 5.155            | 154              | -                 | -                 | -                 | 2.773.276          | -              | -        | -              | 2.932.362   |
| Multilateral development banks   | -                  | -                | -                | -                 | -                 | -                 | -                  | -              | -        | -              | -   |
| International organizations  | -                  | -                | -                | -                 | -                 | -                 | -                  | -              | -        | -              | -   |
| Banks and intermediary institutions  | 628                | -                | 7.704.882        | -                 | 4.145.783         | -                 | 2.028.663          | -              | -        | -              | 13.879.956  |
| Corporates   | 994.279            | 22.237           | 799.466          | -                 | 822.398           | -                 | 113.434.730        | -              | -        | -              | 116.073.110   |
| Regulatory retail portfolios   | 2.707.424          | 50.906           | 304.753          | -                 | -                 | 69.524.124        | -                  | -              | -        | -              | 72.587.207  |
| Secured by residential property  | 30.970             | -                | 11.320           | 39.047.362        | -                 | 2.821.127         | -                  | -              | -        | -              | 41.910.779  |
| Secured by commercial real estate  | -                  | -                | -                | -                 | 26.735.936        | -                 | -                  | -              | -        | -              | 26.735.936  |
| Past-due loans   | 54.859             | -                | -                | -                 | 182.013           | -                 | 1.160.438          | -              | -        | -              | 1.397.310   |
| Higher-risk categories   | -                  | -                | -                | -                 | -                 | -                 | -                  | 114.712        | -        | -              | 114.712   |
| Secured by mortgages   | -                  | -                | -                | -                 | -                 | -                 | -                  | -              | -        | -              | -   |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | -                  | -                | -                | -                 | -                 | -                 | -                  | -              | -        | -              | -   |
| Undertakings for collective investments in mutual funds                                  | -                  | -                | -                | -                 | -                 | -                 | -                  | -              | -        | -              | -   |
| Investment on securities   | -                  | -                | -                | -                 | -                 | -                 | 83.946             | -              | -        | 414.949        | 498.895   |
| Other Receivables  | 5.428.308          | -                | 304.602          | -                 | 787.102           | 1.225.795         | 5.629.826          | -              | -        | 104.950        | 13.480.583  |
| <b>Total</b>   | <b>125.234.023</b> | <b>2.225.754</b> | <b>9.125.177</b> | <b>39.047.362</b> | <b>55.528.803</b> | <b>73.571.046</b> | <b>125.449.848</b> | <b>114.712</b> | <b>-</b> | <b>519.899</b> | <b>430.816.624</b>                                    |

\*Secured by mortgages

**Market risk under standardised approach**

|   | RWA              |
|---|------------------|
| <b>Outright products</b>                  |                  |
| Interest rate risk (general and specific) | 638.175          |
| Equity risk (general and specific)        | 161.475          |
| Foreign exchange risk                     | 1.625.700        |
| Commodity risk                            | -                |
| <b>Options</b>                            |                  |
| Simplified approach                       | -                |
| Delta-plus method                         | 284.475          |
| Scenario approach                         | -                |
| Securitization                            | -                |
| <b>Total</b>                              | <b>2.709.825</b> |

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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS**

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

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

|                           | Current period   |                   |
|---------------------------|------------------|-------------------|
|                           | TRY              | FC                |
| Cash and foreign currency | 1.069.000        | 1.124.721         |
| CBRT                      | 7.291.101        | 24.230.806        |
| Other <sup>(1)</sup>      | -                | 290.725           |
| <b>Total</b>              | <b>8.360.101</b> | <b>25.646.252</b> |

<sup>(1)</sup>As of 30 June 2018, required reserve deposits kept in Central Bank of Macedonia amounted TRY 112.671 and amounted TRY 178.049 kept in Central Bank of Serbia.

|                           | Prior period      |                   |
|---------------------------|-------------------|-------------------|
|                           | TRY               | FC                |
| Cash and foreign currency | 1.155.031         | 1.053.099         |
| CBRT                      | 11.762.459        | 22.491.457        |
| Other                     | -                 | 219.331           |
| <b>Total</b>              | <b>12.917.490</b> | <b>23.763.887</b> |

<sup>(1)</sup>As of 31 December 2017, required reserve deposits kept in Central Bank of Macedonia amounted TRY 78.808 and amounted TRY 140.516 kept in Central Bank of Serbia.

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

|   | Current period   |                   |
|---|------------------|-------------------|
|   | TRY              | FC                |
| Demand unrestricted amount <sup>(1)</sup> | 7.139.026        | 4.196.441         |
| Time unrestricted amount                  | -                | -                 |
| Time restricted amount                    | -                | -                 |
| Other <sup>(2)</sup>                      | 152.075          | 20.034.365        |
| <b>Total</b>                              | <b>7.291.101</b> | <b>24.230.806</b> |

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

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

|   | Prior period      |                   |
|---|-------------------|-------------------|
|   | TRY               | FC                |
| Demand unrestricted amount <sup>(1)</sup> | 11.647.057        | 3.585.219         |
| Time unrestricted amount                  | -                 | -                 |
| Time restricted amount                    | 437               | 2.425.300         |
| Other <sup>(2)</sup>                      | 114.965           | 16.480.938        |
| <b>Total</b>                              | <b>11.762.459</b> | <b>22.491.457</b> |

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

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

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks keep reserve deposits at the CBRT for their TRY and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 4% and 10,5% for TRY deposits and other liabilities between 4% and 24% for FC deposits for other FC liabilities. In accordance with the related communiqué, Central Bank of the Republic of Turkey pays interests to TRY and FC reserves.

The interest related to the reserve requirements set as TL is paid at a rate of 700 basis points as of 1 June 2018.

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

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

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

With the change dated 23 January 2015, it has been decided to apply a charge on daily account balances and two days notice account denominated in Euro, and collected on a monthly basis, on reserve requirements held by banks commencing on 1 February 2015. As of 27 July 2015 commission ratios have been announced on the CBRT website as zero percent.

With the change on 2 May 2015 made by the CBRT, interest is paid on USD denominated reserve requirements, reserve options and free reserves held at Central Bank of the Republic of Turkey. The interest rate is set on daily basis by taking global and local financial markets conditions into account. The applicable interest rate is 1,5% for the reporting period (announced on 18 December 2017).

With the decision No.872 dated 30 January 2014 of the TRNC, reserve requirement ratio is between 5% and 8% for TRY liabilities and for foreign currency liabilities.

With the Board of Directors decision No. 129 dated 2006 of the Central Bank of Macedonia, reserve requirement ratio is 8% for MKD currency liabilities and 15% for foreign currency liabilities.

According to the Official Gazette of Serbia No. 102/2015 of the Central Bank of Serbia, banks maintain reserve requirement of 5% for short term liabilities with maturities less than two years and 0% for long term liabilities with maturities more than two years, 20% for short term foreign currency liabilities with maturities less than two years and 13% for long term foreign liabilities with maturities more than two years.

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

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

(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    |          |
|---|-------------------|----------|
|   | TRY               | FC       |
| Treasury bills, government bonds and similar securities | 5.437.655         | -        |
| <b>Total:</b>   | <b>5.437.655</b>  | <b>-</b> |
|   | Prior Period      |          |
|   | TRY               | FC       |
| Treasury bills, government bonds and similar securities | 10.002.094        | -        |
| <b>Total:</b>   | <b>10.002.094</b> | <b>-</b> |

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

|   | Current Period   |          |
|---|------------------|----------|
|   | TRY              | FC       |
| Treasury bills, government bonds and similar securities | 8.872.758        | -        |
| <b>Total:</b>   | <b>8.872.758</b> | <b>-</b> |
|   | Prior Period     |          |
|   | TRY              | FC       |
| Treasury bills, government bonds and similar securities | 18.213           | -        |
| <b>Total:</b>   | <b>18.213</b>    | <b>-</b> |

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

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

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

|                      | <b>Current Period</b> |                |
|----------------------|-----------------------|----------------|
|                      | <b>TRY</b>            | <b>FC</b>      |
| Forward transactions | -                     | 259.093        |
| Swap transactions    | -                     | 649.084        |
| Futures transactions | -                     | -              |
| Options              | 672                   | 6.893          |
| Other                | -                     | -              |
| <b>Total</b>         | <b>672</b>            | <b>915.070</b> |

Positive differences related to the derivative financial assets held for trading:

|                      | <b>Prior Period</b> |                |
|----------------------|---------------------|----------------|
|                      | <b>TRY</b>          | <b>FC</b>      |
| Forward transactions | -                   | 43.494         |
| Swap transactions    | -                   | 318.842        |
| Futures transactions | -                   | -              |
| Options              | 118                 | 62             |
| Other                | -                   | -              |
| <b>Total</b>         | <b>118</b>          | <b>362.398</b> |

(3) Information on banks and other financial institutions:

a) Information on banks:

|                             | <b>Current Period</b> |                  |
|-----------------------------|-----------------------|------------------|
|                             | <b>TRY</b>            | <b>FC</b>        |
| Banks                       |                       |                  |
| Domestic banks              | 15.348                | 3.168.452        |
| Foreign banks               | 90.082                | 1.874.922        |
| Branches and offices abroad | -                     | -                |
| <b>Total</b>                | <b>105.430</b>        | <b>5.043.374</b> |
|                             | <b>Prior Period</b>   |                  |
|                             | <b>TRY</b>            | <b>FC</b>        |
| Banks                       |                       |                  |
| Domestic banks              | 601.804               | 4.126.869        |
| Foreign banks               | 75.556                | 1.508.938        |
| Branches and offices abroad | -                     | -                |
| <b>Total</b>                | <b>677.360</b>        | <b>5.635.807</b> |

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

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

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

a) Financial assets at fair value through other comprehensive income subject to repurchase agreements or blocked/given as collateral

a.1. Information on financial assets at fair value through other comprehensive income and blocked/given as collateral:

|   | Current Period |                |
|---|----------------|----------------|
|   | TRY            | FC             |
| Treasury bills, government bonds and similar securities | 119.210        | 354.036        |
| <b>Total</b>  | <b>119.210</b> | <b>354.036</b> |

Information on financial assets available for sale and blocked/given as collateral:

|   | Prior Period      |                  |
|---|-------------------|------------------|
|   | TRY               | FC               |
| Treasury bills, government bonds and similar securities | 11.052.292        | 1.045.607        |
| <b>Total</b>  | <b>11.052.292</b> | <b>1.045.607</b> |

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

|   | Current Period |          |
|---|----------------|----------|
|   | TRY            | FC       |
| Treasury bills, government bonds and similar securities | 152.386        | -        |
| <b>Total</b>  | <b>152.386</b> | <b>-</b> |

Financial assets available to sale subject to repurchase agreements

|   | Prior Period   |                  |
|---|----------------|------------------|
|   | TRY            | FC               |
| Treasury bills, government bonds and similar securities | 154.578        | 4.308.531        |
| <b>Total</b>  | <b>154.578</b> | <b>4.308.531</b> |

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

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

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

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

|                                   | <b>Current Period</b> |
|-----------------------------------|-----------------------|
| Debt securities                   | 2.071.965             |
| <i>Quoted on a stock exchange</i> | 1.704.827             |
| <i>Not quoted</i>                 | 367.138               |
| Share certificates                | 119.569               |
| <i>Quoted on a stock exchange</i> | 79.422                |
| <i>Not quoted</i>                 | 40.147                |
| Impairment provision(-)           | 21.725                |
| <b>Total</b>                      | <b>2.169.809</b>      |

Information on financial assets available for sale:

|                                   | <b>Prior Period</b> |
|-----------------------------------|---------------------|
| Debt securities                   | 17.990.330          |
| <i>Quoted on a stock exchange</i> | 17.667.333          |
| <i>Not quoted</i>                 | 322.997             |
| Share certificates                | 106.162             |
| <i>Quoted on a stock exchange</i> | 67.523              |
| <i>Not quoted</i>                 | 38.639              |
| Impairment provision(-)           | 397.314             |
| <b>Total</b>                      | <b>17.699.178</b>   |

(5) Information on loans:

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

|  | <b>Current period</b> |                       |
|--|-----------------------|-----------------------|
|  | <b>Cash loans</b>     | <b>Non-cash loans</b> |
| Direct loans granted to shareholders   | -                     | -                     |
| <i>Corporate shareholders</i>          | -                     | -                     |
| <i>Real person shareholders</i>        | -                     | -                     |
| Indirect loans granted to shareholders | -                     | -                     |
| Loans granted to employees             | 334.554               | -                     |
| <b>Total</b>                           | <b>334.554</b>        | <b>-</b>              |
|  | <b>Prior period</b>   |                       |
|  | <b>Cash loans</b>     | <b>Non-cash loans</b> |
| Direct loans granted to shareholders   | -                     | -                     |
| <i>Corporate shareholders</i>          | -                     | -                     |
| <i>Real person shareholders</i>        | -                     | -                     |
| Indirect loans granted to shareholders | -                     | -                     |
| Loans granted to employees             | 275.131               | -                     |
| <b>Total</b>                           | <b>275.131</b>        | <b>-</b>              |

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

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

(5) Information on loans (continued):

b) Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:

| Cash Loans                             | Standard Loans and Other Receivables | Loans and other receivables under close monitoring <sup>(3)</sup> |               |                  |
|--|--------------------------------------|---|---------------|------------------|
|  |                                      | Restructured Loans and Receivables                                |               |                  |
|  |                                      | Loans and Receivables with Revised Contract                       |               | Refinance        |
|  |                                      | Terms   |               |                  |
| Non-specialized loans                  | 185.692.575                          | 4.199.278   | 50.007        | 4.700.554        |
| <i>Corporation loans</i>               | 127.786.048                          | 3.397.692   | 13.719        | 4.494.061        |
| <i>Export loans</i>                    | 4.567.249                            | 31.210  | -             | -                |
| <i>Import loans</i>                    | -                                    | -   | -             | -                |
| <i>Loans given to financial sector</i> | 1.875.813                            | -   | -             | -                |
| <i>Consumer loans<sup>(1)</sup></i>    | 43.616.491                           | 562.087   | 36.288        | 21.641           |
| <i>Credit cards<sup>(2)</sup></i>      | 4.639.838                            | 103.973   | -             | 63.410           |
| <i>Other</i>                           | 3.207.136                            | 104.316   | -             | 121.442          |
| Specialized lending                    | 41.395.497                           | 778.189   | -             | 249              |
| Other receivables                      | -                                    | -   | -             | -                |
| Accruals                               | 3.027.989                            | 393.014   | 562           | 108.598          |
| <b>Total</b>                           | <b>230.116.061</b>                   | <b>5.370.481</b>  | <b>50.569</b> | <b>4.809.401</b> |

<sup>(1)</sup> Includes TRY 264.427 personnel loans.

<sup>(2)</sup> Includes TRY 70.127 personnel credit cards.

<sup>(3)</sup> The Parent Bank has a cash loan exposure of USD 160.040.606 related with the company operating in the telecommunication sector with a key position are classified under "Loans and Other Receivables Under Close Monitoring". All creditors have reached an agreement on restructuring the debts granted within the context of the existing loan agreements. As per the agreed structure, it is contemplated that the telecommunication company's shares owned by the mentioned company, representing 55% of its issued share capital, which 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 Republic of Turkey, and owned by directly or indirectly by the creditors. Completion of the transaction is subject to an agreement to be reached on the contracts of the loan to be restructured with the new company, completion of the necessary institutional, administrative and all kinds of approvals and permits, and fulfilling requisite conditions based on the contracts.

|   | Standard Loans | Loans under Close Monitoring |
|---|----------------|------------------------------|
| Provision for 12 Month Expected Credit Losses | 1.094.306      | -                            |
| Significant Increase in Credit Risk           | -              | 974.747                      |

| Number of modifications made to extend payment plan | Standard Loans and Other Receivables <sup>(1)</sup> | Loans and Other Receivables Under Close Monitoring <sup>(2)</sup> |
|---|---|---|
| Extended by 1 or 2 times                            | 2.015.999   | 4.642.098   |
| Extended by 3,4 or 5 times                          | 27.805  | 49.866  |
| Extended by more than 5 times                       | 907   | 58.846  |

<sup>(1)</sup> Accruals amounting to TRY 96.967 are not included in the table above.

<sup>(2)</sup> Accruals amounting to TRY 109.160 are not included in the table above.

| Extended period of time | Standard Loans and Other Receivables <sup>(1)</sup> | Loans and Other Receivables Under Close Monitoring <sup>(2)</sup> |
|-------------------------|---|---|
| 0-6 Months              | 634.849   | 539.959   |
| 6 Months - 12 Months    | 80.872  | 272.987   |
| 1-2 Years               | 187.062   | 408.078   |
| 2-5 Years               | 580.030   | 1.592.609   |
| 5 Years and over        | 561.898   | 1.937.177   |

<sup>(1)</sup> Accruals amounting to TRY 96.967 are not included in the table above.

<sup>(2)</sup> Accruals amounting to TRY 109.160 are not included in the table above.

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

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

(5) Information on loans (continued):

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

| <b>Current Period</b>                     | <b>Short-term</b> | <b>Medium and long-term</b> | <b>Total</b>      |
|---|-------------------|-----------------------------|-------------------|
| Consumer loans-TRY                        | 406.576           | 41.148.886                  | 41.555.462        |
| <i>Real estate loans</i>                  | 11.572            | 24.721.314                  | 24.732.886        |
| <i>Automobile loans</i>                   | 2.435             | 248.473                     | 250.908           |
| <i>Consumer loans</i>                     | 392.569           | 16.179.099                  | 16.571.668        |
| <i>Other</i>                              | -                 | -                           | -                 |
| Consumer loans- Indexed to FC             | 2.081             | 226.617                     | 228.698           |
| <i>Real estate loans</i>                  | 12                | 1.224                       | 1.236             |
| <i>Automobile loans</i>                   | -                 | -                           | -                 |
| <i>Consumer loans</i>                     | 2.069             | 225.393                     | 227.462           |
| <i>Other</i>                              | -                 | -                           | -                 |
| Consumer loans- FC                        | 3.916             | 1.118.636                   | 1.122.552         |
| <i>Real estate loans</i>                  | 525               | 411.186                     | 411.711           |
| <i>Automobile loans</i>                   | 77                | 6.601                       | 6.678             |
| <i>Consumer loans</i>                     | 2.311             | 619.453                     | 621.764           |
| <i>Other</i>                              | 1.003             | 81.396                      | 82.399            |
| Individual credit cards-TRY               | 3.110.725         | 2.296                       | 3.113.021         |
| <i>Installment</i>                        | 1.205.490         | 2.296                       | 1.207.786         |
| <i>Non-installment</i>                    | 1.905.235         | -                           | 1.905.235         |
| Individual credit cards-FC                | 419               | 69.004                      | 69.423            |
| <i>Installment</i>                        | 156               | 69.004                      | 69.160            |
| <i>Non-installment</i>                    | 263               | -                           | 263               |
| Personnel loans-TRY                       | 13.473            | 220.387                     | 233.860           |
| <i>Real estate loans</i>                  | -                 | 471                         | 471               |
| <i>Automobile loans</i>                   | -                 | -                           | -                 |
| <i>Consumer loans</i>                     | 13.473            | 219.916                     | 233.389           |
| <i>Other</i>                              | -                 | -                           | -                 |
| Personnel loans-Indexed to FC             | 33                | 3.365                       | 3.398             |
| <i>Real estate loans</i>                  | -                 | -                           | -                 |
| <i>Automobile loans</i>                   | -                 | -                           | -                 |
| <i>Consumer loans</i>                     | 33                | 3.365                       | 3.398             |
| <i>Other</i>                              | -                 | -                           | -                 |
| Personnel loans-FC                        | 174               | 26.995                      | 27.169            |
| <i>Real estate loans</i>                  | 25                | 23.692                      | 23.717            |
| <i>Automobile loans</i>                   | -                 | 33                          | 33                |
| <i>Consumer loans</i>                     | 149               | 3.120                       | 3.269             |
| <i>Other</i>                              | -                 | 150                         | 150               |
| Personnel credit cards-TRY                | 68.727            | -                           | 68.727            |
| <i>Installment</i>                        | 24.201            | -                           | 24.201            |
| <i>Non-installment</i>                    | 44.526            | -                           | 44.526            |
| Personnel credit cards-FC                 | 93                | 1.307                       | 1.400             |
| <i>Installment</i>                        | 2                 | 1.307                       | 1.309             |
| <i>Non-installment</i>                    | 91                | -                           | 91                |
| Overdraft accounts-TRY (Retail customers) | 1.010.932         | -                           | 1.010.932         |
| Overdraft accounts-FC (Retail customers)  | 54.436            | -                           | 54.436            |
| <b>Total</b>                              | <b>4.671.585</b>  | <b>42.817.493</b>           | <b>47.489.078</b> |

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

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

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

(5) Information on loans (continued):

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

| <b>Prior Period</b>                       | <b>Short-term</b> | <b>Medium and long-term</b> | <b>Total</b>      |
|---|-------------------|-----------------------------|-------------------|
| Consumer loans-TRY                        | 406.948           | 36.405.136                  | 36.812.084        |
| <i>Real estate loans</i>                  | 10.525            | 20.856.426                  | 20.866.951        |
| <i>Automobile loans</i>                   | 4.950             | 275.611                     | 280.561           |
| <i>Consumer loans</i>                     | 391.473           | 15.273.099                  | 15.664.572        |
| <i>Other</i>                              | -                 | -                           | -                 |
| Consumer loans- Indexed to FC             | 1.422             | 167.229                     | 168.651           |
| <i>Real estate loans</i>                  | 11                | 1.172                       | 1.183             |
| <i>Automobile loans</i>                   | -                 | -                           | -                 |
| <i>Consumer loans</i>                     | 1.411             | 166.057                     | 167.468           |
| <i>Other</i>                              | -                 | -                           | -                 |
| Consumer loans- FC                        | 5.758             | 881.118                     | 886.876           |
| <i>Real estate loans</i>                  | 512               | 288.516                     | 289.028           |
| <i>Automobile loans</i>                   | 33                | 4.780                       | 4.813             |
| <i>Consumer loans</i>                     | 4.208             | 523.567                     | 527.775           |
| <i>Other</i>                              | 1.005             | 64.255                      | 65.260            |
| Individual credit cards-TRY               | 2.931.375         | 1.900                       | 2.933.275         |
| <i>Installment</i>                        | 1.197.690         | -                           | 1.197.690         |
| <i>Non-installment</i>                    | 1.733.685         | 1.900                       | 1.735.585         |
| Individual credit cards-FC                | 495               | 59.339                      | 59.834            |
| <i>Installment</i>                        | 204               | 59.339                      | 59.543            |
| <i>Non-installment</i>                    | 291               | -                           | 291               |
| Personnel loans-TRY                       | 11.167            | 179.270                     | 190.437           |
| <i>Real estate loans</i>                  | -                 | -                           | -                 |
| <i>Automobile loans</i>                   | -                 | -                           | -                 |
| <i>Consumer loans</i>                     | 11.167            | 179.270                     | 190.437           |
| <i>Other</i>                              | -                 | -                           | -                 |
| Personnel loans-Indexed to FC             | 23                | 2.287                       | 2.310             |
| <i>Real estate loans</i>                  | -                 | 7                           | 7                 |
| <i>Automobile loans</i>                   | -                 | -                           | -                 |
| <i>Consumer loans</i>                     | 23                | 2.280                       | 2.303             |
| <i>Other</i>                              | -                 | -                           | -                 |
| Personnel loans-FC                        | 189               | 18.433                      | 18.622            |
| <i>Real estate loans</i>                  | 16                | 16.061                      | 16.077            |
| <i>Automobile loans</i>                   | -                 | 34                          | 34                |
| <i>Consumer loans</i>                     | 173               | 2.226                       | 2.399             |
| <i>Other</i>                              | -                 | 112                         | 112               |
| Personnel credit cards-TRY                | 62.366            | -                           | 62.366            |
| <i>Installment</i>                        | 20.308            | -                           | 20.308            |
| <i>Non-installment</i>                    | 42.058            | -                           | 42.058            |
| Personnel credit cards-FC                 | 34                | 1.362                       | 1.396             |
| <i>Installment</i>                        | 2                 | 1.362                       | 1.364             |
| <i>Non-installment</i>                    | 32                | -                           | 32                |
| Overdraft accounts-TRY (Retail customers) | 953.999           | -                           | 953.999           |
| Overdraft accounts-FC (Retail customers)  | 43.183            | 105                         | 43.288            |
| <b>Total</b>                              | <b>4.416.959</b>  | <b>37.716.179</b>           | <b>42.133.138</b> |

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

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

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

(5) Information on loans (continued):

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

| <b>Current Period</b>                         | <b>Short-term</b> | <b>Medium and long-term</b> | <b>Total</b>      |
|---|-------------------|-----------------------------|-------------------|
| Commercial installment loans-TRY              | 1.597.470         | 29.825.454                  | 31.422.924        |
| <i>Business premises loans</i>                | -                 | 691.694                     | 691.694           |
| <i>Automobile loans</i>                       | 16.514            | 447.454                     | 463.968           |
| <i>Consumer loans</i>                         | 1.580.956         | 28.686.306                  | 30.267.262        |
| <i>Other</i>                                  | -                 | -                           | -                 |
| Commercial installment loans- Indexed to FC   | 45.667            | 52.981                      | 98.648            |
| <i>Business premises loans</i>                | -                 | -                           | -                 |
| <i>Automobile loans</i>                       | -                 | -                           | -                 |
| <i>Consumer loans</i>                         | -                 | -                           | -                 |
| <i>Other</i>                                  | 45.667            | 52.981                      | 98.648            |
| Commercial installment loans - FC             | 709.521           | 16.503.934                  | 17.213.455        |
| <i>Business premises loans</i>                | -                 | -                           | -                 |
| <i>Automobile loans</i>                       | -                 | -                           | -                 |
| <i>Consumer loans</i>                         | 166.416           | 14.856.387                  | 15.022.803        |
| <i>Other</i>                                  | 543.105           | 1.647.547                   | 2.190.652         |
| Corporate credit cards-TRY                    | 1.552.160         | -                           | 1.552.160         |
| <i>Installment</i>                            | 634.206           | -                           | 634.206           |
| <i>Non-installment</i>                        | 917.954           | -                           | 917.954           |
| Corporate credit cards-FC                     | 58                | 2.432                       | 2.490             |
| <i>Installment</i>                            | -                 | 2.432                       | 2.432             |
| <i>Non-installment</i>                        | 58                | -                           | 58                |
| Overdraft accounts-TRY (Commercial customers) | 1.742.924         | -                           | 1.742.924         |
| Overdraft accounts-FC (Commercial customers)  | 17.003            | -                           | 17.003            |
| <b>Total</b>                                  | <b>5.664.803</b>  | <b>46.384.801</b>           | <b>52.049.604</b> |

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

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

(5) Information on loans (continued):

d) Information on commercial installments loans and corporate credit cards (continued): <sup>(1)</sup>

| <b>Prior Period</b>                           | <b>Short-term</b> | <b>Medium and long-term</b> | <b>Total</b>      |
|---|-------------------|-----------------------------|-------------------|
| Commercial installment loans-TRY              | 835.787           | 26.928.317                  | 27.764.104        |
| <i>Business premises loans</i>                | -                 | 681.102                     | 681.102           |
| <i>Automobile loans</i>                       | 8.417             | 393.974                     | 402.391           |
| <i>Consumer loans</i>                         | 827.370           | 25.853.241                  | 26.680.611        |
| <i>Other</i>                                  | -                 | -                           | -                 |
| Commercial installment loans- Indexed to FC   | 36.242            | 43.900                      | 80.142            |
| <i>Business premises loans</i>                | -                 | -                           | -                 |
| <i>Automobile loans</i>                       | -                 | -                           | -                 |
| <i>Consumer loans</i>                         | -                 | -                           | -                 |
| <i>Other</i>                                  | 36.242            | 43.900                      | 80.142            |
| Commercial installment loans - FC             | 449.460           | 10.956.464                  | 11.405.924        |
| <i>Business premises loans</i>                | -                 | -                           | -                 |
| <i>Automobile loans</i>                       | -                 | -                           | -                 |
| <i>Consumer loans</i>                         | 14.226            | 9.695.831                   | 9.710.057         |
| <i>Other</i>                                  | 435.234           | 1.260.633                   | 1.695.867         |
| Corporate credit cards-TRY                    | 1.258.098         | -                           | 1.258.098         |
| <i>Installment</i>                            | 529.167           | -                           | 529.167           |
| <i>Non-installment</i>                        | 728.931           | -                           | 728.931           |
| Corporate credit cards-FC                     | 25                | 2.156                       | 2.181             |
| <i>Installment</i>                            | -                 | 2.156                       | 2.156             |
| <i>Non-installment</i>                        | 25                | -                           | 25                |
| Overdraft accounts-TRY (Commercial customers) | 1.239.335         | -                           | 1.239.335         |
| Overdraft accounts-FC (Commercial customers)  | 10.144            | -                           | 10.144            |
| <b>Total</b>                                  | <b>3.829.091</b>  | <b>37.930.837</b>           | <b>41.759.928</b> |

<sup>(1)</sup> Interest income accruals are not included in the table above.

e) Domestic and foreign loans:

|                | <b>Current Period</b> |
|----------------|-----------------------|
| Domestic loans | 234.680.194           |
| Foreign loans  | 5.666.318             |
| <b>Total</b>   | <b>240.346.512</b>    |

  

|                | <b>Prior Period</b> |
|----------------|---------------------|
| Domestic loans | 199.539.151         |
| Foreign loans  | 4.603.119           |
| <b>Total</b>   | <b>204.142.270</b>  |

f) Loans granted to subsidiaries and associates:

None.

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

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

(5) Information on loans (continued):

g) Credit-impaired losses (Stage III):

|  | <b>Current Period</b> |
|--|-----------------------|
| Loans and receivables with limited collectability  | 272.674               |
| Loans and receivables with doubtful collectability | 476.404               |
| Uncollectible loans and receivables                | 4.788.444             |
| <b>Total</b>                                       | <b>5.537.522</b>      |

Special provision for loans:

|  | <b>Prior Period</b> |
|--|---------------------|
| Specific provisions                                |                     |
| Loans and receivables with limited collectability  | 356.224             |
| Loans and receivables with doubtful collectability | 483.434             |
| Uncollectible loans and receivables                | 4.046.423           |
| <b>Total</b>                                       | <b>4.886.081</b>    |

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

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

|  | <b>III. Group</b>  | <b>IV. Group</b>  | <b>V. Group</b>                            |
|--|--|---|--|
|  | <b>Loans and receivables with limited collectability</b> | <b>Loans and receivables with doubtful collectability</b> | <b>Uncollectible loans and receivables</b> |
| <b>Current period</b>                    |  |   |  |
| Gross amounts before provisions          | 323.354  | 29.256  | 1.248.178                                  |
| Rescheduled loans                        | 323.354  | 29.256  | 1.248.178                                  |
| <b>Prior period</b>                      |  |   |  |
| Gross amounts before specific provisions | 77.659   | 59.104  | 1.309.399                                  |
| Rescheduled loans and other receivables  | 77.659   | 59.104  | 1.309.399                                  |

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

(5) Information on loans (continued):

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

**Current Period:**

|  | <b>III. Group</b>  | <b>IV. Group</b>  | <b>V. Group</b>                            |
|--|--|---|--|
|  | <b>Loans and receivables with limited collectability</b> | <b>Loans and receivables with doubtful collectability</b> | <b>Uncollectible loans and receivables</b> |
| Prior period end balance                                     | 679.089  | 768.024   | 5.176.799                                  |
| Additions (+)  | 1.014.213  | 26.238  | 56.771                                     |
| Transfers from other categories of loans under follow-up (+) | -  | 876.365   | 705.491                                    |
| Transfers to other categories of loans under follow-up (-)   | 919.634  | 662.222   | -  |
| Collections (-)  | 177.347  | 131.969   | 394.182                                    |
| Sold (-)   | -  | -   | -  |
| Write-offs (-)   | -  | -   | 28   |
| <i>Corporate and Commercial Loans</i>                        | -  | -   | -  |
| <i>Consumer Loans</i>  | -  | -   | -  |
| <i>Credit Cards</i>  | -  | -   | -  |
| <i>Other</i>   | -  | -   | 28   |
| <b>Current period end balance</b>                            | <b>596.321</b>   | <b>876.436</b>  | <b>5.544.851</b>                           |
| Provision (-)  | 272.674  | 476.404   | 4.788.444                                  |
| <b>Net balance on balance sheet</b>                          | <b>323.647</b>   | <b>400.032</b>  | <b>756.407</b>                             |

**Prior Period:**

|  | <b>III. Group</b>  | <b>IV. Group</b>  | <b>V. Group</b>                            |
|--|--|---|--|
|  | <b>Loans and receivables with limited collectability</b> | <b>Loans and receivables with doubtful collectability</b> | <b>Uncollectible loans and receivables</b> |
| Prior period end balance                                     | 950.477  | 467.221   | 3.902.814                                  |
| Additions (+)  | 1.544.335  | 34.415  | 127.455                                    |
| Transfers from other categories of loans under follow-up (+) | -  | 1.601.059   | 1.230.296                                  |
| Transfers to other categories of loans under follow-up (-)   | 1.627.408  | 1.203.947   | -  |
| Collections (-)  | 213.825  | 145.077   | 369.261                                    |
| Write-offs (-)   | -  | -   | 2.148                                      |
| <i>Corporate and Commercial Loans</i>                        | -  | -   | -  |
| <i>Consumer Loans</i>  | -  | -   | -  |
| <i>Credit Cards</i>  | -  | -   | -  |
| <i>Other</i>   | -  | -   | 2.148                                      |
| <b>Current period end balance</b>                            | <b>653.579</b>   | <b>753.671</b>  | <b>4.889.156</b>                           |
| Specific provision (-)                                       | 356.224  | 483.434   | 4.046.423                                  |
| <b>Net balance on balance sheet</b>                          | <b>297.355</b>   | <b>270.237</b>  | <b>842.733</b>                             |

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

(5) Information on loans (continued):

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

|   | <b>III. Group</b>  | <b>IV. Group</b>  | <b>V. Group</b>                            |
|---|--|---|--|
|   | <b>Loans and receivables with limited collectability</b> | <b>Loans and receivables with doubtful collectability</b> | <b>Uncollectible loans and receivables</b> |
| <b>Current period</b>                   |  |   |  |
| Balance at the end of the period        | 183.184  | 179.332   | 2.053.669                                  |
| Specific provisions(-)                  | 81.560   | 100.317   | 1.834.865                                  |
| <b>Net balance in the balance sheet</b> | <b>101.624</b>   | <b>79.015</b>   | <b>218.804</b>                             |
| <b>Prior period</b>                     |  |   |  |
| Balance at the end of the period        | 162.249  | 195.411   | 1.913.175                                  |
| Specific provisions(-)                  | 96.465   | 150.886   | 1.230.028                                  |
| <b>Net balance in the balance sheet</b> | <b>65.784</b>  | <b>44.525</b>   | <b>683.147</b>                             |

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

|   | <b>III. Group</b>  | <b>IV. Group</b>  | <b>V. Group</b>                            |
|---|--|---|--|
|   | <b>Loans and receivables with limited collectability</b> | <b>Loans and receivables with doubtful collectability</b> | <b>Uncollectible loans and receivables</b> |
| <b>Current period (Net)</b>                                   | <b>323.647</b>   | <b>400.032</b>  | <b>756.407</b>                             |
| Loans to granted real persons and legal entities (Gross)      | 595.421  | 875.121   | 5.473.443                                  |
| Specific provisions (-)                                       | 271.774  | 475.089   | 4.717.036                                  |
| <b>Loans to granted real persons and legal entities (Net)</b> | <b>323.647</b>   | <b>400.032</b>  | <b>756.407</b>                             |
| Banks (Gross)   | -  | -   | -  |
| Specific provisions (-)                                       | -  | -   | -  |
| <b>Banks (Net)</b>  | <b>-</b>   | <b>-</b>  | <b>-</b>                                   |
| Other loans and receivables (Gross)                           | 900  | 1.315   | 71.408                                     |
| Specific provisions (-)                                       | 900  | 1.315   | 71.408                                     |
| <b>Other loans and receivables (Net)</b>                      | <b>-</b>   | <b>-</b>  | <b>-</b>                                   |

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

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

(5) Information on loans (continued):

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

|   | <b>III. Group</b>  | <b>IV. Group</b>  | <b>V. Group</b>                            |
|---|--|---|--|
|   | <b>Loans and receivables with limited collectability</b> | <b>Loans and receivables with doubtful collectability</b> | <b>Uncollectible loans and receivables</b> |
| <b>Prior period (Net)</b>                                     | <b>297.357</b>   | <b>270.235</b>  | <b>842.733</b>                             |
| Loans to granted real persons and legal entities (Gross)      | 652.752  | 752.744   | 4.819.104                                  |
| Specific provisions (-)                                       | 355.395  | 482.509   | 3.976.371                                  |
| <b>Loans to granted real persons and legal entities (Net)</b> | <b>297.357</b>   | <b>270.235</b>  | <b>842.733</b>                             |
| Banks (Gross)   | -  | -   | -  |
| Specific provisions (-)                                       | -  | -   | -  |
| <b>Banks (Net)</b>  | <b>-</b>   | <b>-</b>  | <b>-</b>                                   |
| Other loans and receivables (Gross)                           | 829  | 925   | 70.052                                     |
| Specific provisions (-)                                       | 829  | 925   | 70.052                                     |
| <b>Other loans and receivables (Net)</b>                      | <b>-</b>   | <b>-</b>  | <b>-</b>                                   |

i) Information on interest accruals, discounts and valuation differences calculated for non-performing loans and their provisions in accordance with TFRS 9:

|   | <b>III. Group</b>  | <b>IV. Group</b>  | <b>V. Group</b>                            |
|---|--|---|--|
|   | <b>Loans and receivables with limited collectability</b> | <b>Loans and receivables with doubtful collectability</b> | <b>Uncollectible loans and receivables</b> |
| <b>Current Period (Net)</b>                 | <b>28.633</b>  | <b>17.106</b>   | <b>37</b>                                  |
| Interest Accruals and Valuation Differences | 55.803   | 35.370  | 67   |
| Provision (-)                               | 27.170   | 18.264  | 30   |

\*Interest accruals balances relating to loans classified as non-performing loans on or after 1 January 2018 are accounted for under off balance sheet items, and such balances together with respective provision amounts are presented for the purpose of information.

j) Main guidelines of the liquidation policy of the Bank about the uncollectible loans and receivables:

The Bank liquidates its uncollectible receivables through three methods. These are by signing financial restructuring contract under the Law No: 4743, by making payment protocols and by presenting adequate repayment schedules for the lower amount of receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and principle receivables from loans. The Parent Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted.

k) Explanations on write-off policy:

In compliance with the "Procedure for Write Off and Procedures for Overdue Receivables for Legal Follow-Up" non-performing loans which become unrecoverable as a result of legal follow up can be written off to prevent additional legal expenses.

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

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

(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 blocked/given as collateral:

|   | Current Period   |                  |
|---|------------------|------------------|
|   | TRY              | FC               |
| Government bonds and similar securities | 70.926           | -                |
| Treasury Bills                          | 1.172.483        | 2.436.942        |
| <b>Total</b>                            | <b>1.243.409</b> | <b>2.436.942</b> |

Held-to-maturity blocked/given as collateral:

|   | Prior Period      |                  |
|---|-------------------|------------------|
|   | TRY               | FC               |
| Government bonds and similar securities | 43.395            | -                |
| Treasury Bills                          | 19.146.025        | 1.333.136        |
| <b>Total</b>                            | <b>19.189.420</b> | <b>1.333.136</b> |

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

|  | Current Period    |                  |
|--|-------------------|------------------|
|  | TRY               | FC               |
| Treasury bills, government bonds and similar | 31.251.743        | 6.919.719        |
| <b>Total</b>                                 | <b>31.251.743</b> | <b>6.919.719</b> |

Held-to-maturity subject to repurchase agreements:

|  | Prior Period  |                  |
|--|---------------|------------------|
|  | TRY           | FC               |
| Treasury bills, government bonds and similar | 34.794        | 1.169.918        |
| <b>Total</b>                                 | <b>34.794</b> | <b>1.169.918</b> |

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

|                                     | Current Period    |
|-------------------------------------|-------------------|
| Government bonds                    | 35.420.194        |
| Treasury bills                      | 192.439           |
| Other public sector debt securities | 9.507.193         |
| <b>Total</b>                        | <b>45.119.826</b> |

Information on public sector debt investments held-to-maturity:

|                                     | Prior Period      |
|-------------------------------------|-------------------|
| Government bonds                    | 21.791.279        |
| Treasury bills                      | 152.425           |
| Other public sector debt securities | -                 |
| <b>Total</b>                        | <b>21.943.704</b> |

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

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

c) Information on financial assets measured at amortised cost:

|                                   | <b>Current Period</b> |
|-----------------------------------|-----------------------|
| Debt securities                   | 45.163.794            |
| <i>Quoted on a stock exchange</i> | 44.998.312            |
| <i>Not quoted</i>                 | 165.482               |
| Impairment provision (-)          | -                     |
| <b>Total</b>                      | <b>45.163.794</b>     |

Information on held-to-maturity:

|                                   | <b>Prior Period</b> |
|-----------------------------------|---------------------|
| Debt securities                   | 21.987.099          |
| <i>Quoted on a stock exchange</i> | 21.834.674          |
| <i>Not quoted</i>                 | 152.425             |
| Impairment provision (-)          | -                   |
| <b>Total</b>                      | <b>21.987.099</b>   |

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

|   | <b>Current Period</b> |
|---|-----------------------|
| Beginning balance                                 | 21.987.099            |
| Foreign currency differences on monetary assets   | 508.089               |
| Purchases during the year <sup>(1)(2)</sup>       | 25.560.054            |
| Disposals through sales and redemptions           | (2.891.448)           |
| Impairment provision (-) / provision reversal (+) | -                     |
| <b>Balance at the end of the period</b>           | <b>45.163.794</b>     |

<sup>(1)</sup> Interest income accrual differences between 30 June 2018 amounting to TRY 4.729.710 and 31 December 2017 amounting to TRY 2.902.480 has been included in purchases row.

<sup>(2)</sup> The Parent 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 into financial assets measured at amortised cost on 23 May 2018.

Movement of held-to-maturity within the year:

|   | <b>Prior Period</b> |
|---|---------------------|
| Beginning balance                                 | 18.344.626          |
| Foreign currency differences on monetary assets   | 234.386             |
| Purchases during the year <sup>(1)</sup>          | 5.884.168           |
| Disposals through sales and redemptions           | (2.476.081)         |
| Impairment provision (-) / provision reversal (+) | -                   |
| <b>Balance at the end of the period</b>           | <b>21.987.099</b>   |

<sup>(1)</sup> Interest income accrual differences between 31 December 2017 amounting to TRY 2.902.480 and 31 December 2016 amounting to TRY 1.952.915 has been included in purchases row.

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

(7) Information on associates (Net):

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

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

b) Information on unconsolidated associates:

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

Information related to the associates as sorted above:

|    | Total<br>assets | Shareholders<br>' equity | Total fixed<br>assets | Interest<br>income | Income<br>from<br>marketable<br>securities<br>portfolio | Current<br>period<br>profit/loss | Prior<br>period<br>profit/loss | Fair<br>value |
|----|-----------------|--------------------------|-----------------------|--------------------|---|----------------------------------|--------------------------------|---------------|
| 1. | 273.666         | 168.266                  | 149.705               | 1.692              | -   | 22.018                           | 25.565                         | -             |
| 2. | 94.425          | 57.724                   | 48.697                | 1.370              | -   | 8.630                            | 3.260                          | -             |

<sup>(1)</sup> The financial data is obtained from 30 June 2018 unreviewed financial statements.

<sup>(2)</sup> The financial data is obtained from 30 June 2018 reviewed financial statements.

c) Information on consolidated associates:

| Description                                    | Address<br>(City/<br>Country) | Bank's share<br>percentage, if<br>different-voting<br>percentage (%) | Bank's risk<br>group share<br>percentage<br>(%) |
|--|-------------------------------|--|---|
| 1. Demir-Halk Bank NV                          | The Netherlands               | 30,00  | 30,00   |
| 2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ | Ankara                        | 31,47  | 33,12   |
| 3. Türk P ve I Sigorta AŞ                      | İstanbul                      | 16,67  | 16,67   |

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

|    | Total<br>assets | Shareholders<br>' equity | Total fixed<br>assets | Interest<br>income | Income<br>from<br>marketable<br>securities<br>portfolio | Current<br>period<br>profit/loss | Prior<br>period<br>profit/loss | Fair<br>value <sup>(2)</sup> |
|----|-----------------|--------------------------|-----------------------|--------------------|---|----------------------------------|--------------------------------|------------------------------|
| 1. | 9.502.835       | 1.325.840                | 7.985                 | 149.878            | 2.625   | 44.160                           | 33.876                         | 365.859                      |
| 2. | 52.591          | 51.977                   | 92                    | 1.769              | -   | 368                              | (120)                          | -                            |
| 3. | 45.226          | 10.460                   | 490                   | 311                | -   | 1.938                            | 226                            | -                            |

<sup>(1)</sup> The financial data is obtained from 30 June 2018 financial statements used in consolidation.

<sup>(2)</sup> Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 30 June 2018.

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

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

d) Movement of associates:

|   | <b>Current Period</b> |
|---|-----------------------|
| Balance at the beginning of the period                        | 353.138               |
| Movements during the period                                   | 71.163                |
| <i>Purchases</i>  | 375                   |
| <i>Bonus shares obtained profit from current year's share</i> | 3.032                 |
| <i>Dividends from current year income</i>                     | -                     |
| <i>Sales</i>  | -                     |
| <i>Transfers</i>  | -                     |
| <i>Revaluation decrease (-) / increase</i>                    | 67.756                |
| <i>Impairment Provisions (-) / Reversals</i>                  | -                     |
| <b>Balance at the end of the period</b>                       | <b>424.301</b>        |
| Capital commitments   | -                     |
| Share percentage at the end of the period (%)                 | -                     |

|   | <b>Prior Period</b> |
|---|---------------------|
| Balance at the beginning of the period                        | 292.421             |
| Movements during the period                                   | 60.717              |
| <i>Purchases</i>  | -                   |
| <i>Bonus shares obtained profit from current year's share</i> | -                   |
| <i>Dividends from current year income</i>                     | -                   |
| <i>Sales</i>  | -                   |
| <i>Transfers</i>  | -                   |
| <i>Revaluation decrease (-) / increase</i>                    | 60.717              |
| <i>Impairment Provisions (-) / Reversals</i>                  | -                   |
| <b>Balance at the end of the period</b>                       | <b>353.138</b>      |
| Capital commitments   | -                   |
| Share percentage at the end of the period (%)                 | -                   |

e) Sectorial information and related carrying amounts of associates:

|                                  | <b>Current Period</b> |
|----------------------------------|-----------------------|
| Banks                            | 397.752               |
| Insurance companies              | 1.850                 |
| Factoring companies              | -                     |
| Leasing companies                | -                     |
| Financing companies              | -                     |
| Other financial investments      | 15.347                |
| Other non- financial investments | 9.352                 |

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

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

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

e) Sectorial information and related carrying amounts of associates (continued):

|                                  | <b>Prior Period</b> |
|----------------------------------|---------------------|
| Banks                            | 330.548             |
| Insurance companies              | 1.038               |
| Factoring companies              | -                   |
| Leasing companies                | -                   |
| Financing companies              | -                   |
| Other financial investments      | 15.232              |
| Other non- financial investments | 6.320               |

f) Associates quoted to a stock exchange:

None.

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

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

- (8) Information on subsidiaries (Net):  
a) Information on consolidated subsidiaries <sup>(1)</sup>:

|   | Halk Yatırım<br>Menkul Değerler AŞ | Halk<br>Sigorta<br>AŞ | Halk<br>Hayat ve<br>Emeklilik<br>AŞ | Halk<br>Gayrimenkul<br>Yatırım<br>Ortaklığı AŞ | Halk<br>Finansal<br>Kiralama<br>AŞ | Halk<br>Portföy<br>Yönetimi<br>AŞ | Halk Bank<br>A.D.,<br>Skopje | Halk<br>Faktoring<br>AŞ | Halkbank<br>A.D.<br>Beograd | Halk<br>Varlık<br>Kiralama<br>AŞ |
|---|------------------------------------|-----------------------|-------------------------------------|--|------------------------------------|-----------------------------------|------------------------------|-------------------------|-----------------------------|----------------------------------|
| <b>CORE CAPITAL</b>   |                                    |                       |                                     |  |                                    |                                   |                              |                         |                             |                                  |
| Paid in Capital   | 104.000                            | 220.000               | 412.000                             | 858.000  | 323.000                            | 26.000                            | 201.705                      | 96.000                  | 141.991                     | 100                              |
| Effect of Inflation Adjustment<br>on Paid in Capital  | -                                  | -                     | -                                   | -  | -                                  | -                                 | -                            | -                       | -                           | -                                |
| Share premium   | -                                  | 98                    | -                                   | 49.945   | -                                  | -                                 | 11.633                       | -                       | 44.552                      | -                                |
| Reserves  | 15.958                             | 23.048                | 91.617                              | 72.118   | 13.915                             | 2.152                             | 267.293                      | 10.095                  | 159.671                     | -                                |
| Other Comprehensive Income<br>according to TAS  | 5.315                              | (1.178)               | (16.876)                            | 2.562  | (95)                               | (35)                              | 6.784                        | 10                      | 11.573                      | -                                |
| <b>Profit / Loss</b>  | <b>20.509</b>                      | <b>(100.717)</b>      | <b>167.287</b>                      | <b>30.035</b>                                  | <b>41.600</b>                      | <b>4.792</b>                      | <b>41.864</b>                | <b>7.135</b>            | <b>7.970</b>                | <b>64</b>                        |
| <i>Net Profit</i>   | <i>20.509</i>                      | <i>22.311</i>         | <i>145.284</i>                      | <i>30.035</i>                                  | <i>28.634</i>                      | <i>4.363</i>                      | <i>22.466</i>                | <i>16.587</i>           | <i>5.690</i>                | <i>55</i>                        |
| <i>Prior Period Profit/Loss</i>   | <i>-</i>                           | <i>(123.028)</i>      | <i>22.003</i>                       | <i>-</i>                                       | <i>12.966</i>                      | <i>429</i>                        | <i>19.398</i>                | <i>(9.452)</i>          | <i>2.280</i>                | <i>9</i>                         |
| Bonus Shares from<br>Associates, Subsidiaries and<br>Joint Ventures not Accounted<br>in Current Period's Profit | 750                                | -                     | -                                   | -  | -                                  | -                                 | -                            | -                       | -                           | -                                |
| Leasehold Improvements (-)  | -                                  | -                     | 237                                 | -  | -                                  | -                                 | 7.687                        | 186                     | 3.652                       | -                                |
| Intangible Assets (-)   | 951                                | 3.129                 | 1.147                               | 260  | 1.137                              | 18                                | 4.281                        | 664                     | 7.222                       | -                                |
| <b>Total Core Capital</b>   | <b>145.581</b>                     | <b>138.122</b>        | <b>652.644</b>                      | <b>1.012.400</b>                               | <b>377.283</b>                     | <b>32.891</b>                     | <b>517.311</b>               | <b>112.390</b>          | <b>354.883</b>              | <b>164</b>                       |
| <b>SUPPLEMENTARY<br/>CAPITAL</b>  | <b>-</b>                           | <b>-</b>              | <b>-</b>                            | <b>-</b>                                       | <b>-</b>                           | <b>-</b>                          | <b>12.901</b>                | <b>-</b>                | <b>5.973</b>                | <b>-</b>                         |
| <b>CAPITAL</b>  | <b>145.581</b>                     | <b>138.122</b>        | <b>652.644</b>                      | <b>1.012.400</b>                               | <b>377.283</b>                     | <b>32.891</b>                     | <b>530.212</b>               | <b>112.390</b>          | <b>360.856</b>              | <b>164</b>                       |
| <b>NET AVAILABLE<br/>CAPITAL</b>  | <b>145.581</b>                     | <b>138.122</b>        | <b>652.644</b>                      | <b>1.012.400</b>                               | <b>377.283</b>                     | <b>32.891</b>                     | <b>530.212</b>               | <b>112.390</b>          | <b>360.856</b>              | <b>164</b>                       |

<sup>(1)</sup> The financial data is obtained from 30 June 2018 financial statements used in consolidation.

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

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

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

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

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

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

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

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

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

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

c) Information on unconsolidated subsidiaries:

| Description                                       | Address<br>(City/ Country) | Bank's share<br>percentage, if<br>different-voting<br>percentage (%) | Bank's risk group<br>share percentage<br>(%) |                 |                         |                       |                    |  |                                    |                                  |                              |
|---|----------------------------|--|--|-----------------|-------------------------|-----------------------|--------------------|--|------------------------------------|----------------------------------|------------------------------|
|   |                            |  |  | Total<br>assets | Shareholders'<br>equity | Total fixed<br>assets | Interest<br>income | Income from<br>marketable<br>securities<br>portfolio | Current<br>period<br>profit / loss | Prior<br>period<br>profit / loss | Fair<br>value <sup>(2)</sup> |
| 1. Bileşim Alternatif Dağ. Kan. AŞ <sup>(1)</sup> | Istanbul                   | 100,00   | 100,00                                       |                 |                         |                       |                    |  |                                    |                                  |                              |
| 1.  | 50.344                     | 34.495   | 8.336  | 1.756           | 365                     | 3.086                 | 4.184              | 52.178   |                                    |                                  |                              |

<sup>(1)</sup> The financial information of Bileşim Alternatif Dağ. Kan. AŞ is presented from its financial statements as of 30 June 2018.

<sup>(2)</sup> Financial information about the fair value has been obtained from valuation report as of 31 December 2017.

d) Information on consolidated subsidiaries (Net):

| Description                              | Address<br>(City/ Country) | Bank's share<br>percentage, if<br>different-voting<br>percentage (%) | Bank's risk group<br>share percentage<br>(%) |
|--|----------------------------|--|--|
| 1. Halk Yatırım Menkul Değerler AŞ       | İstanbul                   | 99,96  | 99,96  |
| 2. Halk Sigorta AŞ                       | İstanbul                   | 89,18  | 94,40  |
| 3. Halk Hayat ve Emeklilik AŞ            | İstanbul                   | 100,00   | 100,00                                       |
| 4. Halk Gayrimenkul Yatırım Ortaklığı AŞ | İstanbul                   | 79,33  | 79,36  |
| 5. Halk Finansal Kiralama AŞ             | İstanbul                   | 100,00   | 100,00                                       |
| 6. Halk Portföy Yönetimi AŞ              | İstanbul                   | 75,00  | 99,99  |
| 7. Halk Banka AD, Skopje                 | Macedonia                  | 99,17  | 99,17  |
| 8. Halk Faktoring AŞ                     | İstanbul                   | 97,50  | 100,00                                       |
| 9. Halkbank A.D. Beograd                 | Serbia                     | 99,99  | 99,99  |
| 10. Halk Varlık Kiralama AŞ              | İstanbul                   | 100,00   | 100,00                                       |

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

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

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

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

|            | <b>Total assets</b> | <b>Shareholders' equity</b> | <b>Total fixed assets</b> | <b>Interest income</b> | <b>Income from marketable securities portfolio</b> | <b>Current period profit / loss</b> | <b>Prior period profit / loss</b> | <b>Fair value<sup>(2)</sup></b> |
|------------|---------------------|-----------------------------|---------------------------|------------------------|--|-------------------------------------|-----------------------------------|---------------------------------|
| <b>1.</b>  | 865.486             | 146.532                     | 3.196                     | 58.903                 | 1.553  | 20.509                              | 11.795                            | 193.371                         |
| <b>2.</b>  | 2.049.804           | 141.251                     | 4.790                     | 89.530                 | 13.844   | 22.311                              | 14.517                            | 426.657                         |
| <b>3.</b>  | 1.237.861           | 654.028                     | 3.061                     | 87.865                 | 16.522   | 145.284                             | 111.203                           | 1.212.842                       |
| <b>4.</b>  | 1.476.374           | 988.471                     | 619.496                   | 4.168                  | -  | 30.035                              | 22.510                            | 469.335                         |
| <b>5.</b>  | 3.193.864           | 378.420                     | 1.739                     | 124.503                | -  | 28.634                              | 44.458                            | 474.507                         |
| <b>6.</b>  | 34.619              | 32.909                      | 485                       | 2.308                  | 73   | 4.363                               | 3.713                             | 39.828                          |
| <b>7.</b>  | 3.604.664           | 529.279                     | 69.319                    | 70.362                 | 6.465  | 22.466                              | 16.381                            | 496.351                         |
| <b>8.</b>  | 1.575.140           | 113.240                     | 1.223                     | 120.812                | -  | 16.587                              | 16.496                            | 123.683                         |
| <b>9.</b>  | 2.081.734           | 365.757                     | 42.819                    | 37.703                 | 4.738  | 5.690                               | 6.103                             | 294.349                         |
| <b>10.</b> | 125.792             | 164                         | -                         | -                      | -  | 55                                  | -                                 | 100                             |

<sup>(1)</sup> The financial data is obtained from 30 June 2018 financial statements used in consolidation.

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

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

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

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

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

f) Movement of the subsidiaries:

|  | <b>Current Period</b> |
|--|-----------------------|
| Balance at the beginning of the period (before elimination)      | 3.626.708             |
| Movements during the period                                      | 156.493               |
| <i>Purchases<sup>(1)(2)</sup></i>                                | 142.277               |
| <i>Bonus shares obtained profit from current year's share</i>    | 166.866               |
| <i>Dividends from current year income</i>                        | -                     |
| <i>Sales</i>   | -                     |
| <i>Transfer</i>  | -                     |
| <i>Revaluation increase</i>                                      | (139.522)             |
| <i>Reversals / Provisions(-) for impairment</i>                  | (124.581)             |
| <i>Currency Differences on Valuation of Foreign Subsidiaries</i> | 111.453               |
| Share capital elimination of subsidiaries                        | (3.731.023)           |
| <b>Balance at the end of the period</b>                          | <b>52.178</b>         |
| Capital commitments  | -                     |
| Share percentage at the end of the period (%)                    | -                     |

<sup>(1)</sup> Between 1 January - 30 June 2018, The Parent Bank paid TRY 88.413 for 0,10% shares of Halkbank A.D. Beograd, which is located in Serbia and increased its shares to 99,99%.

<sup>(2)</sup> Between 1 January - 30 June 2018, The Parent Bank paid TRY 53.864 for 0,14% shares of Halkbank A.D. Skopje , which is located in Macedonia and increased its shares to 99,17%.

|  | <b>Prior Period</b> |
|--|---------------------|
| Balance at the beginning of the period(before elimination)       | 2.877.824           |
| Movements during the period                                      | 748.884             |
| <i>Purchases<sup>(1)</sup></i>                                   | 14.994              |
| <i>Bonus shares obtained profit from current year's share</i>    | 230.201             |
| <i>Dividends from current year income</i>                        | -                   |
| <i>Sales</i>   | -                   |
| <i>Transfer</i>  | -                   |
| <i>Revaluation increase</i>                                      | 317.235             |
| <i>Reversals / Provisions(-) for impairment</i>                  | 27.562              |
| <i>Currency Differences on Valuation of Foreign Subsidiaries</i> | 158.892             |
| Share capital elimination of subsidiaries                        | (3.574.530)         |
| <b>Balance at the end of the period</b>                          | <b>52.178</b>       |
| Capital commitments  | -                   |
| Share percentage at the end of the period (%)                    | -                   |

<sup>(1)</sup> As of 31 December 2017, The Parent Bank paid TRY 14.894 for 17,42% shares of Halkbank A.D. Beograd, which is located in Serbia, and increased its shares to 99,89%.

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

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

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

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

|                                  | <b>Current Period</b> |
|----------------------------------|-----------------------|
| Banks                            | 790.700               |
| Insurance companies              | 1.639.499             |
| Factoring companies              | 123.683               |
| Leasing companies                | 474.507               |
| Financing companies              | -                     |
| Other financial subsidiaries     | 702.634               |
| Other non-financial subsidiaries | 52.178                |

|                                  | <b>Prior Period</b> |
|----------------------------------|---------------------|
| Banks                            | 536.971             |
| Insurance companies              | 1.639.499           |
| Factoring companies              | 123.683             |
| Leasing companies                | 474.507             |
| Financing companies              | -                   |
| Other financial subsidiaries     | 799.870             |
| Other non-financial subsidiaries | 52.178              |

h) Subsidiaries quoted in the stock exchange:

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Quoted to domestic stock <sup>(1), (2)</sup> | 895.992               | 993.228             |
| Quoted foreign stock exchange                | -                     | -                   |

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

<sup>(2)</sup> The 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.

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

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

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

a) Maturity structure of investments on financial lease:

|                   | Current Period      |                  |
|-------------------|---------------------|------------------|
|                   | Gross               | Net              |
| Less than 1 year  | 1.218.412           | 1.025.838        |
| Between 1-4 years | 1.696.112           | 1.391.474        |
| More than 4 years | 439.400             | 396.629          |
| <b>Total</b>      | <b>3.353.924</b>    | <b>2.813.941</b> |
|                   | <b>Prior Period</b> |                  |
|                   | Gross               | Net              |
| Less than 1 year  | 958.715             | 798.268          |
| Between 1-4 years | 1.756.371           | 1.446.211        |
| More than 4 years | 452.146             | 426.774          |
| <b>Total</b>      | <b>3.167.232</b>    | <b>2.671.253</b> |

b) Information on gross investments of financial lease:

|  | Current Period   |
|--|------------------|
| Gross financial lease investment       | 3.353.924        |
| Unearned revenues from financial lease | (539.983)        |
| <b>Total</b>                           | <b>2.813.941</b> |
|  | Prior Period     |
| Gross financial lease investment       | 3.167.232        |
| Unearned revenues from financial lease | (495.979)        |
| <b>Total</b>                           | <b>2.671.253</b> |

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

|  | Current Period |
|--|----------------|
| Financial lease receivables with limited collectability  | 7.138          |
| Financial lease receivables with doubtful collectability | 7.115          |
| Uncollectible financial lease receivables                | 291.017        |
| Provisions   | (230.418)      |
| <b>Total</b>   | <b>74.852</b>  |
|  | Prior Period   |
| Financial lease receivables with limited collectability  | 6.158          |
| Financial lease receivables with doubtful collectability | 14.353         |
| Uncollectible financial lease receivables                | 282.817        |
| Specific provisions                                      | (226.693)      |
| <b>Total</b>   | <b>76.635</b>  |

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

None.

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

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

(12) Information on investment property:

|                                 | <b>Current Period</b> |
|---------------------------------|-----------------------|
| <b>Cost:</b>                    |                       |
| Opening Balance                 | <b>988.280</b>        |
| Acquisitions                    | 47.318                |
| Transfer                        | -                     |
| Disposals (-)                   | 1.644                 |
| Impairment Charge               | -                     |
| <b>Ending Balance</b>           | <b>1.033.954</b>      |
| <b>Accumulated Depreciation</b> |                       |
| <b>Opening Balance</b>          |                       |
| Amortization Charge (-)         | 77.902                |
| Acquisitions                    | 2.904                 |
| Disposals (-)                   | -                     |
| Impairment Provisions           | 80                    |
| Transfer                        | -                     |
| <b>Ending Balance</b>           | <b>80.726</b>         |
| <b>Net Book Value</b>           | <b>953.228</b>        |
| <b>Prior Period</b>             |                       |
| <b>Cost:</b>                    |                       |
| Opening Balance                 | <b>934.058</b>        |
| Acquisitions                    | 55.273                |
| Transfer                        | (407)                 |
| Disposals (-)                   | 644                   |
| Impairment Charge               | -                     |
| <b>Ending Balance</b>           | <b>988.280</b>        |
| <b>Accumulated Depreciation</b> |                       |
| <b>Opening Balance</b>          |                       |
| Amortization Charge (-)         | 69.942                |
| Acquisitions                    | 8.392                 |
| Disposals (-)                   | 25                    |
| Impairment Provisions           | -                     |
| Transfer                        | (407)                 |
| <b>Ending Balance</b>           | <b>77.902</b>         |
| <b>Net Book Value</b>           | <b>910.378</b>        |

(13) Information on tax assets

a) Current tax assets:

As of 30 June 2018, the Group has TRY 12.162 current tax asset. (31 December 2017: TRY 6.862)

b) Deferred Tax Asset

Please refer to Section 5, explanations related to the liabilities footnote (10).

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

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

II. Information on assets held for sale and held from discontinued operations:

|   | <b>Current Period</b> |
|---|-----------------------|
| Cost  | 721                   |
| Accumulated Depreciation (-) <sup>(1)</sup> | -                     |
| <b>Net Book Value</b>                       | <b>721</b>            |
| <b>Opening Balance</b>                      | <b>790</b>            |
| Acquisitions (Transfers) (Net)              | 4316                  |
| Disposals (-) (Net)                         | 68                    |
| Revaluation Increase                        | -                     |
| Impairment Charge / Cancellation(-)         | -                     |
| Amortization Charge (-)                     | -                     |
| <b>Net Book Value</b>                       | <b>5.038</b>          |

<sup>(1)</sup> Accumulated depreciation is attributable to the recoverable amounts which are classified as held for sale in the current period.

|   | <b>Prior Period</b> |
|---|---------------------|
| Cost  | 790                 |
| Accumulated Depreciation (-) <sup>(1)</sup> | -                   |
| <b>Net Book Value</b>                       | <b>790</b>          |
| <b>Opening Balance</b>                      | <b>1.537</b>        |
| Acquisitions (Transfers) (Net)              | -                   |
| Disposals (-) (Net)                         | 747                 |
| Revaluation Increase                        | -                   |
| Impairment Charge / Cancellation(-)         | -                   |
| Amortization Charge (-)                     | -                   |
| <b>Net Book Value</b>                       | <b>790</b>          |

<sup>(1)</sup> Accumulated depreciation is attributable to the recoverable amounts which are classified as held for sale in the current period.

III. Information on other assets:

Other assets balance in the balance sheet amounts to TRY 4.143.409 and does not exceed 10% of the balance sheet total (31 December 2017: TRY 3.026.257).

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

**II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES**

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

a) For deposit / funds collected banks:

**Current period:**

|                            | Demand            | 7 day call accounts | Up to 1 month     | 1-3 months         | 3-6 months       | 6 months year     | 1 year and over  | Cumulative deposits | Total              |
|----------------------------|-------------------|---------------------|-------------------|--------------------|------------------|-------------------|------------------|---------------------|--------------------|
| Saving deposits            | 7.989.935         | -                   | 1.588.267         | 43.880.851         | 1.645.336        | 538.783           | 466.491          | 112.840             | 56.222.503         |
| Foreign currency deposits  | 10.597.606        | -                   | 4.511.478         | 45.465.269         | 3.863.590        | 4.562.101         | 5.897.735        | 11.538              | 74.909.317         |
| <i>Residents in Turkey</i> | 8.704.635         | -                   | 2.991.176         | 41.682.900         | 3.179.712        | 3.803.182         | 3.166.674        | 11.119              | 63.539.398         |
| <i>Residents abroad</i>    | 1.892.971         | -                   | 1.520.302         | 3.782.369          | 683.878          | 758.919           | 2.731.061        | 419                 | 11.369.919         |
| Public sector deposits     | 2.690.586         | -                   | 2.319.231         | 5.056.848          | 815.655          | 4.628.159         | 27.265           | -                   | 15.537.744         |
| Commercial inst. deposits  | 6.266.066         | -                   | 6.124.122         | 20.812.531         | 1.660.950        | 430.583           | 122.266          | -                   | 35.416.518         |
| Other inst. deposits       | 691.299           | -                   | 625.316           | 7.175.915          | 1.051.614        | 1.768.970         | 178.896          | -                   | 11.492.010         |
| Precious metals            | 2.512.862         | -                   | 6.172             | 193.227            | 15.246           | 17.304            | 18.105           | -                   | 2.762.916          |
| Interbank deposits         | 8.420.632         | -                   | 6.448.410         | 10.241.336         | 88.735           | 36.332            | 358.481          | -                   | 25.593.926         |
| <i>CBRT</i>                | -                 | -                   | -                 | -                  | -                | -                 | -                | -                   | -                  |
| <i>Domestic banks</i>      | 91.777            | -                   | 1.451.721         | 7.226.194          | 33.149           | 4.105             | -                | -                   | 8.806.946          |
| <i>Foreign banks</i>       | 8.311.036         | -                   | 4.996.689         | 2.603.244          | 55.586           | 32.227            | 264.445          | -                   | 16.263.227         |
| <i>Participation banks</i> | 17.819            | -                   | -                 | 411.898            | -                | -                 | 94.036           | -                   | 523.753            |
| <b>Total</b>               | <b>39.168.986</b> | <b>-</b>            | <b>21.622.996</b> | <b>132.825.977</b> | <b>9.141.126</b> | <b>11.982.232</b> | <b>7.069.239</b> | <b>124.378</b>      | <b>221.934.934</b> |

**Prior period:**

|                            | Demand            | 7 day call accounts | Up to 1 month     | 1-3 months         | 3-6 months       | 6 months year     | 1 year and over  | Cumulative deposits | Total              |
|----------------------------|-------------------|---------------------|-------------------|--------------------|------------------|-------------------|------------------|---------------------|--------------------|
| Saving deposits            | 6.767.610         | -                   | 758.785           | 39.992.067         | 1.734.753        | 459.667           | 537.645          | 104.662             | 50.355.189         |
| Foreign currency deposits  | 9.021.857         | -                   | 3.937.904         | 37.510.134         | 3.612.492        | 3.755.042         | 4.983.103        | 10.866              | 62.831.398         |
| <i>Residents in Turkey</i> | 6.816.699         | -                   | 3.464.401         | 34.802.545         | 3.232.691        | 2.913.211         | 2.590.680        | 10.511              | 53.830.738         |
| <i>Residents abroad</i>    | 2.205.158         | -                   | 473.503           | 2.707.589          | 379.801          | 841.831           | 2.392.423        | 355                 | 9.000.660          |
| Public sector deposits     | 2.100.039         | -                   | 2.541.047         | 4.614.515          | 426.883          | 4.138.990         | 53.204           | -                   | 13.874.678         |
| Commercial inst. deposits  | 5.235.492         | -                   | 5.853.719         | 19.976.270         | 1.714.801        | 2.288.182         | 267.237          | -                   | 35.335.701         |
| Other inst. deposits       | 571.038           | -                   | 1.134.603         | 6.514.654          | 675.153          | 820.826           | 20.045           | -                   | 9.736.319          |
| Precious metals            | 1.821.711         | -                   | 246               | 82.140             | 4.392            | 4.069             | 10.080           | -                   | 1.922.638          |
| Interbank deposits         | 3.813.689         | -                   | 3.863.659         | 11.192.988         | 74.936           | 24.560            | 244.866          | -                   | 19.214.698         |
| <i>CBRT</i>                | -                 | -                   | -                 | -                  | -                | -                 | -                | -                   | -                  |
| <i>Domestic banks</i>      | 41.021            | -                   | 1.531.378         | 6.900.085          | 6.559            | 9.579             | -                | -                   | 8.488.622          |
| <i>Foreign banks</i>       | 3.763.920         | -                   | 1.974.804         | 3.930.882          | 68.377           | 14.981            | 167.973          | -                   | 9.920.937          |
| <i>Participation banks</i> | 8.748             | -                   | 357.477           | 362.021            | -                | -                 | 76.893           | -                   | 805.139            |
| <b>Total</b>               | <b>29.331.436</b> | <b>-</b>            | <b>18.089.963</b> | <b>119.882.768</b> | <b>8.243.410</b> | <b>11.491.336</b> | <b>6.116.180</b> | <b>115.528</b>      | <b>193.270.621</b> |

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

| Saving deposits  | Under the guarantee | Exceeding the insurance limit |
|--|---------------------|-------------------------------|
|  | insurance           |                               |
|  | Current Period      | Current Period                |
| Saving deposits  | 28.029.431          | 27.965.783                    |
| Foreign currency saving deposits   | 10.846.817          | 24.578.994                    |
| Other deposits in the form of saving deposits                            | -                   | -                             |
| Foreign branches' deposits under foreign authorities' insurance          | 310.738             | -                             |
| Off-shore banking regions' deposits under foreign authorities' insurance | -                   | -                             |

| Saving deposits  | Under the guarantee | Exceeding the insurance limit |
|--|---------------------|-------------------------------|
|  | insurance           |                               |
|  | Prior Period        | Prior Period                  |
| Saving deposits  | 25.612.387          | 24.595.796                    |
| Foreign currency saving deposits   | 9.203.420           | 19.607.544                    |
| Other deposits in the form of saving deposits                            | -                   | -                             |
| Foreign branches' deposits under foreign authorities' insurance          | 211.478             | -                             |
| 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 |
|---|----------------|
| Foreign branches' saving deposits and other accounts  | 220.575        |
| 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 | 13.622         |
| 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   | -              |

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

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

c) Saving deposits which are not under the guarantee of deposit insurance fund (continued):

|   | <b>Prior Period</b> |
|---|---------------------|
| Foreign branches' saving deposits and other accounts  | 143.237             |
| 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 | 4.045               |
| 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:

|                      | <b>Current Period</b> |                |
|----------------------|-----------------------|----------------|
|                      | <b>TRY</b>            | <b>FC</b>      |
| Forward transactions | -                     | 145.017        |
| Swap transactions    | -                     | 240.142        |
| Future transactions  | -                     | -              |
| Options              | 1.193                 | 1.922          |
| Other                | -                     | -              |
| <b>Total</b>         | <b>1.193</b>          | <b>387.081</b> |

|                      | <b>Prior Period</b> |                |
|----------------------|---------------------|----------------|
|                      | <b>TRY</b>          | <b>FC</b>      |
| Forward transactions | -                   | 88.977         |
| Swap transactions    | -                   | 61.405         |
| Future transactions  | -                   | -              |
| Options              | 146                 | 145            |
| Other                | -                   | -              |
| <b>Total</b>         | <b>146</b>          | <b>150.527</b> |

(3) a) Information on funds borrowed:

|                                       | <b>Current Period</b> |                   |
|---------------------------------------|-----------------------|-------------------|
|                                       | <b>TRY</b>            | <b>FC</b>         |
| Funds borrowed from CBRT              | -                     | -                 |
| Domestic banks and institutions       | 1.290.063             | 2.454.265         |
| Foreign banks, institutions and funds | 501.256               | 15.813.927        |
| <b>Total</b>                          | <b>1.791.319</b>      | <b>18.268.192</b> |

|                                       | <b>Prior Period</b> |                   |
|---------------------------------------|---------------------|-------------------|
|                                       | <b>TRY</b>          | <b>FC</b>         |
| Funds borrowed from CBRT              | -                   | -                 |
| Domestic banks and institutions       | 1.008.709           | 2.680.627         |
| Foreign banks, institutions and funds | 428.152             | 15.940.996        |
| <b>Total</b>                          | <b>1.436.861</b>    | <b>18.621.623</b> |

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

(3) Information on funds borrowed (continued):

b) Maturity structure of funds borrowed:

|                      | Current Period   |                   |
|----------------------|------------------|-------------------|
|                      | TRY              | FC                |
| Short-term           | 1.634.597        | 3.805.502         |
| Medium and long-term | 156.722          | 14.462.690        |
| <b>Total</b>         | <b>1.791.319</b> | <b>18.268.192</b> |

|                      | Prior Period     |                   |
|----------------------|------------------|-------------------|
|                      | TRY              | FC                |
| Short-term           | 1.261.518        | 5.789.308         |
| Medium and long-term | 175.343          | 12.832.315        |
| <b>Total</b>         | <b>1.436.861</b> | <b>18.621.623</b> |

c) Additional disclosures related to the concentrations of the Group's major liabilities:

Concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed:

Main liability of the Group is deposits, which is composed of 25,33% of saving deposits and 33,75% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Group can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Group's 58,04% of bank deposits and 39,56% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued (Net):

|                       | Current period   |                   |
|-----------------------|------------------|-------------------|
|                       | TRY              | FC                |
| Treasury Bills        | 3.464.112        | -                 |
| Asset Back Securities | 125.582          | -                 |
| Bonds                 | -                | 10.377.787        |
| <b>Total</b>          | <b>3.589.694</b> | <b>10.377.787</b> |

|                       | Prior period     |                  |
|-----------------------|------------------|------------------|
|                       | TRY              | FC               |
| Treasury Bills        | 3.280.789        | -                |
| Asset Back Securities | 100.436          | -                |
| Bonds                 | -                | 8.640.905        |
| <b>Total</b>          | <b>3.381.225</b> | <b>8.640.905</b> |

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

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

(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Parent Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Under Secretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

a) Maturity structure of funds:

| <b>Current Period</b> |                  |
|-----------------------|------------------|
| <b>Short Term</b>     | <b>Long Term</b> |
| 1.048                 | 2.768.181        |

  

| <b>Prior Period</b> |                  |
|---------------------|------------------|
| <b>Short Term</b>   | <b>Long Term</b> |
| 1.213               | 2.723.421        |

(6) Information on other liabilities:

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

(31 December 2017: Other liabilities balance does not exceed 10% of the balance sheet total).

(7) 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 of the TAS.

b) Explanation on finance lease payables:

None.

c) Explanations regarding operational leases:

The operational leasing agreements are signed for some branches. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "Other Assets". The Group does not have any commitments arising on the existing operational lease agreements.

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

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

(9) Explanations on provisions:

a) Information on general provisions:

As of the current period, provisions for expected losses for the first and the second stage loans related with TFRS 9 are explained in Section 5, explanations related to the assets footnote (5-b).

|   | <b>Prior Period</b> |
|---|---------------------|
| <b>General provision</b>                          | <b>2.317.157</b>    |
| Provisions for first group loans and receivables  | 2.080.595           |
| Provisions for second group loans and receivables | 105.114             |
| Provisions for non-cash loans                     | 131.448             |
| Other   | -                   |

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

None. (31 December 2017: TRY 1.923).

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

As of 30 June 2018, the Group's specific provision for unindemnified non-cash loans balance is TRY 132.525 (31 December 2017: TRY 123.060).

d) Information on other provisions:

Total other provision balance amounting to TRY 619.377 (31 December 2017: TRY 351.688) consists of TRY 132.525 (31 December 2017: TRY 123.060) for specific provisions for unindemnified non cash loans, TRY 185.742 for expected loss amount for non cash loans, TRY 109.596 (31 December 2017: TRY 110.968) for legal cases filed against the Group, TRY 107.000 (31 December 2017: TRY 17.000) general provision for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions and TRY 84.514 (31 December 2017: TRY 100.660) of other provisions.

e) Liabilities for employee benefits:

As of 30 June 2018, unused vacation accruals are TRY 109.631, personnel dividend provision is TRY 306.976, severance indemnity provision for Group personnel is TRY 524.240 and severance indemnity provision for outsourcing firms is TRY 20.048. (31 December 2017: TRY 161.876 for unused vacation accruals; TRY 471.506 for severance indemnity provision for Group personnel; TRY 17.553 for severance indemnity provision for outsources; TRY 209.505 for personnel dividend provision).

The Parent Bank accounts for actuarial gains / losses under equity commencing from 1 January 2013.

f) Liabilities arising from retirement benefits:

1. Liabilities of pension funds founded as per the Social Security Institution:

None.

2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees:

Based on the results of the actuarial reports prepared as of 31 December 2017, it was determined that there is no technical deficit for Türkiye Halk Bankası AŞ Emekli Sandığı and T.C. Ziraat Bankası ve Türkiye Halk Bankası Çalışanları Emekli Sandığı Vakfı.

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

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

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

a) Information on current tax liability:

a.1. Information on tax provision:

As of 30 June 2018, the Group's corporate tax payable is amounting to TRY 35.198 and accounted for under corporate tax provision at the related date. (31 December 2017: TRY 175.402)

a.2. Information on taxes payable:

|   | <b>Current Period</b> |
|---|-----------------------|
| Corporate tax payable                         | 35.198                |
| Income on securities tax                      | 427.168               |
| Property income tax                           | 1.853                 |
| Banking and insurance transactions tax (BITT) | 132.353               |
| Foreign exchange transactions tax             | 18                    |
| Value added tax payable                       | 3.969                 |
| Other   | 35.682                |
| <b>Total</b>                                  | <b>636.241</b>        |

|   | <b>Prior Period</b> |
|---|---------------------|
| Corporate tax payable                         | 175.402             |
| Income on securities tax                      | 328.175             |
| Property income tax                           | 1.570               |
| Banking and insurance transactions tax (BITT) | 108.669             |
| Foreign exchange transactions tax             | 21                  |
| Value added tax payable                       | 4.727               |
| Other   | 31.718              |
| <b>Total</b>                                  | <b>650.282</b>      |

a.3. Information on premiums:

|   | <b>Current Period</b> |
|---|-----------------------|
| Social insurance premiums-employee                            | 1.626                 |
| Social insurance premiums-employer                            | 2.798                 |
| Bank social aid pension fund premium-employee                 | 14.792                |
| Bank social aid pension fund premium-employer                 | 20.562                |
| Pension fund membership fees-employee and provisions-employee | -                     |
| Pension fund membership fees-employer and provisions-employer | -                     |
| Unemployment insurance-employee                               | 115                   |
| Unemployment insurance-employer                               | 271                   |
| Other   | 3.708                 |
| <b>Total</b>  | <b>43.872</b>         |

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

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

a.3. Information on premiums (continued):

|   | <b>Prior Period</b> |
|---|---------------------|
| Social insurance premiums-employee                            | 857                 |
| Social insurance premiums-employer                            | 1.785               |
| Bank social aid pension fund premium-employee                 | 9.221               |
| Bank social aid pension fund premium-employer                 | 12.800              |
| Pension fund membership fees-employee and provisions-employee | -                   |
| Pension fund membership fees-employer and provisions-employer | -                   |
| Unemployment insurance-employee                               | 60                  |
| Unemployment insurance-employer                               | 174                 |
| Other   | 2.344               |
| <b>Total</b>  | <b>27.241</b>       |

b) Deferred tax liability:

|   | <b>Current Period</b> |
|---|-----------------------|
| <b>Deferred Tax (Asset) /Liability</b>  |                       |
| Provisions <sup>(1)</sup>   | 817.952               |
| Revaluation of Financial Assets   | (1.460.650)           |
| Other   | 118.113               |
| <b>Deferred Tax (Asset) /Liability<sup>(2)</sup>:</b>                             | <b>(524.585)</b>      |
| <b>Deferred tax accounted in shareholders' equity</b>                             | <b>(41.126)</b>       |
| Fair value differences for financial assets at through other comprehensive income | 97.222                |
| Actuarial gains and losses  | 2.633                 |
| Property Revaluation  | (140.981)             |

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

(2) As of 30 June 2018, net deferred tax liability represents TRY 524.585 deferred tax liability consists of deferred tax assets which amounting to TRY 104.950 and deferred tax liabilities amounting to TRY 629.535.

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

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

b) Deferred tax liability (continued):

|  | <b>Prior Period</b> |
|--|---------------------|
| <b>Deferred Tax (Asset) /Liability</b>                         |                     |
| Provisions <sup>(1)</sup>                                      | 301.129             |
| Revaluation of Financial Assets                                | (600.353)           |
| Other  | (187.765)           |
| <b>Deferred Tax (Asset) /Liability<sup>(2)</sup>:</b>          | <b>(486.989)</b>    |
| <b>Deferred tax accounted in shareholders' equity</b>          | <b>48.674</b>       |
| Fair value differences for available for sale financial assets | 187.521             |
| Actuarial gains and losses                                     | 2.633               |
| Subsidiaries Valuation   | -                   |
| Property Revaluation   | (141.480)           |

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

(2) As of 31 December 2017, net deferred tax liability represents TRY 486.989 deferred tax liability consists of deferred tax assets which amounting to TRY 87.181 and deferred tax liabilities amounting to TRY 574.170.

(11) Information on liabilities regarding assets held for sale and discontinued operations:

None.

(12) 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:

|  | <b>Current Period</b> |           |
|--|-----------------------|-----------|
|  | <b>TRY</b>            | <b>FC</b> |
| <b>Information on Subordinated Loans</b>                                       |                       |           |
| To be included in the calculation of additional capital borrowings instruments | -                     | -         |
| Subordinated loans   | -                     | -         |
| Subordinated debt instruments  | -                     | -         |
| Debt instruments to be included in contribution capital calculation            | 1.001.322             |           |
| Subordinated loans   | -                     | -         |
| Subordinated debt instruments  | 1.001.322             | -         |
| <b>Total</b>   | <b>1.001.322</b>      | <b>-</b>  |

|                             | <b>Prior Period</b> |           |
|-----------------------------|---------------------|-----------|
|                             | <b>TRY</b>          | <b>FC</b> |
| <b>Subordinated debts</b>   |                     |           |
| Domestic Banks              | -                   | -         |
| Domestic Other Institutions | 1.004.385           | -         |
| Foreign Banks               | -                   | -         |
| Foreign Other Institutions  | -                   | -         |
| <b>Total</b>                | <b>1.004.385</b>    | <b>-</b>  |

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

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

(13) Information on shareholders' equity

a) Presentation of paid-in capital:

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

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

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

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

None.

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

None.

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

None.

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

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

g) Information on preferred shares:

None.

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

(13) Information on shareholders' equity (continued):

h) Information on marketable securities revaluation fund:

|  | Current Period  |                  |
|--|-----------------|------------------|
|  | TRY             | FC               |
| From subsidiaries, associates and jointly controlled entities (joint ventures) | 13.303          | 5.283            |
| Valuation differences  | 13.303          | 5.283            |
| Exchange rate difference   | -               | -                |
| Financial assets at fair value through other comprehensive income              | (32.810)        | (147.589)        |
| Valuation differences  | (32.810)        | (147.589)        |
| Exchange rate difference   | -               | -                |
| <b>Total</b>   | <b>(19.507)</b> | <b>(142.306)</b> |

|  | Prior Period     |                  |
|--|------------------|------------------|
|  | TRY              | FC               |
| From subsidiaries, associates and jointly controlled entities (joint ventures) | 19.303           | 5.385            |
| Valuation differences  | 19.303           | 5.385            |
| Exchange rate difference   | -                | -                |
| Financial assets available for sale  | (386.103)        | (246.346)        |
| Valuation differences  | (386.103)        | (246.346)        |
| Exchange rate difference   | -                | -                |
| <b>Total</b>   | <b>(366.800)</b> | <b>(240.961)</b> |

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

| <b>Types of irrevocable commitments</b>                      | <b>Current Period</b> |
|--|-----------------------|
| Commitments for credit card expenditure limits               | 12.545.534            |
| Payment commitments for cheques                              | 3.653.584             |
| Loan granting commitments                                    | 5.098.321             |
| Two days forward foreign exchange buy/sell transactions      | 3.379.823             |
| Commitments for credit cards and banking services promotions | 33.296                |
| Tax and fund liabilities from export commitments             | 46.439                |
| Share capital commitments to associates and subsidiaries     | -                     |
| Other irrevocable commitments                                | 4.044.818             |
| <b>Total</b>   | <b>28.801.815</b>     |

| <b>Types of irrevocable commitments</b>                      | <b>Prior Period</b> |
|--|---------------------|
| Commitments for credit card expenditure limits               | 11.599.896          |
| Payment commitments for cheques                              | 3.269.281           |
| Loan granting commitments                                    | 4.685.365           |
| Two days forward foreign exchange buy/sell transactions      | 910.451             |
| Commitments for credit cards and banking services promotions | 32.736              |
| Tax and fund liabilities from export commitments             | 38.072              |
| Share capital commitments to associates and subsidiaries     | -                   |
| Other irrevocable commitments                                | 3.653.304           |
| <b>Total</b>   | <b>24.189.105</b>   |

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

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

|                   | <b>Current Period</b> |
|-------------------|-----------------------|
| Letters of credit | 3.956.730             |
| Bank acceptances  | 4.295.309             |
| Other guarantees  | 1.769.366             |
| <b>Total</b>      | <b>10.021.405</b>     |

|                   | <b>Prior Period</b> |
|-------------------|---------------------|
| Letters of credit | 4.148.121           |
| Bank acceptances  | 3.693.507           |
| Other guarantees  | 1.285.922           |
| <b>Total</b>      | <b>9.127.550</b>    |

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

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

(1) Information on off-balance sheet liabilities (continued):

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

|   | <b>Current Period</b> |
|---|-----------------------|
| Letters of certain guarantees                 | 16.727.088            |
| Letters of advance guarantees                 | 6.074.638             |
| Letters of tentative guarantees               | 643.874               |
| Letters of guarantee given to customs offices | 1.543.442             |
| Other letters of guarantee                    | 35.736.468            |
| <b>Total</b>                                  | <b>60.725.510</b>     |

|   | <b>Prior Period</b> |
|---|---------------------|
| Letters of certain guarantees                 | 14.683.821          |
| Letters of advance guarantees                 | 4.296.948           |
| Letters of tentative guarantees               | 744.300             |
| Letters of guarantee given to customs offices | 1.327.615           |
| Other letters of guarantee                    | 28.607.424          |
| <b>Total</b>                                  | <b>49.660.108</b>   |

b.3. Total non-cash loans:

|  | <b>Current Period</b> |
|--|-----------------------|
| Non-cash loans for providing cash loans          | 4.591.216             |
| <i>Within one year or less original maturity</i> | 1.288.999             |
| <i>Within more than one year maturity</i>        | 3.302.217             |
| Other non-cash loans                             | 66.155.699            |
| <b>Total</b>                                     | <b>70.746.915</b>     |

|  | <b>Prior Period</b> |
|--|---------------------|
| Non-cash loans for providing cash loans          | 3.315.807           |
| <i>Within one year or less original maturity</i> | 824.244             |
| <i>Within more than one year maturity</i>        | 2.491.563           |
| Other non-cash loans                             | 55.471.851          |
| <b>Total</b>                                     | <b>58.787.658</b>   |

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT**

(1) Information on interest income:

a) Information on interest income on loans:

|   | Current Period    |                  |
|---|-------------------|------------------|
|   | TRY               | FC               |
| <b>Interest on loans<sup>(1)</sup></b>          |                   |                  |
| Short term loans                                | 3.084.343         | 133.584          |
| Medium and long term loans                      | 6.949.710         | 2.038.419        |
| Interest on non-performing loans                | 104.124           | 1.537            |
| Premiums from resource utilization support fund | -                 | -                |
| <b>Total</b>                                    | <b>10.138.177</b> | <b>2.173.540</b> |

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

|   | Prior Period     |                  |
|---|------------------|------------------|
|   | TRY              | FC               |
| <b>Interest on loans<sup>(1)</sup></b>          |                  |                  |
| Short term loans                                | 2.028.338        | 104.058          |
| Medium and long term loans                      | 4.814.483        | 1.502.736        |
| Interest on non-performing loans                | 30.813           | 1.453            |
| Premiums from resource utilization support fund | -                | -                |
| <b>Total</b>                                    | <b>6.873.634</b> | <b>1.608.247</b> |

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

b) Interest received from banks:

|                          | Current Period |               |
|--------------------------|----------------|---------------|
|                          | TRY            | FC            |
| CBRT                     | 122.613        | 28.502        |
| Domestic banks           | 49.460         | 9.241         |
| Overseas banks           | 3.093          | 2.666         |
| Head office and branches | -              | -             |
| <b>Total</b>             | <b>175.166</b> | <b>40.409</b> |

|                          | Prior Period  |               |
|--------------------------|---------------|---------------|
|                          | TRY           | FC            |
| CBRT                     | 39.278        | 34.811        |
| Domestic banks           | 26.516        | 1.894         |
| Overseas banks           | 5.385         | 7.227         |
| Head office and branches | -             | -             |
| <b>Total</b>             | <b>71.179</b> | <b>43.932</b> |

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)**

(1) Information on interest income (continued):

c) Interest income on marketable securities:

|   | <b>Current Period</b> |                |
|---|-----------------------|----------------|
|   | <b>TRY</b>            | <b>FC</b>      |
| Financial assets at fair value through profit or loss             | 7.160                 | 198            |
| Financial assets at fair value through other comprehensive income | 30.033                | 53.926         |
| Financial assets measured at amortised cost                       | 2.001.825             | 216.000        |
| <b>Total</b>  | <b>2.039.018</b>      | <b>270.124</b> |

|   | <b>Prior Period</b> |                |
|---|---------------------|----------------|
|   | <b>TRY</b>          | <b>FC</b>      |
| Financial assets held for trading                     | 1.483               | -              |
| Financial Assets at fair value through profit or loss | -                   | -              |
| Available-for-sale financial assets                   | 671.781             | 136.102        |
| Held-to-maturity investments                          | 1.108.503           | 70.507         |
| <b>Total</b>  | <b>1.781.767</b>    | <b>206.609</b> |

c) Interest income from subsidiaries and associates:

None.

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)**

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

|  | <b>Current Period</b> |                |
|--|-----------------------|----------------|
|  | <b>TRY</b>            | <b>FC</b>      |
| Banks                                    | 106.781               | 228.132        |
| <i>CBRT</i>                              | -                     | -              |
| <i>Domestic banks</i>                    | 81.893                | 30.610         |
| <i>Overseas banks</i>                    | 24.888                | 197.522        |
| <i>Overseas head office and branches</i> | -                     | -              |
| Other institutions                       | 7                     | 8.455          |
| <b>Total</b>                             | <b>106.788</b>        | <b>236.587</b> |

|  | <b>Prior Period</b> |                |
|--|---------------------|----------------|
|  | <b>TRY</b>          | <b>FC</b>      |
| Banks                                    | 61.787              | 192.080        |
| <i>CBRT</i>                              | -                   | -              |
| <i>Domestic banks</i>                    | 44.093              | 15.226         |
| <i>Overseas banks</i>                    | 17.694              | 176.854        |
| <i>Overseas head office and branches</i> | -                   | -              |
| Other institutions                       | 8                   | 6.993          |
| <b>Total</b>                             | <b>61.795</b>       | <b>199.073</b> |

b) Interest expenses to subsidiaries and associates:

|  | <b>Current period</b> |
|--|-----------------------|
| Interest expenses to subsidiaries and associates | 6.069                 |
|  |                       |
|  | <b>Prior period</b>   |
| Interest expenses to subsidiaries and associates | 1.583                 |

c) Information on interest expenses to marketable securities issued:

|                               | <b>Current period</b> |                |
|-------------------------------|-----------------------|----------------|
|                               | <b>TRY</b>            | <b>FC</b>      |
| Interest on securities issued | 329.037               | 237.072        |
| <b>Total</b>                  | <b>329.037</b>        | <b>237.072</b> |
|                               |                       |                |
|                               | <b>Prior period</b>   |                |
|                               | <b>TRY</b>            | <b>FC</b>      |
| Interest on securities issued | 130.975               | 260.728        |
| <b>Total</b>                  | <b>130.975</b>        | <b>260.728</b> |

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)**

(2) Information on interest expenses (continued):

d) Maturity structure of interest expenses on deposits:

| Current Period          | Time deposits   |                |                  |                |                |                  |              | Cumulative deposit | Total |
|-------------------------|-----------------|----------------|------------------|----------------|----------------|------------------|--------------|--------------------|-------|
|                         | Demand deposits | Up to 1 month  | Up to 3 months   | Up to 6 months | Up to 1 Year   | More than 1 year |              |                    |       |
| <b>TRY</b>              |                 |                |                  |                |                |                  |              |                    |       |
| Bank deposits           | 279             | 202.089        | 172.555          | 13.676         | 108            | -                | -            | 388.707            |       |
| Saving deposits         | 3               | 55.597         | 2.780.433        | 99.268         | 23.916         | 21.934           | 4.967        | 2.986.118          |       |
| Public deposits         | 95              | 100.802        | 245.779          | 43.461         | 283.028        | 2.336            | -            | 675.501            |       |
| Commercial deposits     | 9               | 360.278        | 1.409.099        | 129.473        | 110.002        | 16.419           | -            | 2.025.280          |       |
| Other deposits          | -               | 44.623         | 526.035          | 76.410         | 57.448         | 1.280            | -            | 705.796            |       |
| 7 days call accounts    | -               | -              | -                | -              | -              | -                | -            | -                  |       |
| <b>Total</b>            | <b>386</b>      | <b>763.389</b> | <b>5.133.901</b> | <b>362.288</b> | <b>474.502</b> | <b>41.969</b>    | <b>4.967</b> | <b>6.781.402</b>   |       |
| <b>Foreign currency</b> |                 |                |                  |                |                |                  |              |                    |       |
| Deposits                | 246             | 48.799         | 669.139          | 42.635         | 49.834         | 56.241           | 172          | 867.066            |       |
| Bank deposits           | 10              | 141.519        | 259              | 8              | 21             | 251              | 86           | 142.154            |       |
| 7 days call accounts    | -               | -              | -                | -              | -              | -                | -            | -                  |       |
| Precious metal          | -               | 20             | 835              | 66             | 109            | 198              | -            | 1.228              |       |
| <b>Total</b>            | <b>256</b>      | <b>190.338</b> | <b>670.233</b>   | <b>42.709</b>  | <b>49.964</b>  | <b>56.690</b>    | <b>258</b>   | <b>1.010.448</b>   |       |
| <b>Grand total</b>      | <b>642</b>      | <b>953.727</b> | <b>5.804.134</b> | <b>404.997</b> | <b>524.466</b> | <b>98.659</b>    | <b>5.225</b> | <b>7.791.850</b>   |       |

| Prior Period            | Time deposits   |                |                  |                |                |                  |              | Cumulative deposit | Total |
|-------------------------|-----------------|----------------|------------------|----------------|----------------|------------------|--------------|--------------------|-------|
|                         | Demand deposits | Up to 1 month  | Up to 3 months   | Up to 6 months | Up to 1 Year   | More than 1 year |              |                    |       |
| <b>TRY</b>              |                 |                |                  |                |                |                  |              |                    |       |
| Bank deposits           | 183             | 226.281        | 150.937          | 684            | 381            | -                | -            | 378.466            |       |
| Saving deposits         | 3               | 29.133         | 1.695.688        | 58.974         | 17.273         | 21.885           | 4.645        | 1.827.601          |       |
| Public deposits         | 53              | 86.307         | 121.063          | 32.571         | 178.052        | 1.617            | -            | 419.663            |       |
| Commercial deposits     | 22              | 181.529        | 713.109          | 125.317        | 53.113         | 4.605            | -            | 1.077.695          |       |
| Other deposits          | -               | 26.746         | 78.644           | 17.566         | 7.664          | 4.135            | -            | 134.755            |       |
| 7 days call accounts    | -               | -              | -                | -              | -              | -                | -            | -                  |       |
| <b>Total</b>            | <b>261</b>      | <b>549.996</b> | <b>2.759.441</b> | <b>235.112</b> | <b>256.483</b> | <b>32.242</b>    | <b>4.645</b> | <b>3.838.180</b>   |       |
| <b>Foreign currency</b> |                 |                |                  |                |                |                  |              |                    |       |
| Deposits                | 274             | 29.431         | 514.058          | 94.541         | 19.126         | 36.335           | 191          | 693.956            |       |
| Bank deposits           | 3               | 79.322         | 93               | 220            | -              | 63               | -            | 79.701             |       |
| 7 days call accounts    | -               | -              | -                | -              | -              | -                | -            | -                  |       |
| Precious metal          | -               | -              | -                | -              | -              | -                | -            | -                  |       |
| <b>Total</b>            | <b>277</b>      | <b>108.753</b> | <b>514.151</b>   | <b>94.761</b>  | <b>19.126</b>  | <b>36.398</b>    | <b>191</b>   | <b>773.657</b>     |       |
| <b>Grand total</b>      | <b>538</b>      | <b>658.749</b> | <b>3.273.592</b> | <b>329.873</b> | <b>275.609</b> | <b>68.640</b>    | <b>4.836</b> | <b>4.611.837</b>   |       |

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**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)**

(3) Explanations on trading profit / loss (net):

|  | <b>Current Period</b> |
|--|-----------------------|
| <b>Profit</b>                              | <b>16.221.109</b>     |
| Profit from the capital market operations  | 24.784                |
| Profit on derivative financial instruments | 1.989.883             |
| Foreign exchange gains                     | 14.206.442            |
| <b>Loss (-)</b>                            | <b>16.129.833</b>     |
| Loss from the capital market operations    | 9.297                 |
| Loss on derivative financial instruments   | 1.666.337             |
| Foreign exchange losses                    | 14.454.199            |
|  |                       |
|  | <b>Prior Period</b>   |
| <b>Profit</b>                              | <b>33.976.054</b>     |
| Profit from the capital market operations  | 19.685                |
| Profit on derivative financial instruments | 667.565               |
| Foreign exchange gains                     | 33.288.804            |
| <b>Loss (-)</b>                            | <b>33.853.792</b>     |
| Loss from the capital market operations    | 182                   |
| Loss on derivative financial instruments   | 857.452               |
| Foreign exchange losses                    | 32.996.158            |

(4) Information on other operating income:

|  | <b>Current period</b> |
|--|-----------------------|
| Adjustments for prior period expenses      | 299.522               |
| Insurance technical income                 | 741.662               |
| Income from the asset sale on credit terms | 51.982                |
| Rent income                                | 26.950                |
| Other income                               | 100.737               |
| <b>Total</b>                               | <b>1.220.853</b>      |
|  |                       |
|  | <b>Prior Period</b>   |
| Adjustments for prior period expenses      | 228.741               |
| Insurance technical income                 | 656.375               |
| Income from the asset sale on credit terms | 49.842                |
| Rent income                                | 27.220                |
| Other income                               | 33.987                |
| <b>Total</b>                               | <b>996.165</b>        |

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**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)**

(5) Impairment losses on loans and other receivables:

Expected credit loss provisions:

|  | <b>Current Period</b> |
|--|-----------------------|
| Expected Credit Loss   | 942.365               |
| <i>12 Month Expected Credit Loss (Stage 1)</i>   | <i>133.460</i>        |
| <i>Significant Increase in Credit Risk (Stage 2)</i>                                   | <i>210.037</i>        |
| <i>Non – Performing Loans (Stage 3)</i>  | <i>598.868</i>        |
| Marketable Securities Impairment Expense   | -                     |
| <i>Financial Assets at Fair Value through Profit or Loss</i>                           | -                     |
| <i>Financial Assets at Fair Value through Other Comprehensive Income</i>               | -                     |
| <i>Financial Assets at Fair Value through Profit or Loss</i>                           | -                     |
| Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease | -                     |
| <i>Associates</i>  | -                     |
| <i>Subsidiaries</i>  | -                     |
| <i>Joint Ventures</i>  | -                     |
| Other  | 103.336               |
| <b>Total</b>   | <b>1.045.701</b>      |

|  | <b>Prior Period</b> |
|--|---------------------|
| Specific provisions on loans and receivables   | 593.712             |
| <i>Group - III loans and receivables</i>   | <i>486.691</i>      |
| <i>Group - IV loans and receivables</i>  | <i>56.223</i>       |
| <i>Group - V loans and receivables</i>   | <i>50.798</i>       |
| General loan provision expenses  | 130.812             |
| Provision expenses for possible losses   | -                   |
| Marketable securities impairment losses  | -                   |
| <i>Financial assets at fair value through profit and loss</i>  | -                   |
| <i>Financial assets available for sale</i>   | -                   |
| Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity | -                   |
| <i>Associates</i>  | -                   |
| <i>Subsidiaries</i>  | -                   |
| <i>Jointly controlled entities (joint ventures)</i>  | -                   |
| <i>Investments held-to-maturity</i>  | -                   |
| Other  | 16.968              |
| <b>Total</b>   | <b>741.492</b>      |

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)**

(6) Information on other operating expenses:

|  | <b>Current Period</b> |
|--|-----------------------|
| Personnel expenses   | 1.258.636             |
| Reserve for employee termination benefits                                    | 54.631                |
| Bank social aid provision fund deficit provision                             | -                     |
| Fixed assets impairment expense  | -                     |
| Depreciation expenses of fixed assets  | 66.446                |
| Intangible assets impairment expense   | -                     |
| Goodwill impairment expense  | -                     |
| Amortization expenses of intangible assets                                   | 29.097                |
| Impairment expense for equity shares subject to the equity method accounting | -                     |
| Impairment expense of assets that will be disposed of                        | -                     |
| Amortization expenses of assets that will be disposed of                     | 7.394                 |
| Impairment expense for property and equipment held for sale                  | -                     |
| Other operating expenses   | 1.195.010             |
| <i>Operational leasing expenses</i>  | 134.726               |
| <i>Maintenance expenses</i>  | 20.780                |
| <i>Advertisement expenses</i>  | 85.435                |
| <i>Other expenses</i>  | 954.069               |
| Loss on sales of assets  | 1.511                 |
| Other  | 732.986               |
| <b>Total</b>   | <b>3.345.711</b>      |

|  | <b>Prior Period</b> |
|--|---------------------|
| Personnel expenses   | 1.021.192           |
| Reserve for employee termination benefits                                    | 59.715              |
| Bank social aid provision fund deficit provision                             | -                   |
| Fixed assets impairment expense  | -                   |
| Depreciation expenses of fixed assets  | 55.093              |
| Intangible assets impairment expense   | -                   |
| <i>Goodwill impairment expense</i>   | -                   |
| Amortization expenses of intangible assets                                   | 22.235              |
| Impairment expense for equity shares subject to the equity method accounting | -                   |
| Impairment expense of assets that will be disposed of                        | 737                 |
| Amortization expenses of assets that will be disposed of                     | 7.312               |
| Impairment expense for property and equipment held for sale                  | -                   |
| Other operating expenses   | 803.979             |
| <i>Operational leasing expenses</i>  | 115.841             |
| <i>Maintenance expenses</i>  | 23.767              |
| <i>Advertisement expenses</i>  | 83.744              |
| <i>Other expenses</i>  | 580.627             |
| Loss on sales of assets  | 182                 |
| Other  | 748.024             |
| <b>Total</b>   | <b>2.718.469</b>    |

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)**

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

The Group's income before tax is due from continuing activities. The amount of profit before tax consists TRY 4.479.596 of net interest income and TRY 869.678 of net fees and commissions. The profit from continuing operations before tax of the Group is amounting to TRY 2.296.454.

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

For the period ended 30 June 2018, the Group's tax provision amounting to TRY 451.046 consists of TRY 82.028 of current tax charge and TRY 769.949 of deferred tax charge and TRY 400.931 of deferred tax benefit.

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

As of 30 June 2018, the Group's net operating income after tax is amounting to TRY 1.845.408.

(10) Information on net profit/loss from continuing and discontinued operations:

a) Income and expenses from ordinary banking operations:

None.

b) Effects of changes in accounting estimates on the current and future periods' profit/loss:

There is no issue to be disclosed.

c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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

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

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

a) **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               | -   | -        | -   | -        | -  | -        |
| Closing balance                 | -   | -        | -   | -        | -  | -        |
| Interest and commissions income | -   | -        | -   | -        | -  | -        |

**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               | -   | -        | -   | -        | -  | -        |
| Closing balance                 | -   | -        | -   | -        | -  | -        |
| Interest and commissions income | -   | -        | -   | -        | -  | -        |

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

| Risk group                   | Subsidiaries, associates and jointly controlled entities (joint ventures) |  | Direct or indirect shareholders of the Bank |  | Other real and legal persons in the risk group |  |
|------------------------------|---|--|---|--|--|--|
|                              | Current Period  |  | Current Period                              |  | Current Period                                 |  |
| Deposits                     |   |  |   |  |  |  |
| Beginning balance            | 21.542  |  | -   |  | -  |  |
| Closing Balance              | 28.080  |  | -   |  | -  |  |
| Interest expense on deposits | 1.768   |  | -   |  | -  |  |

| 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 |  |
|------------------------------|---|--|---|--|--|--|
|                              | Prior Period  |  | Prior Period                                |  | Prior Period                                   |  |
| Deposits                     |   |  |   |  |  |  |
| Beginning balance            | 8.771   |  | -   |  | -  |  |
| Closing Balance              | 21.542  |  | -   |  | -  |  |
| Interest expense on deposits | 477   |  | -   |  | -  |  |

- c) Forward and option contracts and similar transactions with the Parent Bank's risk group:  
None.

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

**V. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK (CONTINUED)**

(2) Disclosures for risk group:

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

In the normal course of its banking activities, the Parent Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates. In addition, the Parent Bank is an intermediary for brokerage services of Halk Yatırım Menkul Değerler A.Ş. within scope of “Brokerage Order Contract”. Additionally, Halk Portföy Yönetimi AŞ is engaging in fund management akof Parent Bank’s funds.

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<br>amounts in the financial<br>statements |
|--|--------|---|
| Cash loans                             | -      | -   |
| Non-cash loans                         | -      | -   |
| Deposits                               | 28.080 | %0,01   |
| Forward and option contracts           | -      | -   |
| Banks and other financial institutions | -      | -   |

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

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:

Demir-Halk Bank N.V., operating in Netherlands, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve I Sigorta AŞ qualified as investments in associates of the Parent Bank, are accounted for in the accompanying consolidated financial statements by the equity method of accounting.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 14.210 as of 30 June 2018 (30 June 2017: TRY 12.020).

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

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

Within the issue limit for the Tier 2 debt securities, debt securities with a maturity of 10 years, fixed rate, nominal value of TRY 1 billion and 950 million (full TRY) and early redemption option after 5 years from issue date has been completed by the Parent Bank on 3 July 2018.

**VII. OTHER EXPLANATIONS**

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

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

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VI: LIMITED REVIEW REPORT**

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

The Parent Bank's publicly available consolidated interim financial statements and footnotes have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' limited review report dated 9 August 2018 is presented in front of the financial statements.

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

None.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**SECTION VII: INTERIM ACTIVITY REPORT**

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

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

Esteemed Stakeholders,

The economic tensions between the United States and China have spread to the world. This is negatively impacting the financial balances of countries seeking protectionist foreign trade policies, which are finding increasingly more support in developed countries. This is also causing reciprocal sanctions. While the uncertainty surrounding the ongoing war in Syria is fueling this negativity, the Fed's monetary policies is also affecting the financial markets.

Following the Fed raising policy interest rates in June, it is further believed that interest rates will begin increasing four times a year. While this has increased the Dollar's tendency to rise, it has also caused the depreciation of several countries' currencies. While it has become clear that the European Central Bank will end its asset purchase program by the end of the year, the announcement that interest rates will remain fixed at their current level for some time indicates that the Eurozone tightening policy will be implemented later.

In addition to these indicators, financial markets have half an ear on the decision that the OPEC countries will take on oil supply. The increase in the price per barrel of oil, influenced by the possible re-establishment of the United States' sanctions on Iran, has reflected positively on the balance sheets of oil-exporting countries' economies.

During the course of these developments abroad, the increase in investment expenditure has been one of the most positive economic developments in the history of the Turkish economy. Its high growth rate exceeded all the expectations and it became the second-highest item in growth expenditures. Another promising development was the rise in contributions in the industrial sector. They reached 1.9 percent in the first-quarter growth rate. The banking sector played a great part in this development by meeting the needs of the manufacturing industry with its services. According to the data provided by the BRSA, the total loan volume of the sector reached 2.4 trillion TRY at the end of June.

Financial markets showed a positive trend after the general elections in June and will maintain this momentum in the new period as economic coordination becomes even stronger. Markets will further relax with the impact of the expected financial reforms and Turkey will continue to be investors' favorite country, as it has been for the last 16 years.

Our common dream is for a Turkey that can invest in its own technology; take responsibility for the production of goods that cause external dependency, like automobiles for many years; and stand strong in all fields of activity requiring technical skills, with the defense industry being the first priority. In reaching this dream, the new structuring of the economy administration will be our greatest power. Under the leadership of the Presidential Committees, the decisions taken – which incurred no loss of time, thanks to the inter-ministerial effective communication and cooperation – will accelerate Turkey's industrial, technological and economic rise. It will also make our country the prime attraction for foreign investors.

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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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)**

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

Esteemed Stakeholders,

Halkbank will be one of the most hardworking actors of the process in which all segments of the society will take Turkey to its 2023 goals together. Our Bank has striven for 80 years to help SMEs, artisans and craftsmen, and it will continue to be worthy of the people it draws its name from. It will increase its brand value by successfully carrying out its activities on an international scale.

The financial results we achieved in the first half of the year prove how effective our strategy is. I am deeply convinced that we will achieve our year-end targets thanks to our 80 years of banking experience and our experienced staff, each of whom is an expert in their field. We will continue to earn and ensure that all stakeholders who are with us earn too.

Sincerely,

R. Süleyman Özdil  
Chairman

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

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

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

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

Esteemed Stakeholders,

In this period, the world economy has endured the first half of a difficult year. Accordingly, finance and economy experts are further factoring the behaviors of political actors into their analyses when interpreting the global indicators. However, it is not easy to predict how rising trade wars will affect the global economy. The pressure of the protection shields on all the stock market indexes has risen recently. Increased tensions in international trade and changes in monetary policy have also boosted this pressure. As geopolitical risks are added to this picture, it becomes clear that the world economy is going through a difficult period.

Dynamic actors, such as Turkey, can find significant opportunities in this period by maintaining the proper administrative approach and responding quickly to these changes. In our country, where the electoral process is behind, the continuity of our stable solution-oriented approach in the economic administration has proven to be a strong confidence factor for investors. The banking sector will again play a pivotal role in the financing of real economy in the new period. Savings will increase, and efficiency-oriented investments and exports-based growth will become more prominent.

The Turkish banking sector, which stands out thanks to its strong equity structure under the leadership of state-owned banks, develops its products with an innovative approach while continuing to provide loans so citizens can enjoy a superior-standard service regardless of which bank they have an account with. Our sector, which has signed many new consecutive joint projects and protocols, also ensures competitiveness among institutions, which benefits customers.

Our Bank has been in continuous contact with the private sector representatives in its 80th year, and has introduced a new service that it developed this year in collaboration with the sector. This service, the E-Export Project, brings e-export incentives that were 80 percent in the Ministry of Commerce up to 100 percent completion. This project, which enables the opening of a free virtual store on a website, will make an important contribution to the export spread in the digital environment. SMEs can affiliate to this platform free of charge with the help of Halkbank. They will also feel that Halkbank is on their side in case they suffer financial setbacks during the production process.

The Paraf Esnaf credit card is one of our most innovative products within the scope of alternative financing methods. We have implemented it in order to easily meet the operational and investment expenses of the companies in this period. Artisans and craftsmen can arrange cash flows of up to 50,000 Turkish lira with Paraf Esnaf. They will also receive advantages from the suppliers that they are working on purchasing goods and services with, thanks to the card's supplier company limit feature. They will be able to carry out transactions with Paraf Esnaf in advance, with equal installments or in flexible terms and amounts.

In the same period, we have also launched our Housing Loan campaign, another joint project under the leadership of the public banks. Through its support in the housing market, Halkbank became a leading bank in the sector and significantly contributed to economic growth in the second quarter, with benefits offered to customers who needed housing loans. In this period, our customers in every income demographic found a loan to match their conditions.

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

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

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

**Assessment of General Manager <sup>(1)</sup>**

Esteemed Stakeholders,

In this period when we had the happiness of celebrating the 80th anniversary of our bank, we are taking pride in adding value to our country with social and cultural projects beyond the financial services we have accomplished. Within the scope of the project "Children Want, Halkbank Does", which we started on the occasion of the April 23, National Sovereignty and Children's Day, we are realizing the dreams of 80 children.

On the other hand, in order to promote this project across the country, we visited locations all around Turkey during the month of Ramadan. We did this in our theater truck and introduced primary school students to art through the puppet theaters. Within the scope of these activities, we have made 20,000 kilometers in total. We experienced the joy of presenting bicycles as a holiday and report card gifts to 1,200 elementary school students in eight provinces.

We have achieved significant results in terms of financial performance as a result of the studies we carried out in the economic and social fields. Our total loans, including our cash and non-cash loans, increased by 18.1 percent, to reach 307.9 billion Turkish lira compared to 2017 year-end. The volume of commercial loans, which include our bank's SME loans, also increased by 18.9 percent to 191.3 billion Turkish lira in this period. Additionally, loans to tradesmen reached 29.9 billion Turkish lira this quarter. Halkbank's balance sheet size increased by 14.1 percent to 348.3 billion Turkish lira, its shareholders' equity rose by 11.4 percent, and its net profit reached 1.903 million Turkish lira by the end of the second quarter compared to 2017 year-end.

We are very pleased to have such a successful performance with Halkbank's almost 1,000 branches throughout the country and 19 thousand employees. We continue to head into the future with the confidence that our people have in us and the power we get from our esteemed stakeholders.

Sincerely,

Osman Arslan  
General Manager

<sup>(1)</sup> Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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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 Consolidated Financial Information**

| <b>Summary Balance Sheet (Million TRY)</b> | <b>June 2018</b> | <b>December 2017</b> | <b>Change (%)</b> |
|--|------------------|----------------------|-------------------|
| Total Assets                               | 356.830          | 312.220              | 14,3              |
| Loans                                      | 240.347          | 204.142              | 17,7              |
| <i>TRY</i>                                 | 162.915          | 138.299              | 17,8              |
| <i>FC</i>                                  | 77.432           | 65.843               | 17,6              |
| Marketable Securities                      | 62.536           | 49.807               | 25,6              |
| Deposit                                    | 221.935          | 193.271              | 14,8              |
| <i>TRY</i>                                 | 129.407          | 116.560              | 11                |
| <i>FC</i>                                  | 92.528           | 76.711               | 20,6              |
| Total Equity                               | 28.621           | 25.529               | 12,1              |

| <b>Summary Income Statement (Million TRY)</b> | <b>June 2018</b> | <b>June 2017</b> | <b>Change (%)</b> |
|---|------------------|------------------|-------------------|
| Interest Income                               | 15.195           | 10.848           | 40,1              |
| <i>On Loan</i>                                | 12.312           | 8.482            | 45,2              |
| <i>On Securities</i>                          | 2.309            | 1.988            | 16,1              |
| Interest Expense                              | 10.716           | 6.386            | 67,8              |
| <i>On Deposit</i>                             | 7.792            | 4.612            | 69                |
| Net Interest Income                           | 4.480            | 4.462            | 0,4               |
| Net Fee and Commission                        | 870              | 966              | (9,9)             |
| Profit Before Tax                             | 2.296            | 3.099            | (25,9)            |
| Net Profit                                    | 1.845            | 2.467            | (25,2)            |

| <b>Ratio (%)</b>                              | <b>June 2018</b> | <b>December 2017</b> |
|---|------------------|----------------------|
| Cash Loans/Total Asset                        | 67,4             | 65,4                 |
| Non-Performing Loans/Total Cash Loans (Gross) | 2,9              | 3,0                  |
| Demand Deposit/Total Deposit                  | 17,6             | 15,2                 |
| Loan/Deposit Ratio                            | 108,3            | 105,6                |
| Average Return on Asset (ROA)                 | 1,1              | 1,5                  |
| Average Return on Equity (ROE)                | 13,7             | 17,3                 |
| Capital Adequacy Ratio                        | 12,8             | 13,6                 |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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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)**

**2018 Second Quarter Interim Developments**

**Important Developments**

- Our Bank has issued bonds with a par value of 2,795,000,000 Turkish lira to the qualified investors throughout this period.

**New Products and Campaigns**

- In line with our bank’s primary objective, Paraf Esnaf Kart product was developed for the tradesmen customer segment in order to meet the needs of artisans and craftsmen customers.
- To commemorate the bank’s 80th anniversary, we organized a “Public Day” to offer loans to meet the cash needs of our customers.
- “Growing Exporter Loan” was established with the aim of financing the export activities, sales and deliveries considered as exports, and foreign currency earning activities.
- “Export Mobilization Loan Package” was presented in order to help our country realize its goal of exporting 500 billion dollars in 2023.
- Within the scope of World Tourism Week, “World Tourism Week Loan Campaign” was organized to promote the importance of tourism in our country’s economy and to raise awareness and contribute to the revitalization of the tourism.
- “SME-Energizing Loan Package” was created for the credit needs of companies investing in wind turbine (WPP) and solar panels (SPP) to meet lighting and electricity needs at SME’s facilities.
- “Green Energy Loan” was created to expand the use of renewable biomass energy sources for electricity and heat energy production. This was to ensure these sources were introduced to the economy in a reliable, economical and efficient way. By these means, they aim to reduce our country’s external energy dependency and to support the manufacturing industry, which plays an important role in the realization of these goals.
- “Housing Insulation Support Package” was established to contribute to the development of the sector within the scope of the “TS 825 Thermal Insulation Rules for Buildings” compliance activities. It also serves to support the companies operating in this sector.
- In recognition of the National Police Week, which is observed every year during the week of April 10, we held a consumer loan campaign aimed at all law enforcement officers.
- We have created a “My Thrifty Home Loan” package with favorable interest rates for the financing needs that arise from customers’ housing purchases.
- “Traveling Agencies Support Loan” was created to support SMEs.
- The third of our traditional “Productive Turkey Meetings”, in which we describe products and services that we provide to our artisans and SMEs, was held in Trabzon on April 19–20, 2018.

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

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

**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**2018 Second Quarter Interim Developments (continued)**

**Corporate Social Responsibility Projects**

- Our bank sponsored the summit on leadership, innovation and entrepreneurship, which was held with in collaboration with the Ministry of Youth and Sports and Turkish Exporters Assembly.
- The “Children Want, Halkbank Does” project started as a means of to realize the dreams of 80 children on our 80th anniversary. We have since gathered collected and realized the wishes of almost 80 children in our Penny Wishes Bank event. This event was organized on April 23, National Sovereignty and Children’s Day, across various places in Istanbul.
- On Autism Awareness Day on April 2, our headquarters was illuminated with blue light, and we showed our support on our bank’s social media accounts.
- We sponsored the exhibition “Financial History from Bankers of Galata to the Present”, which was opened on May 1, 2018. Here monetary and stock certificate samples from the past were exhibited and contributed to the promotion of the financial history.
- Our bank sponsored Istanbul Youth Festival, which was held between May 2–6 and saw 30,000 young people participate. During the festival, popular brands, non-governmental organizations, public institutions and universities came together, and culture and arts events, workshops, sports events, panels and concerts were held.
- Our Bank provided the establishment of a visual display infrastructure for the Children’s Houses. This allowed the Houses to have safer and modern living spaces, which were established by the Ministry of Labor, Social Services and Family with the purpose of educating children who are in need of protection.

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