

*(Convenience Translation of Consolidated 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 31 December 2018**

**With Auditors' Report Thereon**

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

14 February 2019

*This report contains "Auditors' Report" comprising  
8 pages and; "Consolidated Financial Statements  
and Related Disclosures and Footnotes" comprising  
169 pages.*

**CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

**INDEPENDENT AUDITOR'S REPORT**

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

**A) Report on the Audit of the Consolidated Financial Statements**

**1) Qualified Opinion**

We have audited the consolidated financial statements of Türkiye Halk Bankası A.Ş. (“the Bank”) and its consolidated subsidiaries (“the Group”), which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated statement of income, consolidated statement of income and expense items accounted for under shareholders’ equity, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and provisions of Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

**2) Basis for Qualified Opinion**

The accompanying consolidated financial statements as at 31 December 2018, include a general reserve amounting to TRY 451.000 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 31 December 2018, other provisions would decrease by TRY 451.000 thousand, prior periods’ income would increase by TRY 17.000 and net profit would increase by TRY 434.000 thousand.

The Group reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard (“TFRS”) 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9. The government bonds reclassified into financial assets measured at amortised cost as at 31 December 2018 amounted to TRY 17.904.805 thousand. If such classification were not made, total assets and shareholders’ equity excluding tax effect would be lower by TRY 2.597.814 thousand as at 31 December 2018.

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

### 3) **Emphasis of Matter**

As detailed in Section 6 Note 1, 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 Bank’s management indicated that there are no enforcement or other actions against the Bank at this stage. No provision has been made in the accompanying consolidated financial statements related to this matter. Our opinion is not modified in respect of this matter.

### 4) **Key Audit Matters**

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

Key Audit Matter	How the matter was addressed in the audit
<p><b><i>Impairment of loans in accordance with TFRS 9</i></b></p> <p>Impairment of loans is a key area of judgement for the management. The Group has the total loans and receivables amounting to TRY 258.709.268 thousands, which comprise 67% of the Group’s total assets in its consolidated financial statements and the total provision for impairment amounting to TRY 9.027.374 as at 31 December 2018.</p> <p>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 respect, as of 31 December 2017, the method of provisions for</p>	<p>As part of our audit work, the following procedures were performed:</p> <p>We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Group with respect to classification of loans and determination and calculation of impairments. Our information system experts have also participated to perform these procedures.</p> <p>We have read and analysed the relevant contract terms to assess management’s accounting policy and classification of the instrument for selected samples.</p>

<p>impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section III 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.</p> <p>The Group exercises significant decisions using judgement, interpretation and assumptions over calculating loan impairments. These judgements, interpretations and assumptions are key in the development of the financial models built to measure the expected credit losses on loans.</p> <p>There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of the TFRS 9. Failure in determining the loans and receivables that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment of loans is considered as a key audit matter.</p> <p>Related explanations relating to the impairment of loans and receivables are presented in Section V Note I.5.</p>	<p>We have performed loan review procedures on selected samples of loans and receivables with the objective of identifying whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant legislation.</p> <p>We have tested relevant inputs and assumption used by the management in each stage of the expected credit loss calculation by considering whether the inputs and assumptions appear reasonable, the relationship between the assumptions and whether the assumptions are interdependent and internally consistent, whether the assumptions appropriately reflect current market information and collections, and whether the assumptions appear reasonable when considered collectively with other assumptions, including those for the same accounting estimates and those for other accounting estimates.</p> <p>We have tested historical loss data to validate the completeness and accuracy of key parameters.</p> <p>We have tested whether the model is applied to appropriate groupings of assets which share credit risk characteristics and whether the historical loss rates were incurred under economic conditions representative of those that may exist during the assets' exposure periods.</p> <p>We tested the application of the model to the relevant inputs and the mathematical integrity of each stage of the expected credit loss calculation.</p> <p>Based on our discussions with the Group management, we evaluated whether the key assumptions and other judgements underlying the estimations of impairments were reasonable.</p> <p>Our specialists are involved in all procedures related to models and assumptions.</p> <p>We have reviewed disclosures made within the TFRS 9 framework in the consolidated financial statements of the Group with respect to loans and receivables and related impairment provisions.</p>
<p><b>Key Audit Matter</b></p>	<p><b>How the matter was addressed in the audit</b></p>
<p><i>First time adaptation of TFRS 9 Financial Instruments Standard</i></p> <p>As of 1 January 2018, the Group 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</p>	<p>Our audit work included the following procedures:</p> <p>The Group's IFRS 9 policy of the classification of financial assets and financial liabilities has been</p>

<p>be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. TFRS 9 standard introduced significant changes in accounting policies and required adjustments to be made to the amounts previously recognized in accordance with the transition rules.</p> <p>For the first time adoption of TFRS 9, the Group included more significant estimates and judgments in determining the business model and the cash flows characteristics of contracts. Since the Group had a fundamental change in its financial reporting framework and had an impact on many significant financial statement line-items, the first time adoption of TFRS 9 has been considered as a key audit matter.</p> <p>Explanations on the equity effects of TFRS 9 transition are disclosed in Section III Note VII.</p>	<p>read and compared with the requirements of TFRS 9.</p> <p>The Group's contractual cash flows tests for its financial instruments have been reviewed, its criteria and results have been evaluated.</p> <p>The appropriateness of the opening balance adjustments and the disclosures presented were checked.</p> <p>The procedures applied for the expected credit losses are set out in the key audit matter related to the “Impairment of loans in accordance with TFRS 9” above.</p>
<b>Key Audit Matter</b>	<b>How the matter was addressed in the audit</b>
<p><b><i>Valuation of Pension Fund Obligations</i></b></p> <p>Defined benefit pension plan that the Parent Bank provides to its employees is managed by Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı and T.C. Ziraat Bankası ve T. Halk Bankası Çalışanları Emekli Sandığı Vakfı (“Plan”) which were established by the 20th provisional article of the Social Security Law numbered 506 (“Law”).</p> <p>As disclosed in the Section III Note XIX to the consolidated financial statements, the Plan is composed of benefits which are subject to transfer to the Social Security Foundation (“SSF”) as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to the SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the funds and the institutions that employ the funds’ members will cover the non-transferable social rights and pension benefits provided under the Plan even if it is included in foundation voucher..</p> <p>As of 31 December 2018, the Bank’s transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by the Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. The valuation of the Plan liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits,</p>	<p>Our audit work included the following procedures:</p> <p>We involved external experts (actuary) in our audit team to evaluate the assumptions used in the calculation of the pension obligations and the appropriateness of the estimates.</p> <p>It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used.</p> <p>In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Bank’s actuary.</p> <p>We have assessed whether there is a significant change in the actuarial assumptions, methods, legal regulations and legislation used in the calculations and whether the assumptions are reasonable.</p>

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

	Finally, we understood and tested the controls over database, network, application and operating system layers of applications.
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## 5) **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## 6) **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January-31 December 2018 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

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

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



### **Additional Paragraph for English Translation**

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying consolidated 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 financial statements differ materially from IFRS. Accordingly, the accompanying consolidated financial statements are not intended to present the Group’s consolidated financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.

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

Hasan Kılıç  
Partner

İstanbul, 14 February 2019

**TÜRKİYE HALK BANKASI AŞ**  
**THE CONSOLIDATED FINANCIAL REPORT**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 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

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

- **Section One** : GENERAL INFORMATION ABOUT THE PARENT BANK
- **Section Two** : CONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES
- **Section Four** : INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- **Section Five** : EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** : OTHER EXPLANATIONS
- **Section Seven** : AUDITORS' REPORT

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

Subsidiaries		Associates	
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 year ended 31 December 2018 are prepared **in thousand Turkish Lira** and they have been audited 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, 14 February 2019

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

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

Name/Title : Turgay Ayık/Director  
Tel/Fax No : 0216 503 52 14 /0212 340 09 90

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**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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”) began its operations in accordance with the law no: 2284 in 1938 and still continues its activities as a public commercial bank.

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

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

As of 31 December 2018 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	31 December 2018	%	31 December 2017	%
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 amounting to TRY 550 have been included in Public shares. With these shares, the total shares amounting TRY 638.826 held by the Türkiye Varlık Fonu is 51,11% of the total shares.

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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>
Recep Süleyman ÖZDİL	Chairman of the Board of Directors
Himmet KARADAĞ	Vice Chairman of the Board of Directors
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Meltem TAYLAN AYDIN	Member of the Board of Directors
Mehmet Nihat ÖMEROĞLU	Independent Member of the Board of Directors
Maksut SERİM	Member of the Board of Directors
Sadık TILTAK	Independent Member of the Board of Directors, Chairman of the Audit Committee
Ahmet YARIZ	Independent Member of the Board of Directors, Member of the Audit Committee
Yılmaz ÇOLAK	Member of the Supervisory Board
Faruk ÖZÇELİK	Member of the Supervisory Board
Mehmet Akif AYDEMİR	Executive Vice President, Loan Allocation and Management
Mehmet Sebahattin BULUT	Executive Vice President, Loan Policies, Risk Monitoring, and Legal
Mustafa ÇÖDEK	Executive Vice President, Retail Banking
Ergin KAYA	Executive Vice President, Banking Operations and Information Technology
Metin KÖSTEK	Executive Vice President, Corporate and Internal Systems
Yusuf Duran OCAK	Executive Vice President, Financial Management and Planning
Selahattin SÜLEYMANOĞLU	Executive Vice President, Human Resources and Support Management
Hasan TUNCAY	Executive Vice President, Corporate and Commercial Marketing

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

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

**SECTION 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.

Title	Name	Starting Date
Vice Chairman of the Board of Directors	Himmet KARADAĞ	13 August 2018
Independent Member of the Board of Directors	Ahmet YARIZ	13 August 2018
Member of the Board of Directors	Fatih METİN	7 November 2018

- 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	Leaving Date
Executive Vice President	Mehmet Hakan ATILLA	2 June 2018
Member of the Board of Directors	Yunus KARAN	13 August 2018
Member of the Board of Directors	Yahya BAYRAKTAR	13 August 2018
Executive Vice President	Levend TORUSDAĞ	19 October 2018
Executive Vice President	Hakan ERYILMAZ	23 October 2018
Member of the Board of Directors	Cenap AŞCI	6 November 2018
Member of the Board of Directors	Fatih METİN	30 November 2018

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
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**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 began its operations in accordance with the Law No: 2284 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**  
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*(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 (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 31 December 2018, the Bank operates with a total of 994 branches consisting of 988 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 47 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**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
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*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

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

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

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

Halk Banka A.D., Skopje, formerly Export and Credit Bank A.D., Skopje is a subsidiary of the Parent Bank as of 8 April 2011, operating in Macedonia. The 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".

**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**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

<b>SECTION II: CONSOLIDATED FINANCIAL STATEMENTS</b>
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- 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
- VII. Consolidated Statement of Profit Distribution

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2018**

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

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

		Audited		
		Current Period		
		31 December 2018		
ASSETS	Note	TRY	FC	TOTAL
<b>I. FINANCIAL ASSETS (NET)</b>		<b>66.616.717</b>	<b>50.947.821</b>	<b>117.564.538</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>4.229.804</b>	<b>36.561.409</b>	<b>40.791.213</b>
1.1.1 Cash and Balances with Central Bank	(1)	3.983.094	31.596.630	35.579.724
1.1.2 Banks	(3)	181.392	4.964.779	5.146.171
1.1.3 Money Markets		65.318	-	65.318
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	(2)	<b>14.516.355</b>	<b>22.580</b>	<b>14.538.935</b>
1.2.1 Government Debt Securities		14.415.482	21.455	14.436.937
1.2.2 Equity Instruments		74	1.125	1.199
1.2.3 Other Financial Assets		100.799	-	100.799
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	(4)	<b>2.720.192</b>	<b>2.144.620</b>	<b>4.864.812</b>
1.3.1 Government Debt Securities		2.579.303	2.058.759	4.638.062
1.3.2 Equity Instruments		24.793	85.861	110.654
1.3.3 Other Financial Assets		116.096	-	116.096
<b>1.4 Financial Assets Measured at Amortised Cost</b>	(6)	<b>45.172.546</b>	<b>11.158.799</b>	<b>56.331.345</b>
1.4.1 Government Debt Securities		45.110.909	11.158.799	56.269.708
1.4.2 Other Financial Assets		61.637	-	61.637
<b>1.5 Derivative Financial Assets</b>	(2)	<b>9</b>	<b>1.062.072</b>	<b>1.062.081</b>
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		9	1.062.072	1.062.081
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>22.189</b>	<b>1.659</b>	<b>23.848</b>
<b>II. LOANS (Net)</b>		<b>167.468.515</b>	<b>91.240.753</b>	<b>258.709.268</b>
<b>2.1 Loans</b>	(5)	<b>165.210.011</b>	<b>88.937.841</b>	<b>254.147.852</b>
2.1.1 Measured at Amortised Cost		165.210.011	88.937.841	254.147.852
2.1.2 Fair Value Through Profit or Loss		-	-	-
2.1.3 Fair Value Through Other Comprehensive Income		-	-	-
<b>2.2 Lease Receivables</b>	(10)	<b>921.654</b>	<b>1.991.539</b>	<b>2.913.193</b>
2.2.1 Financial Lease Receivables		1.485.617	2.279.737	3.765.354
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		563.963	288.198	852.161
<b>2.3 Factoring Receivables</b>		<b>1.253.064</b>	<b>139.535</b>	<b>1.392.599</b>
2.3.1 Measured at Amortised Cost		1.253.064	139.535	1.392.599
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>	(5)	<b>8.652.580</b>	<b>630.418</b>	<b>9.282.998</b>
<b>2.5 Expected Credit Loss (-)</b>	(5)	<b>8.568.794</b>	<b>458.580</b>	<b>9.027.374</b>
2.5.1 12 Month Expected Credit Losses (Stage I)		1.010.590	27.355	1.037.945
2.5.2 Significant Increase in Credit Risk (Stage II)		1.185.419	21.456	1.206.875
2.5.3 Credit – Impaired Losses (Stage III / Special Provision)		6.372.785	409.769	6.782.554
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)</b>	(16)	<b>9.593</b>	<b>-</b>	<b>9.593</b>
3.1 Held for Sale Purpose		9.593	-	9.593
3.2 Related to Discontinued Operations		-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>84.321</b>	<b>431.547</b>	<b>515.868</b>
<b>4.1 Investments in Associates (Net)</b>	(7)	<b>27.175</b>	<b>431.547</b>	<b>458.722</b>
4.1.1 Associates Valued Based on Equity Method		17.823	431.547	449.370
4.1.2 Unconsolidated Associates		9.352	-	9.352
<b>4.2 Subsidiaries (Net)</b>	(8)	<b>57.146</b>	<b>-</b>	<b>57.146</b>
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-
4.2.2 Unconsolidated Non- Financial Subsidiaries		57.146	-	57.146
<b>4.3 Joint Ventures (Net)</b>	(9)	<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>	(12)	<b>4.514.930</b>	<b>124.956</b>	<b>4.639.886</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	(13)	<b>149.098</b>	<b>34.313</b>	<b>183.411</b>
6.1 Goodwill		-	-	-
6.2 Other		149.098	34.313	183.411
<b>VII. INVESTMENT PROPERTIES (Net)</b>	(14)	<b>967.406</b>	<b>5.995</b>	<b>973.401</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>19.860</b>	<b>6.183</b>	<b>26.043</b>
<b>IX. DEFERRED TAX ASSET</b>	(15)	<b>95.326</b>	<b>3.019</b>	<b>98.345</b>
<b>X. OTHER ASSETS</b>	(17)	<b>4.406.874</b>	<b>1.094.449</b>	<b>5.501.323</b>
<b>TOTAL ASSETS</b>		<b>244.332.640</b>	<b>143.889.036</b>	<b>388.221.676</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED BALANCE SHEET AS OF 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. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(1)	<b>12.917.490</b>	<b>23.763.887</b>	<b>36.681.377</b>
<b>II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)</b>	(2)	<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. BANKS</b>	(3)	<b>677.360</b>	<b>5.635.807</b>	<b>6.313.167</b>
<b>IV. 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. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	<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. LOANS AND RECEIVABLES</b>	(5)	<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. FACTORING RECEIVABLES</b>		<b>1.051.939</b>	<b>159.993</b>	<b>1.211.932</b>
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	(6)	<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. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	<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. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	<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. JOINT VENTURES (Net)</b>	(9)	<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. FINANCE LEASE RECEIVABLES (Net)</b>	(10)	<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. DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT</b>	(11)	<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. TANGIBLE ASSETS (Net)</b>	(12)	<b>3.658.962</b>	<b>92.638</b>	<b>3.751.600</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	(13)	<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. INVESTMENT PROPERTIES (Net)</b>	(14)	<b>905.720</b>	<b>4.658</b>	<b>910.378</b>
<b>XVII. TAX ASSETS</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	(15)	84.906	2.275	87.181
<b>XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(16)	<b>790</b>	<b>-</b>	<b>790</b>
18.1 Held for sale purpose		790	-	790
18.2 Held from discontinued operations		-	-	-
<b>XIX. OTHER ASSETS</b>	(17)	<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 31 DECEMBER 2018**

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

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

		Audited		
		Current Period		
		31 December 2018		
LIABILITIES	Note	TRY	FC	TOTAL
<b>I. DEPOSITS</b>	(1)	137.508.551	113.070.969	250.579.520
<b>II. FUNDS BORROWED</b>	(3)	1.286.624	13.987.856	15.274.480
<b>III. MONEY MARKET BORROWINGS</b>		32.815.996	5.402.273	38.218.269
<b>IV. SECURITIES ISSUED (Net)</b>	(4)	4.321.374	12.024.839	16.346.213
4.1 Bills		2.164.993	-	2.164.993
4.2 Assets Backed Securities		1.951.469	-	1.951.469
4.3 Bonds		204.912	12.024.839	12.229.751
<b>V. FUNDS</b>	(5)	2.874.121	-	2.874.121
5.1 Borrower Funds		42	-	42
5.2 Other		2.874.079	-	2.874.079
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-
<b>VII. DERIVATIVE FINANCIAL ASSETS</b>	(2)	16	410.323	410.339
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		16	410.323	410.339
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
<b>VIII. FACTORING LIABILITIES</b>		2.310	107	2.417
<b>IX. LEASE LIABILITIES</b>	(7)	85	-	85
9.1 Financial Lease		85	-	85
9.2 Operating Lease		-	-	-
9.3 Other		-	-	-
9.4 Deferred Financial Lease Expenses ( - )		-	-	-
<b>X. PROVISIONS</b>	(9)	4.153.786	13.000	4.166.786
10.1 Restructuring Provisions		-	-	-
10.2 Reserve for Employee Benefits		915.732	10.886	926.618
10.3 Insurance for Technical Provision(Net)		2.215.153	-	2.215.153
10.4 Other Provisions		1.022.901	2.114	1.025.015
<b>XI. CURRENT TAX LIABILITY</b>	(10)	729.532	8.140	737.672
<b>XII. DEFERRED TAX LIABILITIES</b>	(10)	453.608	2.152	455.760
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(11)	2.030	-	2.030
13.1 Held for Sale Purpose		2030	-	2.030
13.2 Related to Discontinued Operations		-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(12)	6.182.084	-	6.182.084
14.1 Loans		-	-	-
14.2 Other Debt Instruments		6.182.084	-	6.182.084
<b>XV. OTHER LIABILITIES</b>	(6)	22.367.642	1.063.018	23.430.660
<b>XVI. SHAREHOLDERS' EQUITY</b>	(13)	29.202.725	338.515	29.541.240
16.1 Paid in Capital		1.250.000	-	1.250.000
16.2 Capital Reserves		1.267.795	-	1.267.795
16.2.1 Share Premium		39.740	-	39.740
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		1.228.055	-	1.228.055
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		2.468.324	(105)	2.468.219
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(20.981)	(154.979)	(175.960)
16.5 Profit Reserves		20.490.940	329.114	20.820.054
16.5.1 Legal Reserves		2.009.871	8.868	2.018.739
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		18.433.927	104.574	18.538.501
16.5.4 Other Profit Reserves		47.142	215.672	262.814
16.6 Income or (Loss)		3.505.282	159.209	3.664.491
16.6.1 Prior Periods' Income or (Loss)		808.240	199.604	1.007.844
16.6.2 Current Period Income or (Loss)		2.697.042	(40.395)	2.656.647
16.7 Minority Shares	(14)	241.365	5.276	246.641
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>241.900.484</b>	<b>146.321.192</b>	<b>388.221.676</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017**

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

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

LIABILITIES	Note	Audited		
		Prior period		
		31 December 2017		
		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>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 31**  
**DECEMBER 2018**

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

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

Audited				
Current Period				
31 December 2018				
OFF BALANCE SHEET	Note	TRY	FC	TOTAL
<b>A. COMMITMENTS AND CONTINGENCIES (I-II+III)</b>		<b>70.479.149</b>	<b>89.431.738</b>	<b>159.910.887</b>
<b>I. GUARANTEES AND SURETIES</b>	<b>(I)</b>	<b>36.985.278</b>	<b>46.684.697</b>	<b>83.669.975</b>
1.1 Letters of guarantee		34.982.709	36.415.106	71.397.815
1.1.1 Guarantees subject to public procurement law		1.982.722	12.444.947	14.427.669
1.1.2 Guarantees given for foreign trade operations		-	64.120	64.120
1.1.3 Other letters of guarantee		32.999.987	23.906.039	56.906.026
1.2 Bank loans		11.845	7.038.415	7.050.260
1.2.1 Import acceptances		-	94.572	94.572
1.2.2 Other bank acceptances		11.845	6.943.843	6.955.688
1.3 Letters of credit		119.895	3.110.315	3.230.210
1.3.1 Documentary letters of credit		119.895	3.110.315	3.230.210
1.3.2 Other letters of credit		-	-	-
1.4 Guaranteed refinancing		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-
1.7 Factoring guarantees		-	-	-
1.8 Other guarantees		1.870.829	120.861	1.991.690
1.9 Other sureties		-	-	-
<b>II. COMMITMENTS</b>	<b>(I)</b>	<b>24.243.741</b>	<b>3.598.496</b>	<b>27.842.237</b>
2.1 Irrevocable commitments		24.091.603	2.105.823	26.197.426
2.1.1 Forward asset purchase commitments		807.737	1.228.932	2.036.669
2.1.2 Forward deposit purchase and sale commitments		-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-
2.1.4 Loan granting commitments		4.159.896	530.684	4.690.580
2.1.5 Securities underwriting commitments		-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-
2.1.7 Payment commitments for Cheques		2.661.413	-	2.661.413
2.1.8 Tax and fund liabilities from export commitments		65.280	-	65.280
2.1.9 Commitments for credit card expenditure limits		12.674.648	54.296	12.728.944
2.1.10 Commitments for credit cards and banking services promotions		31.409	-	31.409
2.1.11 Receivables from short sale commitments		-	-	-
2.1.12 Payables for short sale commitments		-	-	-
2.1.13 Other irrevocable commitments		3.691.220	291.911	3.983.131
2.2 Revocable commitments		152.138	1.492.673	1.644.811
2.2.1 Revocable loan granting commitments		-	1.137.584	1.137.584
2.2.2 Other revocable commitments		152.138	355.089	507.227
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>9.250.130</b>	<b>39.148.545</b>	<b>48.398.675</b>
3.1 Derivative financial instruments held for risk management		-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-
3.2 Transactions for trading		9.250.130	39.148.545	48.398.675
3.2.1 Forward foreign currency buy/sell transactions		1.805.572	5.242.539	7.048.111
3.2.1.1 Forward foreign currency transactions-buy		1.553.375	3.067.752	4.621.127
3.2.1.2 Forward foreign currency transactions-sell		252.197	2.174.787	2.426.984
3.2.2 Currency and interest rate swaps		5.146.767	28.105.082	33.251.849
3.2.2.1 Currency swap-buy		1.012.983	7.070.935	8.083.918
3.2.2.2 Currency swap-sell		4.133.784	3.641.263	7.775.047
3.2.2.3 Interest rate swap-buy		-	8.696.442	8.696.442
3.2.2.4 Interest Rate swap-sell		-	8.696.442	8.696.442
3.2.3 Currency, interest rate and marketable securities options		2.297.791	3.561.455	5.859.246
3.2.3.1 Currency call options		1.148.905	1.780.728	2.929.633
3.2.3.2 Currency put options		1.148.886	1.780.727	2.929.613
3.2.3.3 Interest rate call options		-	-	-
3.2.3.4 Interest rate put options		-	-	-
3.2.3.5 Marketable securities call options		-	-	-
3.2.3.6 Marketable securities put options		-	-	-
3.2.4 Currency futures		-	-	-
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		-	2.239.469	2.239.469
<b>B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)</b>		<b>957.578.147</b>	<b>312.632.590</b>	<b>1.270.210.737</b>
<b>IV. CUSTODIES</b>		<b>435.748.450</b>	<b>42.655.486</b>	<b>478.403.936</b>
4.1 Assets under management		-	-	-
4.2 Custody marketable securities		164.714.542	1.017.194	165.731.736
4.3 Cheques in collection process		15.459.699	26.465.087	41.924.786
4.4 Commercial notes in collection process		239.248.814	5.578.699	244.827.513
4.5 Other assets in collection process		-	-	-
4.6 Underwritten securities		-	-	-
4.7 Other custodies		4.281.053	486.438	4.767.491
4.8 Custodians		12.044.342	9.108.068	21.152.410
<b>V. PLEDGED ASSETS</b>		<b>521.829.697</b>	<b>269.977.104</b>	<b>791.806.801</b>
5.1 Marketable securities		5.910.919	772.952	6.683.871
5.2 Collateral notes		7.602.929	1.172.031	8.774.960
5.3 Commodity		25.812	-	25.812
5.4 Warranty		-	-	-
5.5 Land and buildings		384.296.983	225.968.770	610.265.753
5.6 Other pledged assets		76.479.920	39.614.525	116.094.445
5.7 Pledges		47.513.134	2.448.826	49.961.960
<b>VI. ACCEPTED BILL GUARANTEES AND SURETIES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>1.028.057.296</b>	<b>402.064.328</b>	<b>1.430.121.624</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF 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**

		Audited		
		Prior period		
		31 December 2017		
OFF BALANCE SHEET	Note	TRY	FC	Total
<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 31 DECEMBER 2018**

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

**III. CONSOLIDATED STATEMENT OF INCOME**

		<b>Audited</b>	
		<b>Current Period</b>	
		<b>1 January-</b>	
		<b>31 December 2018</b>	
<b>INCOME AND EXPENSES</b>	<b>Note</b>		
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>37.617.675</b>	
1.1 Interest on Loans		28.994.809	
1.2 Interest on Reserve Requirements		97.387	
1.3 Interest on Banks		666.605	
1.4 Interest on Money Market Transactions		58.064	
1.5 Interest on Marketable Securities Portfolio		7.151.547	
1.5.1 Fair Value Through Profit or Loss		19.110	
1.5.2 Fair Value Through Other Comprehensive Income		347.139	
1.5.3 Measured at Amortized Cost		6.785.298	
1.6 Financial Lease Income		272.064	
1.7 Other Interest Income		377.199	
<b>II. INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>28.674.763</b>	
2.1 Interest on Deposits		20.298.335	
2.2 Interest on Funds Borrowed		769.204	
2.3 Interest Expense on Money Market Transactions		5.795.550	
2.4 Interest on Securities Issued		1.555.203	
2.5 Other Interest Expense		256.471	
<b>III. NET INTEREST INCOME (I - II)</b>		<b>8.942.912</b>	
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>1.904.363</b>	
<b>4.1 Fees and Commissions Received</b>		<b>2.831.050</b>	
4.1.1 Non – cash Loans		625.174	
4.1.2 Other		2.205.876	
<b>4.2 Fees and Commissions Paid (-)</b>		<b>926.687</b>	
4.2.1 Non – cash Loans		3.835	
4.2.2 Other		922.852	
<b>V. PERSONNEL EXPENSE (-)</b>		<b>(2.608.022)</b>	
<b>VI. DIVIDEND INCOME</b>	<b>(3)</b>	<b>13.177</b>	
<b>VII. TRADING INCOME / LOSS (Net)</b>	<b>(4)</b>	<b>231.483</b>	
7.1 Trading Gains / (Losses) on Securities		33.081	
7.2 Gains / (Losses) on Derivate Financial Transactions		1.979.221	
7.3 Foreign Exchange Gains / (Losses)		(1.780.819)	
<b>VIII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>2.489.370</b>	
<b>IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		<b>10.973.283</b>	
<b>X. EXPECTED LOSS PROVISIONS (-)</b>	<b>(6)</b>	<b>3.420.516</b>	
<b>XI. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>4.546.592</b>	
<b>XII. NET OPERATING INCOME /LOSS (IX-X-XI)</b>		<b>3.006.175</b>	
<b>XIII. EXCESS AMOUNT RECORDED AS</b>			
<b>INCOME AFTER MERGER</b>		<b>-</b>	
<b>XIV. INCOME / (LOSS ) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>26.620</b>	
<b>XV. INCOME / (LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	
<b>XVI. PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>	<b>(8)</b>	<b>3.032.795</b>	
<b>XVII. TAX PROVISIONS FOR CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>361.833</b>	
17.1 Current Tax Provision		175.752	
17.2 Deferred Tax Income Effect (+)		1.161.994	
17.3 Deferred Tax Expense Effect (-)		975.913	
<b>XVIII. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVI±XVII)</b>	<b>(10)</b>	<b>2.670.962</b>	
<b>XIX. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>22.727</b>	
19.1 Income from non- Current Assets Held for Sale		22.727	
19.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	
19.3 Income from Other Discontinued Operations		-	
<b>XX. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>		<b>9.737</b>	
20.1 Expenses for Non-current Assets Held for Sale		9.737	
20.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	
20.3 Expenses for Other Discontinued Operations		-	
<b>XXI. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)</b>	<b>(8)</b>	<b>12.990</b>	
<b>XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>2.860</b>	
22.1 Current Tax Provision		2.890	
22.2 Deferred Tax Expense Effect (+)		-	
22.3 Deferred Tax Income Effect (-)		30	
<b>XXIII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>	<b>(10)</b>	<b>10.130</b>	
<b>XXIV. NET PROFIT/(LOSS) (XVIII+XXIII)</b>	<b>(11)</b>	<b>2.681.092</b>	
24.1 Profit / (Loss) of Group		2.656.647	
24.2 Profit / (Loss) of Minority Shares (-)	<b>(12)</b>	24.445	
Profit / (Loss) Per Share		2,1253	

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

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

**III. CONSOLIDATED STATEMENT OF INCOME**

			<b>Audited Prior period 1 January- 31 December 2017</b>
<b>INCOME AND EXPENSES</b>		<b>Note</b>	
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>23.665.069</b>
1.1	Interest on loans		19.060.838
1.2	Interest received from reserve deposits		132.398
1.3	Interest received from banks		256.701
1.4	Interest received from money market placements		57.090
1.5	Interest income on marketable securities		3.765.532
1.5.1	Financial assets held for trading		3.209
1.5.2	Financial assets at fair value through profit and loss		-
1.5.3	Financial assets available-for-sale		1.582.407
1.5.4	Investments held-to-maturity		2.179.916
1.6	Finance lease income		197.704
1.7	Other interest income		194.806
<b>II.</b>	<b>INTEREST EXPENSE</b>	<b>(2)</b>	<b>15.308.777</b>
2.1	Interest on deposits		11.085.857
2.2	Interest on borrowings		540.285
2.3	Interest on money market borrowings		2.719.811
2.4	Interest on bonds issued		845.535
2.5	Other interest expense		117.289
<b>III.</b>	<b>NET INTEREST INCOME [ I – II ]</b>		<b>8.356.292</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		<b>1.921.134</b>
4.1	Fees and commissions income		2.506.800
4.1.1	Non-cash loans		405.366
4.1.2	Other		2.101.434
4.2	Fees and commissions expenses		585.666
4.2.1	Non-cash loans		3.986
4.2.2	Other		581.680
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(3)</b>	<b>11.639</b>
<b>VI.</b>	<b>NET TRADING PROFIT (NET)</b>	<b>(4)</b>	<b>78.625</b>
6.1	Profit/loss from capital market operations		35.077
6.2	Profit/loss from financial derivative transactions		(195.718)
6.3	Foreign exchange gains/losses		239.266
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>2.156.583</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>12.524.273</b>
<b>IX.</b>	<b>IMPAIRMENT LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>1.505.871</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES(-)</b>	<b>(7)</b>	<b>5.886.203</b>
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>5.132.199</b>
<b>XII.</b>	<b>AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER</b>		<b>-</b>
<b>XIII.</b>	<b>PROFIT/LOSSES FROM SUBSIDIARIES ACCOUNTED FOR AT EQUITY METHOD</b>		<b>21.511</b>
<b>XIV.</b>	<b>GAIN / (LOSS) ON NET MONETARY POSITION</b>		<b>-</b>
<b>XV.</b>	<b>INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)</b>	<b>(8)</b>	<b>5.153.710</b>
<b>XVI.</b>	<b>TAX INCOME PROVISION (±)</b>	<b>(9)</b>	<b>(1.102.986)</b>
16.1	Current tax charge		(855.655)
16.2	Deferred tax (charge) / benefit		(247.331)
<b>XVII.</b>	<b>NET OPERATING INCOME AFTER TAX (XV±XVI)</b>	<b>(10)</b>	<b>4.050.724</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</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>		<b>-</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>(8)</b>	<b>-</b>
<b>XXI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>-</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>(10)</b>	<b>-</b>
<b>XXIII.</b>	<b>NET PROFIT/(LOSS) (XVII+XXII)</b>	<b>(11)</b>	<b>4.050.724</b>
23.1	Group's profit/loss		4.038.239
23.2	Minority shares profit/loss	<b>(12)</b>	12.485
Earnings/losses per share (Full TRY)			3,2406

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 31 DECEMBER 2018**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

	<b>Audited</b>
	<b>Current Period</b>
	<b>1 January –</b>
<b>STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>	<b>31 December 2018</b>
<b>I. CURRENT PERIOD INCOME/LOSS</b>	<b>2.681.092</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>657.118</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>225.317</b>
2.1.1 Property and Equipment Revaluation Increase/Decrease	211.669
2.1.2 Intangible Assets Revaluation Increase/Decrease	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	24.320
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	(10.672)
<b>2.2 Reclassified Through Profit or Loss</b>	<b>431.801</b>
2.2.1 Foreign Currency Translation Differences	(54.085)
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	580.811
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 Lossess	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(94.925)
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>3.338.210</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 31 DECEMBER 2017**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

	Audited
	Prior period
	1 January-
	31 December 2017
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	20.605
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	285.864
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	(4.311)
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	144.062
IX. DEFERRED TAX ON VALUATION DIFFERENCES	(50.209)
X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	396.011
XI. PROFIT/LOSS	4.050.724
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	38.564
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	4.012.160
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	4.446.735

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 31 DECEMBER 2018**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

Audited (1 January – 31 December 2018)	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Revaluation Increase/Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss		Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss		Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Expect Minority Shares	Minority Shares	Total Equity
							Other(Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or (Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or (Loss)						
I. Prior Period End Balance	1.250.000	39.737	-	1.173.214	2.253.646	(10.744)	-	52.631	(660.392)	-	17.081.403	4.139.070	-	25.318.565	210.124	25.528.689
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	678.853	-	678.853	4	678.857
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	678.853	-	678.853	4	678.857
III. Adjusted Beginning Balance (I+II)	1.250.000	39.737	-	1.173.214	2.253.646	(10.744)	-	52.631	(660.392)	-	17.081.403	4.817.923	-	25.997.418	210.128	26.207.546
IV. Total Comprehensive Income	-	-	-	-	205.949	19.368	-	(54.085)	485.886	-	-	-	2.656.647	3.313.765	24.445	3.338.210
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	-	3	-	54.841	-	-	-	-	-	-	(65.712)	2.676	-	(8.192)	13.025	4.833
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	3.804.363	(3.812.755)	-	(8.392)	(957)	(9.349)
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(186.274)	-	(186.274)	(2.521)	(188.795)
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	3.804.363	(3.626.481)	-	177.882	1.564	179.446
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+X+XI)	1.250.000	39.740	-	1.228.055	2.459.595	8.624	-	(1.454)	(174.506)	-	20.820.054	1.007.844	2.656.647	29.294.599	246.641	29.541.240

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 31 DECEMBER 2017**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

Audited	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 expect minority shares	Minority Shares	Total shareholders' equity
<b>I. 1 January 2017 – 31 December 2017</b>																			
Balance at end of prior period		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>		-	-	-	-	-	-	-	-	-	-	111.167	-	-	-	-	111.167	(1.275)	109.892
<b>IV. Hedging funds (effective portion)</b>		-	-	-	-	-	-	-	115.265	-	-	-	-	-	-	-	115.265	-	115.265
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedges for investment made in foreign countries		-	-	-	-	-	-	-	115.265	-	-	-	-	-	-	-	115.265	-	115.265
<b>V. Revaluation changes of property and equipment</b>		-	-	-	-	-	-	-	-	-	-	-	146.368	-	-	-	146.368	-	146.368
<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>		-	-	-	-	-	-	-	(4.896)	-	-	-	-	-	-	-	(4.896)	585	(4.311)
<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>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5.087)	(5.087)
<b>XIV. Share cancellation profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(846)	(846)
<b>XV. Adjustment to paid-in capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Other<sup>(1)</sup></b>		-	-	-	-	(1.182)	-	(8.873)	(14.994)	-	36.936	-	-	-	-	-	11.887	(8.139)	3.748
<b>XVII. Net profit or losses</b>		-	-	-	-	-	-	-	-	4.038.239	-	-	-	-	-	-	4.038.239	12.485	4.050.724
<b>XVIII. Profit distribution</b>		-	-	-	-	197.951	-	2.182.883	-	(2.533.607)	(103.054)	-	-	-	-	-	(255.827)	(757)	(256.584)
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(255.827)	-	-	-	-	-	(255.827)	(757)	(256.584)
18.2 Transfers to legal reserves		-	-	-	-	197.951	-	2.182.883	-	-	(2.380.834)	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	(2.533.607)	2.533.607	-	-	-	-	-	-	-	-
<b>Period End Balance</b>		<b>1.250.000</b>	<b>1.220.451</b>	<b>39.737</b>	<b>-</b>	<b>1.758.941</b>	<b>-</b>	<b>15.130.546</b>	<b>129.212</b>	<b>4.038.239</b>	<b>100.831</b>	<b>(607.761)</b>	<b>2.253.646</b>	<b>4.723</b>	<b>-</b>	<b>-</b>	<b>25.318.565</b>	<b>210.124</b>	<b>25.528.689</b>

<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 31 DECEMBER 2018**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

**VI. CONSOLIDATED STATEMENT OF CASH FLOWS**

		<b>Audited</b>
		<b>Current Period</b>
	<b>Note</b>	<b>1 January- 31 December 2018</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>(3.186.823)</b>
1.1.1 Interest received		33.712.282
1.1.2 Interest paid		(26.586.389)
1.1.3 Dividend received		13.177
1.1.4 Fees and commissions received		2.858.270
1.1.5 Other income		2.178.061
1.1.6 Collections from previously written off loans		1.328.304
1.1.7 Cash payments to personnel and service suppliers		(2.643.408)
1.1.8 Taxes paid		(172.670)
1.1.9 Other	(1)	(13.874.450)
<b>1.2 Assets and Liabilities Subject to Banking Operations</b>		<b>6.967.809</b>
1.2.1 Net Increase / decrease in financial assets at fair value through profit or loss		(42.439)
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		(11.619)
1.2.3 Net (increase) / decrease in loans		(51.561.378)
1.2.4 Net (increase) / decrease in other assets		(2.140.784)
1.2.5 Net increase / (decrease) in bank deposits		11.890.000
1.2.6 Net increase / (decrease) in other deposits		43.814.081
1.2.7 Net Increase / decrease in financial liabilities at fair value through profit or loss		-
1.2.8 Net increase / (decrease) in funds borrowed		(4.756.024)
1.2.9 Net increase / (decrease) in matured payables		-
1.2.10 Net increase / (decrease) in other liabilities	(1)	9.775.972
<b>I. Net cash provided from banking operations</b>		<b>3.780.986</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>II. Net cash provided from/ (used in) investing activities</b>		<b>(18.289.736)</b>
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries		(310.473)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries		-
2.3 Fixed assets purchases		(1.091.076)
2.4 Fixed assets sales		236.886
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income		(12.081.446)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income		6.051.624
2.7 Cash paid for purchase of investment securities		(17.449.447)
2.8 Cash obtained from sale of investment securities		6.368.539
2.9 Other		(14.343)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash used in financing activities</b>		<b>5.601.920</b>
3.1 Cash obtained from loans borrowed and securities issued		8.553.666
3.2 Cash used for repayment of loans borrowed and securities issued		(2.763.036)
3.3 Bonds issued		-
3.4 Dividends paid		(188.795)
3.5 Payments for finance leases		-
3.6 Other		85
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	(1)	<b>5.233.224</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>(3.673.606)</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	(4)	<b>27.122.191</b>
<b>VII. Cash and cash equivalents at end of the period</b>	(5)	<b>23.448.585</b>

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

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

**VI. CONSOLIDATED STATEMENT OF CASH FLOWS**

		<b>Audited</b>
		<b>Prior period</b>
		<b>1 January –</b>
	<b>Note</b>	<b>31 December 2017</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>3.656.363</b>
1.1.1 Interest received		21.730.125
1.1.2 Interest paid		(14.302.974)
1.1.3 Dividend received		8.888
1.1.4 Fees and commissions received		2.512.134
1.1.5 Other income		1.850.733
1.1.6 Collections from previously written off loans		728.163
1.1.7 Cash payments to personnel and service suppliers		(2.194.575)
1.1.8 Taxes paid		(541.969)
1.1.9 Other	(1)	(6.134.162)
<b>1.2 Assets and Liabilities Subject to Banking Operations</b>		<b>11.595.937</b>
1.2.1 Net (increase) decrease in financial assets held for sale		(31.389)
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		22.540
1.2.4 Net (increase) decrease in loans		(46.260.521)
1.2.5 Net (increase) decrease in other assets		(132.409)
1.2.6 Net increase (decrease) in bank deposits		(3.603.141)
1.2.7 Net increase (decrease) in other deposits		45.457.843
1.2.8 Net increase (decrease) in loans borrowed		(1.527.805)
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities	(1)	17.670.819
<b>I. Net cash provided from banking operations</b>		<b>15.252.300</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>II. Net cash provided from/ (used in) investing activities</b>		<b>(4.581.992)</b>
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries		(14.994)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries		-
2.3 Fixed assets purchases		(549.618)
2.4 Fixed assets sales		199.519
2.5 Cash paid for purchase of financial assets available for sale		(9.672.067)
2.6 Cash obtained from sale of financial assets available for sale		7.909.271
2.7 Cash paid for purchase of investment securities		(4.893.951)
2.8 Cash obtained from sale of investment securities		2.476.081
2.9 Other		(36.233)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash used in financing activities</b>		<b>24.122</b>
3.1 Cash obtained from loans borrowed and securities issued		9.216.726
3.2 Cash used for repayment of loans borrowed and securities issued		(8.936.020)
3.3 Bonds issued		-
3.4 Dividends paid		(256.584)
3.5 Payments for finance leases		-
3.6 Other		-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	(1)	<b>897.165</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>11.591.595</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	(4)	<b>15.530.596</b>
<b>VII. Cash and cash equivalents at end of the period</b>	(5)	<b>27.122.191</b>

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

**TÜRKİYE HALK BANKASI AŞ****CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION AS OF 31 DECEMBER 2018***(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)***VII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION<sup>(1)</sup>**

	<b>Audited</b>
	<b>Current Period</b>
	<b>31 December 2018</b>
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>	
1.1. Current Period Profit	2.717.818
1.2. Taxes and Legal Duties Payables (-)	(196.023)
1.2.1. Corporate Tax (Income Tax)	(9.840)
1.2.2. Withholding Tax	-
1.2.3. Other Taxes and Duties	(186.183)
<b>A. Net Profit For The Period (1.1-1.2)</b>	<b>2.521.795</b>
1.3. Accumulated Losses (-)	-
1.4. First Legal Reserves (-)	-
1.5. Other Statutory Reserves (-)	-
<b>B. Net Profit Available for Distribution [(A-(1.3+1.4+1.5)]</b>	<b>-</b>
1.6. First Dividend to shareholders (-)	-
1.6.1. To Owners of Ordinary Shares	-
1.6.2. To Owners of Privileged Shares	-
1.6.3. To Owners of Redeemed Shares	-
1.6.4. To Profit Sharing Bonds	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-
1.7. Dividends to personnel (-)	-
1.8. Dividends to Board of Directors (-)	-
1.9. Second Dividend to Shareholders (-)	-
1.9.1. To Owners of Ordinary Shares	-
1.9.2. To Owners of Privileged Shares	-
1.9.3. To Owners of Redeemed Shares	-
1.9.4. To Profit Sharing Bonds	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-
1.10. Second Legal Reserves (-)	-
1.11. Status Reserves (-)	-
1.12. Extraordinary Reserves	-
1.13. Other Reserves	-
1.14. Special Funds	-
<b>II. Distribution of Reserves</b>	
2.1. Appropriated Reserves	-
2.2. Second Legal Reserves (-)	-
2.3. Dividends to Shareholders (-)	-
2.3.1. To Owners of Ordinary Shares	-
2.3.2. To Owners of Privileged Shares	-
2.3.3. To Owners of Redeemed Shares	-
2.3.4. To Profit Sharing Bonds	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-
2.4. Dividends to Personnel (-)	-
2.5. Dividends to Board of Directors (-)	-
<b>III. Earnings per Share</b>	
3.1. To Owners of Ordinary Shares	2,0174
3.2. To Owners of Ordinary Shares (%)	201,74%
3.3. To Owners of Privileged Shares	-
3.4. To Owners of Privileged Shares (%)	-
<b>IV. Dividend per Share</b>	
4.1. To Owners of Ordinary Shares	-
4.2. To Owners of Ordinary Shares (%)	-
4.3. To Owners of Privileged Shares	-
4.4. To Owners of Privileged Shares (%)	-

<sup>(1)</sup>Board of Directors meeting was not held as of 31 December 2018 financial reporting date.

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

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

	<b>Audited</b>
	<b>Prior Period</b>
	<b>31 December 2017</b>
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>	
1.1. Current Period Profit	4.709.582
1.2. Taxes and Legal Duties Payables (-)	(984.120)
1.2.1. Corporate Tax (Income Tax)	(749.669)
1.2.2. Withholding Tax	-
1.2.3. Other Taxes and Duties	(234.451)
<b>A. Net Profit For The Period (1.1-1.2)</b>	<b>3.725.462</b>
1.3. Accumulated Losses (-)	-
1.4. First Legal Reserves (-)	186.273
1.5. Other Statutory Reserves (-)	-
<b>B. Net Profit Available for Distribution [(A)-(1.3+1.4+1.5)]</b>	<b>3.539.189</b>
1.6. First Dividend to shareholders (-)	62.500
1.6.1. To Owners of Ordinary Shares	62.500
1.6.2. To Owners of Privileged Shares	-
1.6.3. To Owners of Redeemed Shares	-
1.6.4. To Profit Sharing Bonds	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-
1.7. Dividends to personnel (-)	-
1.8. Dividends to Board of Directors (-)	-
1.9. Second Dividend to Shareholders (-)	123.774
1.9.1. To Owners of Ordinary Shares	123.774
1.9.2. To Owners of Privileged Shares	-
1.9.3. To Owners of Redeemed Shares	-
1.9.4. To Profit Sharing Bonds	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-
1.10. Second Legal Reserves (-)	32.344
1.11. Status Reserves (-)	-
1.12. Extraordinary Reserves	3.320.571
1.13. Other Reserves	-
1.14. Special Funds	-
<b>II. Distribution of Reserves</b>	
2.1. Appropriated Reserves	-
2.2. Second Legal Reserves (-)	-
2.3. Dividends to Shareholders (-)	186.274
2.3.1. To Owners of Ordinary Shares	186.274
2.3.2. To Owners of Privileged Shares	-
2.3.3. To Owners of Redeemed Shares	-
2.3.4. To Profit Sharing Bonds	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-
2.4. Dividends to Personnel (-)	199.665
2.5. Dividends to Board of Directors (-)	-
<b>III. Earnings per Share</b>	
3.1. To Owners of Ordinary Shares	2.9804
3.2. To Owners of Ordinary Shares (%)	%298,04
3.3. To Owners of Privileged Shares	-
3.4. To Owners of Privileged Shares (%)	-
<b>IV. Dividend per Share</b>	
4.1. To Owners of Ordinary Shares	-
4.2. To Owners of Ordinary Shares (%)	-
4.3. To Owners of Privileged Shares	-
4.4. To Owners of Privileged Shares (%)	-

<sup>(2)</sup>Dividends to personnel which added to 2017 net profit as a provision not sentenced in profit distribution, only shown in the table for information.

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 Turkish Financial Reporting Standards published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

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

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.

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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. The Group elected to apply the simplified transition approach for the first time adoption and will not restate comparative amounts for the prior year. The Group does not expect a significant impact in its financials.

**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.

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**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.



**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.

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**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 31 December 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.

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**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.

***Assessment of Business Model***

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

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

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

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

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

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

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

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

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

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.

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**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):**

	Before TFRS 9 Book Value		TFRS 9 Book Value
ASSETS	31 December 2017	Reclassification Effect	1 January 2018
<b>Financial Assets (Net)</b>	<b>94.452.497</b>	<b>(23.511)</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	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>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	7.024.647
12 Month ECL (Stage 1)	-	2.080.595	1.014.530
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	105.114	662.865
Lifetime ECL Impaired Credits (Stage 3/Special Provision)	4.886.081	237.069	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>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>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 Probability of Default**

It is the estimated probability of default occurring over the remaining life of the financial instrument. According to article B5.5.3 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 (e.g. financial commitments), if appropriate, when defining a default according to article B5.5.37 of TFRS 9, for the purpose of determining the risk of business default and adopts a definition of default, consistent with the definition used for in-house credit risk management purposes for the relevant financial instruments. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.



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

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

**Lifetime Probability of Default (continued)**

"The definition of default used for these purposes applies consistently to all financial instruments unless information can be obtained that demonstrates that another definition of default is more appropriate for a particular financial instrument." in line with 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**

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

According to Article 5.5.10 of TFRS 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)

c) Treasury Loans (Transactions with Treasury Republic of Turkey)

d) Loans guaranteed by Treasury of Republic of Turkey

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

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

**IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS**

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

**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.

**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 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.

**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.

**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.

**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 2018 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 January-30 June 2018 period and for 1 January-30 September 2018 period have not been paid since accumulated tax losses occurred. Furthermore, advance tax for 1 January-31 December 2018 period will also be accrued in February 2019.

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.



**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.

**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.

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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 incurrence, 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.

**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 GROUP

#### I. EXPLANATIONS ON THE CONSOLIDATED EQUITY

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 31 December 2018, the Group's capital adequacy ratio in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy" is 13,36% (31 December 2017: 13,59%). The equity is calculated as TRY 37.420.830 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:

Current 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	39.740	
Reserves	20.821.125	
Other Comprehensive Income according to TAS	2.507.445	
Profit	3.664.491	
Current Period Profit	2.656.647	
Prior Period Profit	1.007.844	
Bonus Shares from Associates, Affiliates and		
Joint-Ventures not Accounted in Current Period's Profit	4.723	
Minority Interest	1.900	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>29.509.875</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	213.376	
Leasehold Improvements on Operational Leases	78.907	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	183.411	183.411
Net Deferred Tax Asset/Liability	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined 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>475.694</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>29.034.181</b>	

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

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

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

<b>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>29.034.181</b>
<b>TIER II CAPITAL</b>	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Third parties' share in the Tier II Capital	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.466.826
<b>Tier II Capital Before Deductions</b>	<b>8.396.621</b>
<b>Deductions From Tier II Capital</b>	-
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
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>8.396.621</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>37.430.802</b>
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>	<b>37.420.830</b>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-
Other items to be Defined by the BRSA (-)	9.972

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

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

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

<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The 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	37.420.830
Total Risk Weighted Assets	280.132.781
<b>Capital Adequacy Ratios</b>	
CET1 Capital Ratio (%)	10,36
Tier I Capital Ratio (%)	10,36
Capital Adequacy Ratio (%)	13,36
<b>BUFFERS</b>	
Bank-specific total CET1 Capital Ratio (a+b+c)	2,696
a) Capital Conservation Buffer Ratio (%)	1,875
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%) **	0,071
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	4,364
<b>Amounts Lower Than Excesses as per Deduction Rules</b>	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	96.852
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	2.447.392
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.579.308
<b>Limits for Provisions Used in Tier II Capital Calculation</b>	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.466.826
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.466.826
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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

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

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

<b>Prior 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	17.028.610	
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 GROUP (continued)**

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

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

<b>ADDITIONAL TIER I CAPITAL</b>	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
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 GROUP (continued)

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

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

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

- 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 GROUP (continued)**

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

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

<b>Details on Subordinated Liabilities:</b>			
Issuer	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTHALE2716	TRSTHAL62811	TRSTHAL92826
Governing Law(s) of the instrument	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA and CMB Legislation
<b>Regulatory treatment</b>			
Transitional Basel III rules	No	No	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Public Sector Bond	Public Sector Bond	Public Sector Bond
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000	1.950	2.980
Par value of instrument	1.000	1.950	2.980
Accounting classification	346.011	346.011	346.011
Original date of issuance	20.10.2017	3.07.2018	26.09.2018
Perpetual or dated	Dated	Dated	Dated
Original maturity date	20.10.2017	3.07.2018	26.09.2018
Issuer call subject to prior supervisory approval	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.
Optional call date, contingent call dates and redemption amount	-	-	-
Subsequent call dates, if applicable	-	-	-
<b>Coupons / dividends</b>			
Fixed or floating dividend/coupon	Floating Coupon	Fixed Coupon	Fixed Coupon
Coupon rate and any related index	Government Debt Security for 5 years +350 base points	14,10 %	12,79 %
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	-	-	-

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

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

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

Write-down feature			
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.	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 8.
Details of incompliance with article number 7 and 8 of "Own fund regulation"	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 7.

**II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK**

Credit risk is defined as risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, , Regional Lending Committees, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

In accordance with the risk management policies of the Group, the limits are specified in respect of the main and sub-sectors. Those limits are monitored periodically.

The Group, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Parent Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Parent Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Group's risk is concentrated in Turkey. As per the loan procedures, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations concerning the off-balance sheet operations based on the customers and banks are monitored systematically.

Except for the restructured loan follow-up system determined in the related communiqué, such loans are incorporated into the new rating groups or risk weightings under the risk management systems of the banks, and new precautionary measures are taken for these processes. Since long-term commitments are more risky than the short-term commitments, risks are diversified in accordance with the Group's risk management system.

As prescribed in the related Communiqué, the credit worthiness of the debtors of the loans and other receivables is monitored regularly and statements of accounts taken for the loans are audited in line with the related regulations.

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

**II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK (continued)**

Guarantee factors are developed in accordance with the decision of the credit committee and updated according to the top management's initiatives and changes in the economic conditions. The Group receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees obtained are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

When the Group is exposed to significant credit risks, it has the tendency to discontinue cease its forward or similar type of transactions by exercising rights, fulfilling the requirements of the acquisitions or disposing of the agreements entered into to mitigate the total risk.

The Group's largest 100 and 200 cash loan customers compose 27,46% and 32,80% of the total cash loan portfolio, respectively.

The Group's largest 100 and 200 non-cash loan customers compose 44,16% and 55,53% of the total non-cash loan portfolio, respectively.

The Group's largest 100 ve 200 cash and non-cash loan customers represent 18,92% and 23,93% of the total "on and off balance sheet" assets, respectively.

Stage I and Stage II expected losses for credit risks of the Bank is TRY 2.442.978 (31 December 2017: TRY 2.317.157).

	Current Period		Prior Period	
	Risk Amount <sup>(1)</sup>	Average Risk Amount	Risk Amount <sup>(1)</sup>	Average Risk Amount
<b>Exposure Categories:</b>				
Conditional and unconditional exposures to central governments or central banks	110.371.526	103.462.066	86.569.516	74.915.955
Conditional and unconditional exposures to regional governments or local authorities	3.887.468	3.644.854	3.067.554	2.472.885
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	3.222.986	3.020.021	1.660.748	1.314.455
Conditional and unconditional exposures to multilateral development banks	-	-	-	-
Conditional and unconditional exposures to international Organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	15.181.630	12.794.943	13.717.654	10.382.528
Conditional and unconditional exposures to corporates	141.127.895	118.198.354	97.997.365	90.892.897
Conditional and unconditional retail exposures	73.203.463	70.252.474	61.922.342	58.718.635
Conditional and unconditional exposures secured by real estate property	70.334.762	66.237.125	57.799.207	52.307.972
Past due items	2.287.307	1.528.694	1.441.160	1.462.049
Items in regulatory high-risk categories	139.449	98.848	57.407	123.794
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-
Other items	18.200.590	15.370.260	12.233.922	12.089.549

<sup>(1)</sup>Includes the risk amounts after credit conversions.

<sup>(2)</sup> As of 31 December 2018, there is an overdraft finance lease receivable amounting to TRY 168.074 which is 100% risk-weighted in the risk class overdue receivables risk class in the credit risk table. (31 December 2017: TRY 76.635)

**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)****II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK (continued)**

Profile of significant exposures in major regions:

	Risk Classifications <sup>(1)</sup>										
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Items in regulatory high-risk categories	Other	Total
<b>Current Period</b>											
1. Domestic	110.368.546	3.887.468	3.222.986	4.605.418	139.223.547	72.873.180	69.784.435	2.230.464	77.157	18.200.567	424.473.768
2. European Union (EU) Countries	-	-	-	5.159.833	244.996	177.859	339.812	37.805	-	-	5.960.305
3. OECD Countries	-	-	-	181.356	-	105.187	116.630	2.286	62.094	21	467.574
4. Off-Shore Banking Regions	-	-	-	1.035	-	16	-	-	-	-	1.051
5. USA, Canada	2.490	-	-	4.706.381	30.133	220	4.496	1	-	-	4.743.721
6. Other Countries	490	-	-	527.607	1.629.219	47.001	89.389	16.751	198	2	2.310.657
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>110.371.526</b>	<b>3.887.468</b>	<b>3.222.986</b>	<b>15.181.630</b>	<b>141.127.895</b>	<b>73.203.463</b>	<b>70.334.762</b>	<b>2.287.307</b>	<b>139.449</b>	<b>18.200.590</b>	<b>437.957.076</b>
<b>Prior Period</b>											
1. Domestic	86.569.515	3.067.554	1.660.722	12.049.313	95.967.363	61.809.588	57.445.940	1.414.190	57.407	12.206.480	332.248.072
2. European Union (EU) Countries	-	-	26	905.606	613.615	107.759	268.877	26.953	-	27.442	1.950.278
3. OECD Countries	-	-	-	101.859	612	2.115	19.227	17	-	-	123.830
4. Off-Shore Banking Regions	-	-	-	509	-	13	-	-	-	-	522
5. USA, Canada	-	-	-	280.681	301.487	84	360	-	-	-	582.612
6. Other Countries	1	-	-	379.686	1.114.288	2.783	64.803	-	-	-	1.561.561
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>86.569.516</b>	<b>3.067.554</b>	<b>1.660.748</b>	<b>13.717.654</b>	<b>97.997.365</b>	<b>61.922.342</b>	<b>57.799.207</b>	<b>1.441.160</b>	<b>57.407</b>	<b>12.233.922</b>	<b>336.466.875</b>

<sup>(1)</sup> Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.<sup>(2)</sup> Assets and liabilities that are not consistently allocated.

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

**II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK (continued)**

Profile of significant exposures by sectors:

Current Period		Risk Classifications <sup>(1)</sup>											
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables in regulatory high-risk categories	Other	TRY	FC	Total
Agriculture	134.020	53	-	-	380.008	579.537	154.445	14.910	-	21	986.422	276.572	1.262.994
<i>Farming and Stockbreeding</i>	122.792	53	-	-	223.959	551.344	141.715	12.118	-	21	903.765	148.237	1.052.002
<i>Forestry</i>	252	-	-	-	1.167	6.184	1.597	-	-	-	9.200	-	9.200
<i>Fishery</i>	10.976	-	-	-	154.882	22.009	11.133	2.792	-	-	73.457	128.335	201.792
Manufacturing	8.884.851	234	1.272.633	-	54.554.706	11.187.879	20.355.533	746.470	-	33.440	44.978.073	52.057.673	97.035.746
<i>Mining and Quarrying</i>	109.537	-	805.542	-	2.033.920	260.045	187.114	6.249	-	-	583.647	2.818.760	3.402.407
<i>Production</i>	8.624.750	8	449.974	-	40.136.618	10.788.963	18.456.722	739.960	-	33.440	41.281.620	37.948.815	79.230.435
<i>Electricity, Gas and Water</i>	150.564	226	17.117	-	12.384.168	138.871	1.711.697	261	-	-	3.112.806	11.290.098	14.402.904
Construction	1.407.604	-	537	-	15.039.058	2.346.518	2.099.436	258.038	-	1	13.216.038	7.935.154	21.151.192
Services	8.377.278	10.654	1.242.486	15.089.207	39.344.693	32.434.845	19.980.338	1.011.325	-	17.421.343	81.154.848	53.757.321	134.912.169
<i>Wholesale and Retail Trade</i>	6.153.897	2.033	602.851	-	15.908.730	19.833.799	9.422.488	700.486	-	856	43.450.788	9.174.352	52.625.140
<i>Accommodation and Dining</i>	1.078.626	169	1.903	-	7.740.969	1.199.490	5.645.843	211.056	-	12	3.432.978	12.445.090	15.878.068
<i>Transportation and Telecom.</i>	351.622	8.448	284.352	-	4.917.618	9.533.295	899.028	24.282	-	2.002	11.421.162	4.599.485	16.020.647
<i>Financial Institutions</i>	47.762	-	328.209	15.054.460	3.918.437	73.990	862.616	8	-	16.078.826	15.824.346	20.539.962	36.364.308
<i>Real Estate and Rental Services</i>	190.054	-	1.066	-	4.469.943	565.986	1.907.806	47.135	-	3.704	1.896.627	5.289.067	7.185.694
<i>Professional Services</i>	78.642	-	-	34.747	3.114	864.278	126.002	3.183	-	294.804	1.404.423	347	1.404.770
<i>Educational Services</i>	181.628	-	753	-	1.551.208	168.397	342.197	10.224	-	9.443	1.376.218	887.632	2.263.850
<i>Health and Social Services</i>	295.047	4	23.352	-	834.674	195.610	774.358	14.951	-	1.031.696	2.348.306	821.386	3.169.692
Other	91.567.773	3.876.527	707.330	92.423	31.809.430	26.654.684	27.745.010	256.564	139.449	745.785	115.159.243	68.435.732	183.594.975
Total	110.371.526	3.887.468	3.222.986	15.181.630	141.127.895	73.203.463	70.334.762	2.287.307	139.449	18.200.590	255.494.624	182.462.452	437.957.076

<sup>(1)</sup>Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

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

**II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK (continued)**

Profile of significant exposures by sectors (continued):

Prior Period		Risk Classifications <sup>(1)</sup>											
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables in regulatory high-risk categories	Other	TRY	FC	Total
Agriculture	1	5	15	10.365	616.431	695.401	140.782	32.107	-	85.400	875.269	705.238	1.580.507
<i>Farming and Stockbreeding</i>	<i>1</i>	<i>3</i>	<i>15</i>	<i>10.365</i>	<i>222.147</i>	<i>572.922</i>	<i>128.461</i>	<i>20.777</i>	-	<i>393</i>	<i>823.323</i>	<i>131.761</i>	<i>955.084</i>
<i>Forestry</i>	-	2	-	-	272.134	89.058	1.005	9.812	-	78.714	5.520	445.205	450.725
<i>Fishery</i>	-	-	-	-	122.150	33.421	11.316	1.518	-	6.293	46.426	128.272	174.698
Manufacturing	764.116	64.451	1.268.425	382.597	41.173.234	12.709.085	16.119.424	874.369	-	419.292	37.959.276	35.815.717	73.774.993
<i>Mining and Quarrying</i>	-	-	584.772	983	1.271.114	190.474	181.561	14.881	-	16.208	706.534	1.553.459	2.259.993
<i>Production</i>	764.116	64.424	664.185	381.614	30.911.345	12.455.581	14.611.325	859.488	-	400.667	34.374.980	26.737.765	61.112.745
<i>Electricity, Gas and Water</i>	-	27	19.468	-	8.990.775	63.030	1.326.538	-	-	2.417	2.877.762	7.524.493	10.402.255
Construction	38	2	144	133.503	13.362.849	2.309.935	1.716.747	102.175	-	116.411	10.272.919	7.468.885	17.741.804
Services	617.743	41.629	228.075	13.178.512	33.799.735	29.921.492	16.399.928	382.260	-	5.920.072	58.278.088	42.211.358	100.489.446
<i>Wholesale and Retail Trade</i>	176	9.272	29.098	10.165	12.931.392	19.644.944	7.802.434	190.039	-	71.925	34.394.147	6.295.298	40.689.445
<i>Accommodation and Dining</i>	3	128	1.667	3.645	6.052.569	1.020.038	4.423.745	67.561	-	13.654	2.307.516	9.275.494	11.583.010
<i>Transportation and Telecom.</i>	-	13.300	142.869	3.667	6.330.973	7.609.568	827.688	19.810	-	6.746	8.808.691	6.145.930	14.954.621
<i>Financial Institutions</i>	369.534	-	3.766	13.148.707	2.747.140	50.944	716.879	14	-	5.720.976	8.577.346	14.180.614	22.757.960
<i>Real Estate and Rental Services</i>	174.232	18.740	-	130	3.124.606	445.252	1.595.358	77.750	-	8.330	1.325.798	4.118.600	5.444.398
<i>Professional Services</i>	2	2	4	-	13	742.627	132.057	1.666	-	-	875.950	421	876.371
<i>Educational Services</i>	194	176	23.692	7.290	1.118.843	168.378	293.811	3.132	-	11.217	888.117	738.616	1.626.733
<i>Health and Social Services</i>	73.602	11	26.979	4.908	1.494.199	239.741	607.956	22.288	-	87.224	1.100.523	1.456.385	2.556.908
Other	85.187.618	2.961.467	164.089	12.677	9.045.116	16.286.429	23.422.326	50.249	57.407	5.692.747	97.170.842	45.709.283	142.880.125
Total	86.569.516	3.067.554	1.660.748	13.717.654	97.997.365	61.922.342	57.799.207	1.441.160	57.407	12.233.922	204.556.394	131.910.481	336.466.875

<sup>(1)</sup>Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.



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

**II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK (continued)**

Analysis of maturity-bearing exposures according to remaining maturities <sup>(\*)</sup> <sup>(\*\*)</sup>:

Current Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	1.076.863	1.172.870	1.962.225	5.029.589	101.129.979
2. Conditional and unconditional exposures to regional governments or local authorities	59.483	15.347	35.149	268.548	3.508.941
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	561.337	38.004	24.494	250.653	2.348.498
4. Conditional and unconditional exposures to banks and brokerage houses	6.258.408	95.975	84.047	195.583	8.547.617
5. Conditional and unconditional exposures to corporates	17.867.671	7.419.406	13.985.757	27.401.468	99.700.536
6. Conditional and unconditional retail exposures	8.162.037	2.770.442	4.687.908	13.392.470	89.417.874
7. Past due items	2.277.675	-	15	170	9.447
8. Other Items	589.452	375.674	191.166	151.962	16.892.336
<b>Total</b>	<b>36.852.926</b>	<b>11.887.718</b>	<b>20.970.761</b>	<b>46.690.443</b>	<b>321.555.228</b>

<sup>(\*)</sup>Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

<sup>(\*\*)</sup>Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month
1. Conditional and unconditional exposures to central governments or central banks	1.537.354	512.331	1.200.790	2.999.040	80.320.001
2. Conditional and unconditional exposures to regional governments or local authorities	49.077	17.414	74.464	165.900	2.760.699
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	725.004	5.371	7.920	109.237	813.216
4. Conditional and unconditional exposures to banks and brokerage houses	12.857.780	674.329	87.475	74.633	23.437
5. Conditional and unconditional exposures to corporates	12.376.238	6.745.485	10.755.811	17.893.970	71.588.636
6. Conditional and unconditional retail exposures	4.909.361	2.111.072	3.874.026	10.956.580	76.565.142
7. Past due items	1.433.547	-	1	2	7.610
8. Other Items	880.464	199.310	48.674	31.085	11.074.389
<b>Total</b>	<b>34.768.825</b>	<b>10.265.312</b>	<b>16.049.161</b>	<b>32.230.447</b>	<b>243.153.130</b>

<sup>(\*)</sup> Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

<sup>(\*\*)</sup> Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

Information on the risk classifications as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

Islamic International Rating Agency (IIRA) country ratings are taken into account in calculating the Bank's capital adequacy. For other portfolios, the ratings given by the Fitch Ratings are used for the counterparties resident abroad.

Islamic International Rating Agency (IIRA) notes are used in the "Central Government or Receivables from Central Banks" portfolio. Fitch Ratings' rating grades are used for the risk classes listed below, provided that they are resident abroad.

<b>SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)</b>
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**II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK (continued)**

Information on the risk classifications as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks(continued):

- Receivables on banks and intermediary institutions
- Receivables on regional governments or local authorities
- Receivables on administrative bodies and other non-commercial undertakings
- Receivables on multilateral development banks
- Corporate Receivables

The relevant risk classification is used in determining the risk weights on a receivable that is classified as per the second section, Article 8 of the Additional Regulation 1 on Measurement and Assessment of Capital Adequacy Ratios of Banks. In the absence of a specific rating, the provisions of paragraph a,b and c of Article 9 of the regulation mentioned should be used.

In the 26th Article of the Regulation on the Principles Regarding the Authorization and Activities of Rating Agencies, IIRA grades are used in the below table of maturity in determining the credit quality level of the country grades, central government and central banks receivables. In the case of other risk classes included in the table, Fitch Ratings notes are taken into account if the rated party is a foreign resident, the supervisor of the relevant country has equivalent regulation and supervision structure, authorized in the country notes.

Implementation of the risk weights to receivables from Regional Governments or local authorities are subject to the same conditions as receivables from banks and intermediary institutions but this implementation exemption cannot be applied for the receivables from banks and intermediary institutions which have less than 90 days to maturity.

The implementation of the risk weights to receivables from multilateral development banks except those listed in the Additional Regulation 1 on Measurement and Assessment of Capital Adequacy Ratios of Banks, are subject to the same conditions as receivables from banks and intermediary institutions but this implementation exemption cannot be applied for the receivables from banks and intermediary institutions which have less than 90 days to maturity.

The implementation of the risk weight for unrated receivables from banks and intermediary institutions can not be lower than the risk weight of receivables from sovereigns which they are settled in.

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**II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK (continued)**

Credit Quality Grade and Rating Matching Table							
Credit Quality Grade	IIIRA		Fitch				
	Rating	Exposures to Central Governments or Central Banks	Rating	Exposures to administrative bodies and other non-commercial undertakings	Exposures to Banks and Brokerage Houses		Exposures to Corporates
					Exposures with Original Maturities Less Than 90 Days	Exposures with Original Maturities More Than 90 Days	
1	AAA	0%	AAA	20%	20%	20%	20%
	AA+		AA+				
	AA		AA				
	AA-		AA-				
2	A+	20%	A+	50%	20%	50%	50%
	A		A				
	A-		A-				
3	BBB+	50%	BBB+	100%	20%	50%	100%
	BBB		BBB				
	BBB-		BBB-				
4	BB+	100%	BB+	100%	50%	100%	100%
	BB		BB				
	BB-		BB-				
5	B+	100%	B+	100%	50%	100%	150%
	B		B				
	B-		B-				
6	CCC+	150%	CCC+	150%	150%	150%	150%

Receivables from consolidated private sector :

Country	RWA Calculations for Private Sector Loans in Banking Book	RWA Calculations for Trading Book	Total
TURKEY	271.032.228	40.490	271.072.718
SERBIA	5.896.157	1.065	5.897.222
MAKEDONIA	3.892.737	-	3.892.737
SAUDI ARABIA	2.564.736	-	2.564.736
VIRGIN ISLANDS(US)	1.417.305	-	1.417.305
TRNC	453.652	-	453.652
UNITED KINGDOM	276.537	-	276.537
FRANCE	262.996	-	262.996
SWITZERLAND	160.077	-	160.077
INDIA	79.584	-	79.584
KIRGHIZSTAN	124.303	-	124.303
GERMANY	71.977	-	71.977
UNITED STATES	55.443	80.553	135.996
OTHER <sup>(*)</sup>	239.039	-	239.039
* Countries having less than 55.000.000 Turkish Lira (full TRY) risk weighted amount are classified under "Others".			

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**II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK (continued)**

Exposures by Consolidated risk weights:

<b>Current Period</b>											<b>Deductions from Equity</b>
<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	
1.Exposures before Credit Risk Mitigation	74.137.076	-	9.941.657	-	32.993.033	129.600.006	190.598.044	139.449	-	547.811	272.304
2.Exposures after Credit Risk Mitigation	93.822.578	844.508	11.527.606	40.119.826	66.125.319	72.750.843	152.079.136	139.449	-	547.811	272.304
<b>Prior Period</b>											<b>Deductions from Equity</b>
<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	
1.Exposures before Credit Risk Mitigation	59.532.270	-	6.906.873	-	22.474.709	108.695.802	138.365.815	57.407	-	433.999	222.081
2.Exposures after Credit Risk Mitigation	78.174.802	19	8.028.877	34.775.748	48.618.780	59.842.697	106.534.546	57.407	-	433.999	222.081

Information by major sectors and type of counterparties:

<b>Current Period</b>		<b>Credits<sup>(3)</sup></b>		
<b>Major Sectors /Counterparties</b>		<b>Significant Increase in Credit Risk (Stage II) <sup>(1)</sup></b>	<b>Credit – Impaired Losses (Stage III) <sup>(2)</sup></b>	<b>Expected Credit Loss (TFRS 9)</b>
<b>Agriculture</b>		<b>64.089</b>	<b>111.085</b>	<b>95.410</b>
<i>Farming and Stockbreeding</i>		45.205	98.231	84.737
<i>Forestry</i>		75	634	608
<i>Fishery</i>		18.809	12.220	10.065
<b>Manufacturing</b>		<b>3.620.694</b>	<b>3.514.758</b>	<b>3.174.777</b>
<i>Mining and Quarrying</i>		80.219	380.056	269.114
<i>Production</i>		3.046.630	3.129.795	2.892.720
<i>Electricity, Gas and Water</i>		493.845	4.907	12.943
<b>Construction</b>		<b>3.582.220</b>	<b>1.143.815</b>	<b>1.146.633</b>
<b>Services</b>		<b>7.854.301</b>	<b>3.195.260</b>	<b>2.831.468</b>
<i>Wholesale and Retail Trade</i>		3.059.057	2.078.831	1.718.848
<i>Accommodation and Dining</i>		756.180	547.878	411.419
<i>Transportation and Telecommunication</i>		433.496	94.339	100.072
<i>Financial Institutions</i>		848.267	11.384	70.776
<i>Real Estate and Rental Services</i>		2.521.579	343.596	417.590
<i>Professional Services</i>		43.507	10.767	8.760
<i>Educational Services</i>		97.696	21.470	22.996
<i>Health and Social Services</i>		94.519	86.995	81.007
<b>Other</b>		<b>1.461.127</b>	<b>949.601</b>	<b>741.141</b>
<b>Total</b>		<b>16.582.431</b>	<b>8.914.519</b>	<b>7.989.429</b>

<sup>(1)</sup>Income accruals amounting to TRY 723.658 are not included in the table.

<sup>(2)</sup>Income accruals amounting to TRY 368.479 are not included in the table.

<sup>(3)</sup>Leasing receivables and factoring receivables are not included in the table.

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

**II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK (continued)**

Information by major sectors and type of counterparties (continued):

Prior Period	Credits			
Major Sectors /Counterparties	Impaired Credits <sup>(1)</sup>	Past Due Credits <sup>(2)</sup>	Value Adjustments	Provisions
<b>Agriculture</b>	<b>92.749</b>	<b>12.915</b>	<b>226</b>	<b>75.549</b>
<i>Farming and Stockbreeding</i>	83.371	12.205	212	67.697
<i>Forestry</i>	8.904	-	-	7.387
<i>Fishery</i>	474	710	14	465
<b>Manufacturing</b>	<b>2.798.522</b>	<b>784.706</b>	<b>15.348</b>	<b>2.032.134</b>
<i>Mining and Quarrying</i>	130.201	13.126	239	115.312
<i>Production</i>	2.664.709	391.994	7.524	1.913.972
<i>Electricity, Gas and Water</i>	3.612	379.586	7.585	2.850
<b>Construction</b>	<b>1.149.091</b>	<b>119.290</b>	<b>2.023</b>	<b>995.733</b>
<b>Services</b>	<b>2.195.411</b>	<b>1.178.444</b>	<b>22.942</b>	<b>1.742.358</b>
<i>Wholesale and Retail Trade</i>	1.322.062	723.120	14.007	947.799
<i>Accommodation and Dining</i>	145.087	73.441	1.391	118.960
<i>Transportation and Telecommunication</i>	102.766	173.655	3.382	65.875
<i>Financial Institutions</i>	11.834	941	19	10.740
<i>Real Estate and Rental Services.</i>	537.563	163.105	3.262	532.337
<i>Professional Services</i>	-	26.058	521	-
<i>Educational Services</i>	6.885	6.620	132	3.752
<i>Health and Social Services</i>	69.214	11.504	228	62.895
<b>Others</b>	<b>60.633</b>	<b>395.024</b>	<b>10.545</b>	<b>40.307</b>
<b>Total</b>	<b>6.296.406</b>	<b>2.490.379</b>	<b>51.084</b>	<b>4.886.081</b>

<sup>(1)</sup> Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

<sup>(2)</sup> Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above. Movements in value adjustments and provisions:

Movements in value adjustments and provisions:

Current Period	Provision				Closing Balance
	Opening Balance	for Period	Provision Reversals	Other Adjustments*	
1. Stage III expected credit loss	4.886.081	1.814.758	37.273	118.988	6.782.554
2. Stage I and Stage II expected credit loss	2.185.709	462.311	-	(403.200)	2.244.820

\*Includes ECL amounts arising from the TFRS 9 transition effect.

Prior Period	Provision				Closing Balance
	Opening Balance	for Period	Provision Reversals	Other Adjustments(*)	
1. Specific Provisions	4.055.388	1.139.908	309.215	-	4.886.081
2. General Provisions	2.049.136	268.934	913	-	2.317.157

**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)****II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK (continued)**

The table below shows the maximum risk exposure to credit risk for the components of the financial statements.

<b>Gross Maximum Exposure</b>	<b>Current Period</b>
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	35.579.724
Due from Banks	5.146.171
Money Market Receivables	65.318
Financial Assets at Fair Value through Profit or Loss <sup>(1)</sup>	164.555
Financial Assets at Fair Value through Other Comprehensive Income	4.864.812
Financial Assets Measured at Amortised Cost	56.331.345
Loans	254.147.852
Leasing Receivables (net)	3.050.644
Factoring Receivables	1.381.520
<b>Total</b>	<b>360.731.941</b>
Contingent Liabilities	83.669.975
Commitments	27.842.237
<b>Total</b>	<b>111.512.212</b>
<b>Total Credit Risk Exposure</b>	<b>472.244.153</b>

<sup>(1)</sup>As of 31 December 2018, TRY 14.374.380 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

<b>Gross Maximum Exposure</b>	<b>Prior Period</b>
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	36.681.377
Due from banks	6.313.167
Money Market Receivables	1.288.168
Financial Assets at Fair Value through profit or loss <sup>(1)</sup>	481.839
Financial Assets Available for Sale	17.620.079
Held to maturity Investments	21.987.099
Loans Given	205.552.595
Receivables form Leasing Transactions (Net)	2.671.253
Factoring Receivables	1.211.932
<b>Total</b>	<b>293.807.509</b>
Contingent Liabilities	58.787.658
Commitments	25.114.194
<b>Total</b>	<b>83.901.852</b>
<b>Total Credit Risk Exposure</b>	<b>377.709.361</b>

<sup>(1)</sup>As of 31 December 2017, TRY 10.000.429 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Overdue and individually impaired assets are not available in due from banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

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**II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK (continued)**

The net value and type of collaterals of the loans amounting TRY 16.311.877 followed under loans and other receivables under close monitoring section is below (31 December 2017: TRY 5.128.482).

<b>Collateral Types<sup>(1),(2)</sup></b>	<b>Net Value of Collateral Current Period</b>
Real estate mortgage	9.040.540
Salary pledge, vehicle pledge and pledge of commercial undertaking	346.327
Financial collaterals (cash, securities pledge, etc.)	1.122
Cheque / bills	73.795
Sureties	2.902.109
Other	3.947.984
<b>Total</b>	<b>16.311.877</b>

<sup>(1)</sup> The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered on the table above.

<sup>(2)</sup> Income accruals amounting to TRY 723.658 are not included in the table.

<b>Collateral Types<sup>(1),(2)</sup></b>	<b>Net Value of Collateral Prior Period</b>
Real estate mortgage	3.127.124
Salary pledge, vehicle pledge and pledge of commercial undertaking	139.087
Financial collaterals (cash, securities pledge, etc.)	1.671
Cheque / bills	11.068
Sureties	808.779
Other	1.040.753
<b>Total</b>	<b>5.128.482</b>

<sup>(1)</sup> The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered on the table above.

<sup>(2)</sup> Income accruals amounting to TRY 74.024 are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 9.282.998 followed under non-performing loans section is below (31 December 2017: TRY 6.296.406).

<b>Collateral Types<sup>(1)</sup></b>	<b>Net Value of Collateral Current Period</b>
Cash	4.638
Mortgage	2.108.062
Pledge	387.032
Cheque / bills	24.060
Sureties	4.321.922
Other <sup>(2)</sup>	2.068.804
<b>Total</b>	<b>8.914.519</b>

<sup>(1)</sup> Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

<sup>(2)</sup> Income accruals amounting to TRY 368.479 are not included in the table.

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**MANAGEMENT OF THE GROUP (continued)**

**II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK (continued)**

<b>Collateral Types<sup>(1)</sup></b>	<b>Net Value of Collateral Prior Period</b>
Cash	271
Mortgage	1.708.612
Pledge	236.880
Cheque / bills	8.527
Sureties	1.688.191
Other	2.653.925
<b>Total</b>	<b>6.296.406</b>

<sup>(1)</sup> Comprised of share certificates, blockage on receivables and salaries, uncollateralized.

**III. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK**

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the 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 Parent Bank makes derivative transactions against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Bank as at 31 December 2018 and the previous five working days in full TRY are as follows:

	<b>24.12.2018</b>	<b>25.12.2018</b>	<b>26.12.2018</b>	<b>27.12.2018</b>	<b>28.12.2018</b>	<b>31.12.2018</b>
USD	5,2700000	5,2700000	5,2500000	5,2600000	5,2400000	5,2700000
CHF	5,3190000	5,3349000	5,2809000	5,3113000	5,3430000	5,3330000
GBP	6,6944000	6,6718000	6,6481000	6,6339000	6,6417000	6,7352000
JPY	0,0476143	0,0477547	0,0473864	0,0473653	0,0474549	0,0478372
EURO	6,0207000	5,9941000	5,9792000	5,9938000	6,0082000	6,0265000

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 31 December 2018 are as follows:

	<b>Monthly average</b>
USD	5,2942857
CHF	5,3310667
GBP	6,7011476
JPY	0,0471538
EURO	6,0263810



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**III. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (continued)**

Information related to currency risk:

Current Period	EUR	USD	OTHER FC	TOTAL
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	15.845.253	9.642.438	6.108.939	31.596.630
Banks	686.997	3.625.590	652.192	4.964.779
Financial assets at fair value through profit and loss <sup>(3)</sup>	-	21.455	1.125	22.580
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income <sup>(5)</sup>	840.657	608.569	695.394	2.144.620
Loans <sup>(2)</sup>	47.357.714	41.774.693	2.872.554	92.004.961
Subsidiaries, associates and entities under common control <sup>(5)</sup>	431.547	-	-	431.547
Financial assets measured at amortized cost	-	10.962.386	196.413	11.158.799
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	124.956	124.956
Intangible assets	-	-	-	-
Other assets <sup>(3)</sup>	323.045	1.793.792	52.881	2.169.718
<b>Total assets</b>	<b>65.485.213</b>	<b>68.428.923</b>	<b>10.704.454</b>	<b>144.618.590</b>
<b>Liabilities</b>				
Bank deposits	8.688.941	5.570.330	783.313	15.042.584
Foreign currency deposits	47.083.052	44.091.737	6.853.596	98.028.385
Money market balances	-	5.402.273	-	5.402.273
Funds provided from other financial institutions	8.714.381	5.253.406	20.069	13.987.856
Bonds issued	-	12.024.839	-	12.024.839
Sundry creditors	171.769	190.235	24.425	386.429
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities <sup>(3)</sup>	403.101	588.912	118.298	1.110.311
<b>Total liabilities</b>	<b>65.061.244</b>	<b>73.121.732</b>	<b>7.799.701</b>	<b>145.982.677</b>
<b>Net balance sheet position</b>	<b>423.969</b>	<b>(4.692.809)</b>	<b>2.904.753</b>	<b>(1.364.087)</b>
<b>Net off-balance sheet position</b>	<b>(385.913)</b>	<b>4.240.264</b>	<b>(1.838.600)</b>	<b>2.015.751</b>
Financial derivative assets <sup>(4)</sup>	1.504.108	10.029.426	966.638	12.500.172
Financial derivative liabilities <sup>(4)</sup>	1.890.021	5.789.162	2.805.238	10.484.421
Non-cash loans <sup>(1)</sup>	23.171.689	21.031.521	2.481.487	46.684.697
<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>	<b>223.198</b>	<b>2.534.947</b>	<b>(1.995.069)</b>	<b>763.076</b>
Financial derivative assets	1.065.746	5.996.311	1.250.482	8.312.539
Financial derivative liabilities	842.548	3.461.364	3.245.551	7.549.463
Non-cash loans <sup>(1)</sup>	12.618.873	16.362.849	1.714.234	30.695.956

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

<sup>(2)</sup> Includes TRY 764.208 of foreign currency indexed loans and their accruals (31 December 2017: TRY 2.070.996).

<sup>(3)</sup> In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", foreign currency intangible assets TRY 34.313, prepaid expenses TRY 341 in assets; and shareholders' equity TRY 338.515 in liabilities and foreign currency minority shares TRY 5.276 are not taken into consideration in the currency risk measurement.

<sup>(4)</sup> Financial derivative assets include forward precious metal purchase transactions amounted to TRY 89.699. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 2.149.770. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

<b>SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)</b>
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**IV. EXPLANATIONS ON THE CONSOLIDATED 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 Parent 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 GROUP (continued)**

**IV. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK (continued)**

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
<b>Assets</b>							
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	16.093.521	-	-	-	-	19.486.203	35.579.724
Banks	3.170.150	-	15.421	-	-	1.960.600	5.146.171
Financial assets at fair value through profit and loss	50.564	27.363	56.535	185	21.478	14.382.810	14.538.935
Money market placements	65.318	-	-	-	-	-	65.318
Financial assets at fair value through other comprehensive income	29.872	821.692	1.130.375	2.180.907	591.312	110.654	4.864.812
Loans	40.464.724	34.427.744	100.296.021	63.288.693	14.453.851	5.778.235	258.709.268
Financial assets measured at amortised cost	562.355	17.196.536	7.677.451	10.672.258	20.222.745	-	56.331.345
Other assets <sup>(1) (2)</sup>	952.046	828.385	185.299	41.429	1.328	10.977.616	12.986.103
<b>Total assets</b>	<b>61.388.550</b>	<b>53.301.720</b>	<b>109.361.102</b>	<b>76.183.472</b>	<b>35.290.714</b>	<b>52.696.118</b>	<b>388.221.676</b>
<b>Liabilities</b>							
Bank deposits	8.733.726	1.535.846	14.896	-	-	20.733.926	31.018.394
Other deposits	120.338.792	46.331.914	17.657.731	1.021.878	18.037	34.192.774	219.561.126
Money market balances	37.173.264	854.887	-	-	-	190.118	38.218.269
Sundry creditors	2.423.899	29.785	84.089	111.421	-	2.260.212	4.909.406
Bonds issued	1.492.975	1.956.694	2.495.116	10.208.711	-	192.717	16.346.213
Funds provided from other financial institutions <sup>(3)</sup>	1.166.612	5.804.740	4.209.579	3.149.178	753.878	190.493	15.274.480
Other liabilities <sup>(4)</sup>	1.150.250	22.679	1.774.367	14.529.699	6.870.185	38.546.608	62.893.788
<b>Total liabilities</b>	<b>172.479.518</b>	<b>56.536.545</b>	<b>26.235.778</b>	<b>29.020.887</b>	<b>7.642.100</b>	<b>96.306.848</b>	<b>388.221.676</b>
Balance sheet long position	-	-	83.125.324	47.162.585	27.648.614	-	157.936.523
Balance sheet short position	(111.090.968)	(3.234.825)	-	-	-	(43.610.730)	(157.936.523)
Off-balance sheet long position	1.131.188	1.413.449	4.506.341	1.139.324	3.208.897	13.021.620	24.420.819
Off-balance sheet short position	(745.075)	(1.049.773)	(4.084.721)	(1.983.234)	(3.208.897)	(12.906.156)	(23.977.856)
<b>Total position</b>	<b>(110.704.855)</b>	<b>(2.871.149)</b>	<b>83.546.944</b>	<b>46.318.675</b>	<b>27.648.614</b>	<b>(43.495.266)</b>	<b>442.963</b>

<sup>(1)</sup> TRY 98.345 of deferred tax asset is disclosed under the non-bearing interest column in other assets and TRY 455.760 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

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

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

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

**IV. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK (continued)**

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	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 1.410.325 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 GROUP (continued)**

**IV. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK (continued)**

2. Average interest rates applied to financial instruments:

Current period	EUR	USD	JPY	TRY
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT <sup>(5)</sup>	-	2,00	-	13,00
Banks	0,19	2,22	-	19,58
Financial assets at fair value through profit and loss	-	6,62	-	19,73
Money market placements	-	-	-	22,00
Financial assets at fair value through other comprehensive income	4,05	5,83	-	22,81
Loans <sup>(2)</sup>	5,22	7,47	1,54	16,69
Financial assets measured at amortised cost	-	5,61	-	21,93
<b>Liabilities</b>				
Bank deposits	2,72	5,30	-	24,33
Other deposits <sup>(4)</sup>	2,48	4,64	0,25	20,63
Money market borrowings	-	4,55	-	23,35
Sundry creditors <sup>(3)</sup>	-	-	-	4,75
Bonds issued	-	4,46	-	16,87
Funds provided from other financial institutions <sup>(4)</sup>	1,37	3,17	1,40	21,95

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

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

<sup>(3)</sup> Declared maximum deposits interest rate with a maturity of 12 months as of 31 December 2018.

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

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

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.

**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK  
MANAGEMENT OF THE GROUP (continued)****IV. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK (continued)**

## 2. The interest rate risk of the banking book items:

Standard interest rate shock methods are being used in respect of measuring the risk arising from re-pricing mismatch of asset and liability items. The duration within the limits are determined by BRSA that obtained from the calculation intended for demand deposits by using core deposit and duration analysis is taken into account.

The interest rate risk of the banking book items is calculated by taking into account the worst ratio for the Parent Bank among the calculated ratios by dividing the total of the differences in terms of maturities and currencies with the shareholders' equity. The mentioned difference is the difference between the net position amounts which are derived from the cash flows of the on-balance and off-balance sheet positions included in the interest sensitive banking book items discounted by the ratios derived from the application of positive and negative shocks, and the net position amounts which are discounted by the ratios without applying the shocks. The maximum limit regarding the economic value change is 20% of shareholders' equity.

While maturity distribution of the related cash flows, remaining maturities are taken into account for fixed rate instruments and re-pricing dates are taken into account for flexible interest instruments. Non-performing loans are placed to relevant maturity periods except demand time interval that are not than not be less than six months by taking into account receiving durations are receivables ratios under other receivables and estimated receiving durations. Foreign currency indexed asset and liabilities are placed to related forms by taking into accounts their indexed currency types.

In defining the maturity of Parent Bank's demand deposits, average durations which are calculated by statistical analysis are being used:

<b>Current Period</b>			
<b>Currency</b>	<b>Applied Shock (+/- x base point)</b>	<b>Gains/Losses</b>	<b>Gains/Shareholders' Equity –Losses/ Shareholders' Equities</b>
TRY	500	(4.147.592)	(11,17%)
	(400)	3.990.457	10,75%
EUR	200	610.795	1,64%
	(200)	(654.359)	(1,76%)
USD	200	(1.027.985)	(2,77%)
	(200)	1.493.270	4,02%
<b>Total (For negative shocks)</b>		<b>4.829.368</b>	<b>13,01%</b>
<b>Total (For positive shocks)</b>		<b>(4.564.782)</b>	<b>(12,30%)</b>
<b>Prior Period</b>			
<b>Currency</b>	<b>Applied Shock (+/- x base point)</b>	<b>Gains/Losses</b>	<b>Gains/Shareholders' Equity –Losses/ Shareholders' Equities</b>
TRY	500	(4.233.277)	(14,86%)
	(400)	4.242.774	14,89%
EUR	200	508.529	1,78%
	(200)	(410.052)	(1,44%)
USD	200	(652.368)	(2,29%)
	(200)	1.060.994	3,72%
<b>Total (For negative shocks)</b>		<b>4.893.716</b>	<b>17,17%</b>
<b>Total (For positive shocks)</b>		<b>(4.377.116)</b>	<b>(15,37%)</b>

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

**V. EXPLANATIONS ON THE CONSOLIDATED POSITION RISK OF SHARES**

Information about position risk of shares:

	Comparison			The Amount of Capital Requirement
	Balance Sheet Value	Fair Value Change	Market Value	
<b>Equities</b>				
Stock investment excluding A,B,C,D group	515.868 <sup>(*)</sup>	415.829 <sup>(**)</sup>	-	91.113

(\*) Includes TRY 57.146 of unconsolidated subsidiary, TRY 449.370 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 31 December 2018.

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

Portfolio	Revaluation surplus in the fair value			Unrealized gains and losses	
	Realized gains (losses) in the current period	Total	Included in supplementary capital	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	-	19.353	19.353	-	-
<b>Total</b>	<b>-</b>	<b>19.353</b>	<b>19.353</b>	<b>-</b>	<b>-</b>

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

**VI. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY  
COVERAGE RATIO**

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

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.

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

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



**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK  
MANAGEMENT OF THE GROUP (continued)****VI. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY  
COVERAGE RATIO (continued)**

According to “Regulation for Banks’ Liquidity Coverage Ratio Calculations” (the Regulation), Liquidity Coverage Ratio (“LCR”), aiming banks having the ability to cover net cash outflows with high quality liquid assets, is calculated by using high quality liquid assets divided by net cash outflows to be realized within 30 days. In both unconsolidated and consolidated basis, the legal minimum limits of the LCR ratio for the total and foreign currency should be 90% and 70% for 2018 respectively, and 100% and 80% in 2019 respectively.

In 2018, foreign currency and total liquidity coverage ratios on consolidated basis did not fall below the legal limits. The Parent Bank’s cash inflows on the consolidated basis did not exceed 75% of cash outflows and high quality liquid assets are composed of 7,17% cash, 45,35% central banks, 46,62% securities considered as high quality liquid assets.

Consolidated funding source composition is composed of 71,91% deposits, 5,21% funds borrowed, 10,96% money market borrowings, 4,69% securities issued and 1,77% subordinated debt instruments. As in the previous period, derivative transactions did not generate a net cash outflow that would negatively affect the liquidity position.

The cash outflows from derivative financial instruments and other liabilities are calculated on the basis of the changes in fair value in the last 24 months on a consolidated basis, is TRY 1.470.488.

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

Liquidity ratios and its daily changes monitored under calculated "Liquidity Coverage Ratio" and "Liquidity Emergency Action Plan" within the scope of the Regulation on “Banks' Liquidity Coverage Ratio Calculation" prepared by BRSA and then they are notified to the Parent Bank Audit Committee and the Asset-Liability Committee regularly.

Throughout the current period, Group’s Liquidity Coverage Ratio’s lowest and highest values and the weeks these values are monitored are given in the table below:

**Liquidity Minimum-Maximum**

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Month	(%)	Related Month	(%)
Maximum	24.12.2018	189,78	24.12.2018	145,90
	30.12.2018		30.12.2018	
Minimum	01.10.2018	125,38	01.10.2018	84,82
	07.10.2018		07.10.2018	

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

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

	Total Unweighted Value (average) <sup>(1)</sup>		Total Weighted Value (average) <sup>(1)</sup>	
	TRY+FC	FC	TRY+FC	FC
<b>Current Period</b>				
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			53.741.958	26.678.480
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	117.269.450	44.798.170	10.455.442	4.479.817
Stable Deposits	25.430.060	-	1.271.503	-
Less Stable Deposits	91.839.390	44.798.170	9.183.939	4.479.817
Unsecured wholesale funding , of which;	102.988.536	45.361.867	42.324.808	19.856.835
Operational Deposits	35.321.672	10.662.628	8.830.418	2.665.657
Non-operational Deposits	62.158.485	31.683.085	28.644.497	14.650.858
Other Unsecured Funding	5.508.379	3.016.154	4.849.893	2.540.320
Secured Funding			-	-
Other cash outflows, of which;	8.025.355	4.873.951	3.868.181	2.600.740
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	330.890	723.519	330.890	723.519
Obligations related to structured financial products	58.314	-	58.314	-
Commitments related to debts to financial markets and other off-balance sheet obligations	7.636.151	4.150.432	3.478.977	1.877.221
Other revocable off-balance sheet commitments and contractual obligations.	91.205	-	91.205	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	99.572.967	42.704.063	7.900.145	3.477.943
<b>Total Cash Outflows</b>			<b>64.639.781</b>	<b>30.415.335</b>
<b>Cash Inflows</b>				
Secured Lending	-	-	-	-
Unsecured Lending	26.146.432	11.739.757	18.447.182	9.836.588
Other Cash Inflows	164.036	2.013.894	164.036	2.013.894
<b>Total Cash Inflows</b>	<b>26.310.468</b>	<b>13.753.651</b>	<b>18.611.218</b>	<b>11.850.482</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>53.741.958</b>	<b>26.678.480</b>
<b>Total Net Cash Outflows</b>			<b>46.028.563</b>	<b>18.564.853</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>116,85%</b>	<b>144,62%</b>

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

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

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

	Total Unweighted Value (average) <sup>(1)</sup>		Total Weighted Value (average) <sup>(1)</sup>	
Prior Period	TRY+FC	FC	TRY+FC	FC
<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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**MANAGEMENT OF THE GROUP (continued)**

**VI. EXPLANATIONS ON THE CONSOLIDATED 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	4.913.432	30.539.012	-	127.280	-	-	-	35.579.724
Banks	2.227.278	2.901.127	2.030	15.698	38	-	-	5.146.171
Financial assets at fair value through profit and loss	6.150	51.645	-	14.430.915	27.548	21.478	1.199	14.538.935
Receivables from Money market	-	65.318	-	-	-	-	-	65.318
Financial assets at fair value through other comprehensive income	-	29.691	208.075	1.029.196	3.011.915	448.262	137.673	4.864.812
Loans	3.160.268	15.139.374	15.195.175	77.568.360	113.386.136	34.259.955	-	258.709.268
Financial assets measured at amortised cost	-	237.583	939.604	3.057.035	23.588.433	28.508.690	-	56.331.345
Other assets <sup>(2)</sup>	245.776	598.979	1.294.999	530.993	591.977	30.996	9.692.383	12.986.103
<b>Total assets</b>	<b>10.552.904</b>	<b>49.562.729</b>	<b>17.639.883</b>	<b>96.759.477</b>	<b>140.606.047</b>	<b>63.269.381</b>	<b>9.831.255</b>	<b>388.221.676</b>
<b>Liabilities</b>								
Bank deposits	20.673.730	8.787.811	1.541.557	15.296	-	-	-	31.018.394
Other deposits	32.418.383	121.358.239	46.774.591	17.962.662	1.028.477	18.774	-	219.561.126
Funds provided from other financial institutions <sup>(3)</sup>	36	985.835	1.801.634	3.909.489	5.748.994	2.828.492	-	15.274.480
Money market balances	-	35.227.160	340.631	-	2.123.478	527.000	-	38.218.269
Bonds issued	-	1.682.721	2.026.971	2.427.811	10.208.710	-	-	16.346.213
Sundry creditors	60.916	2.031.399	156.447	621.877	1.741.425	5.414	291.928	4.909.406
Other liabilities <sup>(1)</sup>	1.233.469	5.059.528	329.709	16.701.361	311.817	8.190.626	31.067.278	62.893.788
<b>Total liabilities</b>	<b>54.386.534</b>	<b>175.132.693</b>	<b>52.971.540</b>	<b>41.638.496</b>	<b>21.162.901</b>	<b>11.570.306</b>	<b>31.359.206</b>	<b>388.221.676</b>
<b>Liquidity gap</b>	<b>(43.833.630)</b>	<b>(125.569.964)</b>	<b>(35.331.657)</b>	<b>55.120.981</b>	<b>119.443.146</b>	<b>51.699.075</b>	<b>(21.527.951)</b>	<b>-</b>
<b>Net off balance sheet position</b>	<b>(291)</b>	<b>44.055</b>	<b>(118.416)</b>	<b>(8.676)</b>	<b>526.291</b>	<b>-</b>	<b>-</b>	<b>442.963</b>
Derivative financial assets	98.324	8.307.418	1.331.178	4.617.257	3.648.848	6.417.794	-	24.420.819
Derivative financial liabilities	(98.615)	(8.263.363)	(1.449.594)	(4.625.933)	(3.122.557)	(6.417.794)	-	(23.977.856)
<b>Non-cash loans</b>	<b>2.434.918</b>	<b>3.388.326</b>	<b>6.216.271</b>	<b>29.870.469</b>	<b>16.520.370</b>	<b>25.239.621</b>	<b>-</b>	<b>83.669.975</b>
<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 GROUP (continued)**

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

Analysis of non-derivative financial liabilities by remaining contractual maturities:

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Deposits	182.643.839	49.115.829	19.099.012	1.146.346	19.202	(1.444.708)	250.579.520
Funds provided from other financial intuitions	986.565	1.827.056	4.041.735	6.160.067	3.206.289	(947.232)	15.274.480
Money market borrowings	35.305.672	348.648	108.059	2.292.146	703.800	(540.056)	38.218.269
Securities issued	1.691.031	1.915.256	3.073.272	11.429.907	-	(1.763.253)	16.346.213
Funds	178.780	4.497	118.765	311.297	2.260.831	(49)	2.874.121
<b>Total</b>	<b>220.805.887</b>	<b>53.211.286</b>	<b>26.440.843</b>	<b>21.339.763</b>	<b>6.190.122</b>	<b>(4.695.298)</b>	<b>323.292.603</b>

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Deposits	138.695.766	38.658.365	14.982.260	931.101	18.141	(15.012)	193.270.621
Funds provided from other financial intuitions	1.576.388	2.915.231	8.374.854	5.232.948	2.621.216	(662.153)	20.058.484
Money market borrowings	33.612.342	1.410.455	-	-	-	(19.475)	35.003.322
Securities issued	829.636	2.347.213	340.952	9.247.008	-	(742.679)	12.022.130
Funds	92.303	13.766	127.641	274.391	2.246.745	(30.212)	2.724.634
<b>Total</b>	<b>174.806.435</b>	<b>45.345.030</b>	<b>23.825.707</b>	<b>15.685.448</b>	<b>4.886.102</b>	<b>(1.469.531)</b>	<b>263.079.191</b>

<sup>(1)</sup>Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

Analysis of Group's derivative financial instruments according to their remaining maturities:

Current Period: <sup>(1)</sup>	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	3.605.673	870.825	952.254	-	-	5.428.752
Forward Contracts – Sell	1.731.132	652.669	850.428	-	-	3.234.229
Swaps – Buy	5.474.414	447.174	1.003.129	1.370.200	-	8.294.917
Swaps – Sell	5.469.755	558.552	1.113.630	843.910	-	7.985.847
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	89.699	-	-	-	-	89.699
Forward Precious Metal - Sell	1.925.522	224.248	-	-	-	2.149.770
Money Buy Options	218.558	49.200	2.661.875	-	-	2.929.633
Money Sell Options	218.538	49.200	2.661.875	-	-	2.929.613
Swaps Interest – Buy	-	-	-	2.278.648	6.417.794	8.696.442
Swaps Interest – Sell	-	-	-	2.278.648	6.417.794	8.696.442
<b>Total</b>	<b>18.733.291</b>	<b>2.851.868</b>	<b>9.243.191</b>	<b>6.771.406</b>	<b>12.835.588</b>	<b>50.435.344</b>

<sup>(1)</sup>Forward asset purchase and sale commitments have been included in the table amounts of TRY 2.036.669.

Prior Period: <sup>(1)</sup>	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	3.342.111	1.450.171	1.521.700	-	-	6.313.982
Forward Contracts – Sell	1.501.823	661.607	1.518.340	-	-	3.681.770
Swaps – Buy	2.085.148	30.824	387.590	758.000	-	3.261.562
Swaps – Sell	2.083.245	29.584	379.000	605.440	-	3.097.269
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	24.982	-	-	-	-	24.982
Forward Precious Metal - Sell	1.896.450	808.986	-	-	-	2.705.436
Money Buy Options	239.927	2.822	697.462	-	-	940.211
Money Sell Options	239.926	2.822	697.462	-	-	940.210
Swaps Interest – Buy	-	-	-	1.638.724	3.804.657	5.443.381
Swaps Interest – Sell	-	-	-	1.638.724	3.804.657	5.443.381
<b>Total</b>	<b>11.413.612</b>	<b>2.986.816</b>	<b>5.201.554</b>	<b>4.640.888</b>	<b>7.609.314</b>	<b>31.852.184</b>

<sup>(1)</sup>Forward asset purchase and sale commitments have been included in the table amounts of TRY 910.451.

**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)****VII. EXPLANATIONS ON THE CONSOLIDATED LEVERAGE RATIO**

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

	<b>Current Period<sup>(2)</sup></b>
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS <sup>(1)</sup>	357.516.919
The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1) (2)</sup>	687.244
The difference between total amount of derivative financial instruments and credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk balances of such instruments <sup>(2)</sup>	21.772.910
The difference between total amount of risk investment securities or commodity collateral financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such instruments <sup>(2)</sup>	5.371.062
The difference between total amount of off-balance sheet transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items <sup>(2)</sup>	1.438.564
The other differences between amount of assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items	-
<b>Total Risk Amount</b>	<b>494.815.162</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) (2)</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 <sup>(2)</sup>	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 <sup>(2)</sup>	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 <sup>(2)</sup>	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 2018.

<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 GROUP (continued)**

**VII. EXPLANATIONS ON THE CONSOLIDATED 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)	383.368.941
2. Assets that are deducted from core capital	(250.620)
3. Total on balance sheet exposures	383.118.321
<b>Derivative exposures and credit derivatives</b>	
4. Replacement cost associated with derivative financial instruments and credit derivatives	1.063.489
5. The potential amount of credit risk with derivative financial instruments and credit derivatives	303.383
6. The total amount of risk on derivative financial instruments and credit derivatives	1.366.872
<b>Investment securities or commodity collateral financing transactions</b>	
7. The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.370.392
8. Risk amount of exchange brokerage operations	-
9. Total risks related with securities or commodity financing transactions	1.370.392
<b>Off -Balance Sheet Items</b>	
10. Gross notional amount of off-balance sheet items	110.398.141
11. Adjustments for conversion to credit equivalent amounts	(1.438.564)
12. The total risk of off-balance sheet items	108.959.577
<b>Capital and Total Exposures</b>	
13. Tier 1 Capital	28.740.329
14. Total Exposures	494.815.162
<b>Leverage Ratio</b>	
15. Leverage Ratio	5,81

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

**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)****VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED BUSINESS SEGMENTATION**

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

The Parent Bank is rendering services to a wide range of companies in all sectors, especially to Small and Medium Size Enterprises (SMEs) as well as individual consumers. In this context, the 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 GROUP (continued)**

**VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED BUSINESS SEGMENTATION (continued)**

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

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 December 2018 are presented in the table below.

<b>Current Period (1 January – 31 December 2018)</b>	<b>Corporate</b>	<b>Commercial</b>	<b>Integrated</b>	<b>Treasury / Investment<sup>(1)</sup></b>	<b>Other<sup>(3)</sup></b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>						
<b>Interest income</b>	<b>3.690.929</b>	<b>5.295.797</b>	<b>20.166.245</b>	<b>7.788.094</b>	<b>676.610</b>	<b>37.617.675</b>
Interest on loans	3.690.247	5.295.359	19.700.018	309.185	-	28.994.809
Interest income on marketable securities	-	-	441.185	6.633.254	77.108	7.151.547
Interest received from banks	-	-	6	666.599	-	666.605
Other interest income	682	438	25.036	179.056	599.502	804.714
<b>Interest expense</b>	<b>2.028.814</b>	<b>1.384.517</b>	<b>15.455.276</b>	<b>9.430.905</b>	<b>375.251</b>	<b>28.674.763</b>
Interest on deposits	2.025.045	1.347.387	15.110.679	1.809.122	6.102	20.298.335
Interest on borrowings	669	8.863	41.519	434.855	283.298	769.204
Interest on money market borrowings	-	-	184.063	5.596.092	15.395	5.795.550
Interest on marketable bonds issued	-	-	-	1.491.114	64.089	1.555.203
Other interest expense <sup>(2)</sup>	3.100	28.267	119.015	99.722	6.367	256.471
<b>Net interest income</b>	<b>1.662.115</b>	<b>3.911.280</b>	<b>4.710.969</b>	<b>(1.642.811)</b>	<b>301.359</b>	<b>8.942.912</b>
Net fees and commissions income / (expenses)	361.880	330.610	979.116	415.222	(182.465)	1.904.363
Net trading profit / (loss) (Net)	3.364	11.664	1.024.491	(840.192)	32.156	231.483
Dividend income	-	-	-	12.788	389	13.177
Other income	38.566	113.606	318.097	503.147	1.565.301	2.538.717
Loans and other receivables' impairment loss	455.554	606.701	1.119.258	1.005.011	233.992	3.420.516
Other expenses	37.572	83.292	2.119.558	3.646.282	1.277.647	7.164.351
<b>Income before taxes</b>	<b>1.572.799</b>	<b>3.677.167</b>	<b>3.793.857</b>	<b>(6.203.139)</b>	<b>205.101</b>	<b>3.045.785</b>
Income tax provision	-	-	-	(218.543)	(146.150)	(364.693)
<b>Net profit for the period</b>	<b>1.572.799</b>	<b>3.677.167</b>	<b>3.793.857</b>	<b>(6.421.682)</b>	<b>58.951</b>	<b>2.681.092</b>
<b>SEGMENT ASSETS (31 December 2018)</b>						
Marketable securities	-	-	8.756.221	66.710.462	268.409	75.735.092
Derivative financial assets	-	-	102.003	960.078	-	1.062.081
Banks and money market receivables	-	-	2.088	5.208.415	986	5.211.489
Associates and subsidiaries (net)	-	-	-	515.868	-	515.868
Loans	42.635.500	51.605.358	152.062.318	7.973.928	4.432.164	258.709.268
Other assets <sup>(1)</sup>	87.096	659.517	2.793.595	41.931.320	1.516.350	46.987.878
<b>TOTAL ASSETS</b>	<b>42.722.596</b>	<b>52.264.875</b>	<b>163.716.225</b>	<b>123.300.071</b>	<b>6.217.909</b>	<b>388.221.676</b>
<b>SEGMENT LIABILITIES (31 December 2018)</b>						
Deposits	54.776.436	26.420.864	141.103.733	28.278.487	-	250.579.520
Derivative financial liabilities	-	-	53.332	357.007	-	410.339
Money market balances	-	-	5.402.273	32.759.788	56.208	38.218.269
Loans	18.183	375.649	1.114.372	11.401.579	2.364.697	15.274.480
Marketable Securities issued	-	-	-	14.883.998	1.462.215	16.346.213
Other liabilities	702.546	481.589	7.070.252	23.963.880	273.130	32.491.397
Provisions and tax payable	114.122	131.949	288.821	2.489.232	2.336.094	5.360.218
Shareholders' equity	1.298.084	3.650.485	3.392.443	19.638.194	1.562.034	29.541.240
<b>TOTAL LIABILITIES</b>	<b>56.909.371</b>	<b>31.060.536</b>	<b>158.425.226</b>	<b>133.772.165</b>	<b>8.054.378</b>	<b>388.221.676</b>
<b>OFF BALANCE SHEET ITEMS (31 December 2018)</b>						
Guarantees and surety ships	23.509.936	22.867.737	23.260.633	14.031.669	-	83.669.975
Commitments	77.333	888.889	9.648.799	17.107.670	119.546	27.842.237
Derivative financial instruments	-	-	12.025.139	36.373.536	-	48.398.675

<sup>(1)</sup> Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Bank A.D. Skopje transactions are presented under the treasury / investment column. In this context net of tangible assets amounting TRY 4.639.886 (net), deferred tax assets amounting TRY 98.345 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 GROUP (continued)**

**VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED 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 (1 January – 31 December 2017)	Corporate	Commercial	SME / Integrated	Treasury / Investment <sup>(1)</sup>	Other <sup>(3)</sup>	Total
<b>OPERATING INCOME / EXPENSES</b>						
<b>Interest income</b>	<b>2.140.662</b>	<b>3.272.456</b>	<b>13.414.498</b>	<b>4.430.253</b>	<b>407.200</b>	<b>23.665.069</b>
Interest on loans	2.138.905	3.271.343	13.148.169	502.421	-	19.060.838
Interest income on marketable securities	-	-	254.258	3.469.735	41.539	3.765.532
Interest received from banks	-	-	1	256.784	(84)	256.701
Other interest income <sup>(2)</sup>	1.757	1.113	12.070	201.313	365.745	581.998
<b>Interest expense</b>	<b>1.448.879</b>	<b>726.547</b>	<b>8.274.963</b>	<b>4.680.531</b>	<b>177.857</b>	<b>15.308.777</b>
Interest on deposits	1.448.080	695.437	8.085.971	856.369	-	11.085.857
Interest on borrowings	661	6.907	27.289	359.802	145.626	540.285
Interest on money market borrowings	-	-	77.608	2.634.468	7.735	2.719.811
Interest on marketable bonds issued	-	-	-	822.173	23.362	845.535
Other interest expense <sup>(2)</sup>	138	24.203	84.095	7.719	1.134	117.289
<b>Net interest income</b>	<b>691.783</b>	<b>2.545.909</b>	<b>5.139.535</b>	<b>(250.278)</b>	<b>229.343</b>	<b>8.356.292</b>
Net fees and commissions income / (expenses)	245.201	431.532	1.089.806	351.066	(196.471)	1.921.134
Net trading profit / (loss)	710	5.172	244.722	(200.270)	28.291	78.625
Dividend income	-	-	-	11.317	322	11.639
Other income	42.811	74.615	358.812	273.187	1.428.669	2.178.094
Loans and other receivables' impairment loss	17.973	443.525	581.533	462.840	-	1.505.871
Other expenses	30.307	69.703	1.822.805	2.788.638	1.174.750	5.886.203
<b>Income before taxes</b>	<b>932.225</b>	<b>2.544.000</b>	<b>4.428.537</b>	<b>(3.066.456)</b>	<b>315.404</b>	<b>5.153.710</b>
Income tax provision	-	-	-	(996.443)	(106.543)	(1.102.986)
<b>Net profit for the period</b>	<b>932.225</b>	<b>2.544.000</b>	<b>4.428.537</b>	<b>(4.062.899)</b>	<b>208.861</b>	<b>4.050.724</b>

**SEGMENT ASSETS  
(31 December 2017)**

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>

**SEGMENT LIABILITIES  
(31 December 2017)**

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>

**OFF BALANCE SHEET ITEMS  
(31 December 2017)**

	<b>15.510.070</b>	<b>14.868.793</b>	<b>34.291.297</b>	<b>50.138.251</b>	<b>35.174</b>	<b>114.843.585</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 GROUP (continued)**

**IX. EXPLANATIONS ON PRESENTATION OF THE CONSOLIDATED FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE**

	Book Value	Fair Value
	Current Period	Current Period
<b>Financial Assets</b>	<b>360.427.511</b>	<b>346.870.595</b>
Cash and Balances with the Central Bank of Turkey	35.579.724	35.579.724
Financial assets at fair value through P&L <sup>(3) (4)</sup>	97.151	97.151
Banks	5.146.171	5.145.043
Money market placements	65.318	65.318
Financial assets at Fair Value through OCI <sup>(1)</sup>	4.754.158	4.878.942
Financial assets measured at amortised cost	56.331.345	50.372.897
Loans <sup>(2)</sup>	254.147.852	246.425.728
Receivables from leasing transactions	2.913.193	2.913.193
Factoring receivables	1.392.599	1.392.599
<b>Financial Liabilities</b>	<b>325.738.312</b>	<b>332.195.793</b>
Deposits	250.579.520	252.283.543
Derivative financial liabilities held for trading	410.339	410.339
Funds provided from other financial intuitions	15.274.480	15.621.467
Money market borrowings	38.218.269	38.384.847
Securities issued	16.346.213	20.676.357
Miscellaneous payables	4.909.406	4.819.155
Lease payables	85	85

<sup>(1)</sup> As of 31 December 2018, TRY 110.654 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above.

<sup>(2)</sup> Net of follow-up loans has not been included in the table above.

<sup>(3)</sup> As of 31 December 2018, marketable securities amounting to TRY 66.205 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

<sup>(4)</sup> Securities lending transactions amounting to TRY 14.374.380 is not included in the financial assets at fair value through P&L.

	Book Value	Fair Value
	Prior Period	Prior Period
<b>Financial Assets</b>	<b>292.387.846</b>	<b>304.642.951</b>
Cash and Balances with the Central Bank of Turkey	36.681.377	36.681.377
Financial assets at fair value through P&L <sup>(3) (4)</sup>	472.501	472.501
Banks	6.313.167	6.737.620
Money market placements	1.288.168	1.288.168
Available for sale financial assets <sup>(1)</sup>	17.620.079	17.683.863
Held to maturity investments	21.987.099	21.483.366
Loans <sup>(2)</sup>	204.142.270	216.412.871
Receivables from leasing transactions	2.671.253	2.671.253
Factoring receivables	1.211.932	1.211.932
<b>Financial Liabilities</b>	<b>264.363.588</b>	<b>264.510.104</b>
Deposits	193.270.621	193.566.995
Derivative financial liabilities held for trading	150.673	150.673
Funds provided from other financial intuitions	20.058.484	21.126.639
Money market borrowings	35.003.322	34.966.894
Securities issued	12.022.130	10.811.949
Miscellaneous payables	3.858.358	3.886.954

<sup>(5)</sup> As of 31 December 2017, TRY 79.099 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above.

<sup>(6)</sup> Net of follow-up loans has not been included in the table above.

<sup>(7)</sup> As of 31 December 2017, marketable securities amounting to TRY 10.578 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

<sup>(8)</sup> Securities lending transactions amounting to TRY 10.000.429 is not included in the financial assets at fair value through P&L.

**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)****IX. EXPLANATIONS ON PRESENTATION OF THE CONSOLIDATED FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (continued)**

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- The fair value of the held to maturity assets is determined at fair value, when the market prices are not available, quoted market prices of other marketable securities which are amortised with the same terms of interest maturity and other similar conditions are used.
- ii- The prevailing interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial intuitions and sundry creditors.

*Classification of Fair Value Measurement*

IFRS 7 – *Financial Instruments* requires the classification of fair value measurements into a fair value hierarchy by reference to the significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

**Current Period**

	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit/loss:</b>				
Financial assets at fair value through P&L <sup>(3)</sup>	98.350	1.062.081	-	1.160.431
<i>Debt securities</i>	62.557	-	-	62.557
<i>Derivative financial assets</i>	-	1.062.081	-	1.062.081
<i>Stocks</i>	1.199	-	-	1.199
<i>Other Securities</i> <sup>(2)</sup>	34.594	-	-	34.594
Financial assets at fair value through OCI <sup>(1)</sup>	4.754.158	-	-	4.754.158
<i>Debt securities</i>	4.638.062	-	-	4.638.062
<i>Other Securities</i>	116.096	-	-	116.096
Subsidiaries	-	-	57.146	57.146
Association	-	-	458.722	458.722
<b>Total Financial Assets</b>	<b>4.852.508</b>	<b>1.062.081</b>	<b>515.868</b>	<b>6.430.457</b>
<b>Financial liabilities at fair value through profit/loss:</b>				
Derivative financial liabilities	-	410.339	-	410.339
<b>Total Financial Liabilities</b>	<b>-</b>	<b>410.339</b>	<b>-</b>	<b>410.339</b>

<sup>(1)</sup> As of 31 December 2018, share certificates amounting to TRY 110.654 of “securities not quoted on the stock exchange” in available for sale financial assets are not included in the above table.

<sup>(2)</sup> As of 31 December 2018, marketable securities amounting to TRY 66.205 that are not valued at fair value, are not included in financial assets held for trading purpose.

<sup>(3)</sup> Securities lending transactions amounting to TRY 14.374.380 is not included in the financial assets at fair value through P&L.

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

**IX. EXPLANATIONS ON PRESENTATION OF THE CONSOLIDATED FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (continued)**

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows (continued):

<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value through profit/loss:</b>				
Financial assets held for trading purpose <sup>(3)</sup>	109.985	362.516	-	472.501
<i>Debt securities</i>	94.898	-	-	94.898
<i>Derivative financial assets held for trading purpose</i>	-	362.516	-	362.516
<i>Stocks</i>	1.240	-	-	1.240
<i>Other Securities</i> <sup>(2)</sup>	13.847	-	-	13.847
Available-for-sale financial assets <sup>(1)</sup>	17.620.079	-	-	17.620.079
<i>Debt securities</i>	17.620.079	-	-	17.620.079
<i>Other Securities</i>	-	-	-	-
Subsidiaries	-	-	52.178	52.178
Association	-	-	353.138	353.138
<b>Total Financial Assets</b>	<b>17.730.064</b>	<b>362.516</b>	<b>405.316</b>	<b>18.497.896</b>
<b>Financial liabilities at fair value through profit/loss:</b>				
Derivative financial liabilities held for trading purpose	-	150.673	-	150.673
<b>Total Financial Liabilities</b>	<b>-</b>	<b>150.673</b>	<b>-</b>	<b>150.673</b>

<sup>(1)</sup> As of 31 December 2017, share certificates amounting to TRY 79.099 of "securities not quoted on the stock exchange" in available for sale financial assets are not included in the above table.

<sup>(2)</sup> As of 31 December 2017, marketable securities amounting to TRY 10.578 that are not valued at fair value, are not included in financial assets held for trading purpose.

<sup>(3)</sup> Securities lending transactions amounting to TRY 10.000.429 is not included in the financial assets at fair value through P&L.

The movement of financial assets in the third level are as follows:

	<b>Current Period</b>
Balance at the beginning of the period	405.316
Purchases during the year	375
Non-paid up shares	9.032
Valuation Difference	101.145
Transfers	-
<b>Period End Balance</b>	<b>515.868</b>
	<b>Prior Period</b>
Balance at the beginning of the period	333.664
Purchases during the year	-
Non-paid up shares	-
Valuation Difference	71.652
Transfers	-
<b>Period End Balance</b>	<b>405.316</b>

**X. EXPLANATIONS RELATED TO TRANSACTIONS MADE ON BEHALF OF OTHERS AND TRANSACTIONS BASED ON TRUST**

The Bank performs buying transactions on behalf of customers, and gives custody, administration and consultancy services. The Bank does not engage in fiduciary transactions.

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

**XI. EXPLANATIONS ON THE CONSOLIDATED 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 GROUP (continued)**

**XI. EXPLANATIONS ON THE CONSOLIDATED 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)	252.966.471	187.858.563	20.237.318
2	Standardized approach (SA)	252.966.471	187.858.563	20.237.318
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	3.625.642	1.948.749	290.051
5	Standardized approach for counterparty credit risk (SA-CCR)	3.625.642	1.948.749	290.051
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	3.869.238	3.629.588	309.539
17	Standardized approach (SA)	3.869.238	3.629.588	309.539
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	18.548.003	14.724.338	1.483.840
20	Basic Indicator Approach	18.548.003	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)	1.123.427	867.044	89.874
24	Floor adjustment	-	-	-
25	<b>Total ( 1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>280.132.781</b>	<b>209.028.282</b>	<b>22.410.622</b>

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

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

**XI. EXPLANATIONS ON THE CONSOLIDATED RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**

**Differences and Matching Between Asset and Liabilities' Carrying Values in Financial Statements and In Capital Adequacy Calculation:**

			Carrying values of items in accordance with Turkish Accounting Standards				
	Carrying values in financial statements prepared as per TAS	Carrying values for legal consolidation prepared as per TAS	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>							
Cash and Balances with the Central Bank	-	35.575.612	35.575.612	-	-	-	-
Derivative Financial Assets	-	1.062.081	1.062.081	-	-	1.062.081	-
Financial assets at fair value through profit and loss	-	14.538.935	-	67.601	-	96.954	14.374.380
Banks	-	5.144.513	5.144.513	-	-	-	-
Receivables from Money markets	-	65.318	65.318	-	-	-	-
Financial Assets at Fair Value Through OCI (net)	-	4.864.293	-	-	-	4.864.293	-
Loans	-	254.277.104	254.267.132	-	-	-	9.972
Receivables from factoring	-	1.381.520	1.381.520	-	-	-	-
Financial Assets Measured at Amortised Cost (net)	-	56.323.775	56.323.775	-	-	-	-
Subsidiaries (net)	-	458.722	458.722	-	-	-	-
Associates (net)	-	57.146	57.146	-	-	-	-
Jointly controlled entities (joint ventures) (net)	-	-	-	-	-	-	-
Finance lease receivables	-	3.050.644	3.050.644	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-	-
Tangible Assets (net)	-	4.639.886	4.560.979	-	-	-	78.907
Intangible Assets (net)	-	183.411	-	-	-	-	183.411
Real estate for investment purpose (net)	-	973.401	973.401	-	-	-	-
Tax asset	-	124.388	124.388	-	-	-	-
Assets Held For Sale and Discontinued Operations (net)	-	9.593	9.593	-	-	-	-
Other assets	-	5.491.334	5.490.133	-	-	1.201	-
<b>Total Assets</b>	-	<b>388.221.676</b>	<b>368.544.957</b>	<b>67.601</b>	-	<b>6.024.529</b>	<b>14.646.670</b>
<b>Liabilities</b>							
Deposits	-	250.579.520	-	-	-	-	250.579.520
Derivative financial liabilities	-	410.339	-	-	-	410.339	-
Loans	-	15.274.480	-	-	-	-	15.274.480
Money market borrowings	-	38.218.269	-	7.571.439	-	320.999	30.325.831
Securities issued	-	16.346.213	-	-	-	-	16.346.213
Funds	-	2.874.121	-	-	-	-	2.874.121
Miscellaneous payables	-	-	-	-	-	-	-
Other liabilities	-	23.430.660	-	-	-	885	23.429.775
Factoring payables	-	2.417	-	-	-	-	2.417
Finance lease payables	-	85	-	-	-	-	85
Derivative financial liabilities held for risk management	-	-	-	-	-	-	-
Provisions	-	4.166.786	-	-	-	-	4.166.786
Tax Liability	-	1.193.432	-	-	-	-	1.193.432
Liabilities regarding assets held for sale and discontinued operations (net)	-	2.030	-	-	-	-	2.030
Subordinated Debt	-	6.182.084	-	-	-	-	6.182.084
Shareholders' equity	-	29.541.240	-	-	-	-	29.541.240
<b>Total liabilities</b>	-	<b>388.221.676</b>	-	<b>7.571.439</b>	-	<b>732.223</b>	<b>379.918.014</b>



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

**Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements:**

	<b>Total</b>	<b>Credit risk</b>	<b>Securitization positions</b>	<b>Counterparty credit risk</b>	<b>Market Risk</b>
Asset carrying value amount under					
<b>1</b> scope of regulatory consolidation	388.221.676	368.544.957	-	67.601	6.024.529
Liabilities carrying value amount under regulatory scope of					
<b>2</b> consolidation	388.221.676	-	-	7.571.439	732.223
Total net amount under regulatory					
<b>3</b> scope of consolidation	-	368.544.957	-	7.639.040	6.756.752
<b>4</b> Off-balance Sheet Amounts	113.117.374	58.768.532		310.564*	50.435.344
<b>5</b> Differences in valuations	-	-	-	-	-
Differences due to different netting rules, other than those already					
<b>6</b> included in row 2	-	-	-	-	-
Differences due to consideration of					
<b>7</b> provisions	-	-	-	-	-
<b>8</b> Differences due to prudential filters	-	-	-	-	-
<b>9</b> Differences due to risk reduction	-	427.313.489	-	7.949.604	57.192.096

\*Shows total potential credit risk amounts caused by derivative transactions.

**Explanations of differences between accounting and regulatory exposure amounts:**

There is no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

**Explanations Related to Counterparty Credit Risk**

The Bank provides the necessary definitions and classifications for the CCR that take into account the clearing and pre-clearing risk in relation to the management policies and procedures of the CCR, thereby managing these risks on a counterparty basis and across the bank.

The impact of the new products and activities on the Bank's CCR level is assessed and these evaluations are included in the product / activity approval process.

The market, liquidity, compliance risk and operational risk that may be associated with the CCR are taken into account and the general / specific limit levels of the Bank's transactions to the CCR are determined. These limits established within the framework of the CCR are regularly monitored. The Bank uses risk mitigation techniques to the extent that it is appropriate, through applications such as margin taking and margin fulfillment.

The Bank uses methods and models in accordance with international standards for the identification, measurement, monitoring, control and reporting of the CCR. Independent scrutiny and supervision is carried out on the integrity, correctness and effectiveness of the CCR management systems. These activities are carried out by the Bank's internal audit units and independent audit institutions.

Agreements entered into with counterparty financial institutions resulting in credit risk according to the attributes of the transaction are evaluated by taking into account ISDA framework and CSA framework for derivative transactions, GMRA framework for repurchase agreements. The risk is mitigated by receiving cash or other forms of collaterals as per the counterparty limits designated by the Board of Directors. In secured lending and repo transactions, the haircut amounts are reduced from the counterparty limits. In cases whereby possible decreases or increases in ratings affects the current replacement cost, margin call agreements are used as a risk mitigator.

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**XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**
**Counterparty Credit Risk (CCR) Approach Analysis:**

	Replacement cost	Potential Future exposure	EEPE(Effective Expected Positive Exposure)*	Alpha used for computing regulatory EAD	EAD post-CRM**	RWA
Standardised Approach - CCR (for derivatives)	1.061.910	310.564	-	1,4	1.605.162	1.239.194
Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-		-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					9.012.489	2.380.175
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					348.903	6.273
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					9.361.392	2.386.448
<b>Total</b>					<b>10.966.554</b>	<b>3.625.642</b>

\*Expected effective positive risk amount

\*\*This amount represents the post-correction amount for the KRAT and KDA risk.

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

	EAD post-CRM	Risk weight amount
Total portfolios subject to the Advanced CVA capital obligation	-	-
(i) VaR component (including the 3×multiplier)	-	-
(ii) Stressed VaR component (including the 3×multiplier)	-	-
All portfolios subject to the Standardised CVA capital obligation	1.605.162	1.239.194
<b>Total subject to the CVA capital obligation</b>	<b>1.605.162</b>	<b>1.239.194</b>

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

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

<b>Risk weight / Risk Classifications</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Other</b>	<b>Total Credit Risk</b>
Claims on sovereigns and Central Banks	1.295.050	539	-	9.896	-	1.053	-	-	1.306.538
Claims on regional governments or local authorities	-	192.475	-	2.777	-	-	-	-	195.252
Claims on administrative bodies and other non-commercial undertakings	16.771	515.939	-	-	-	241	-	-	532.951
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	325.654	-	5.820.731	495.148	-	1.505.356	-	-	8.146.889
Claims on corporates	31.141	2.520	-	-	-	611.253	-	-	644.914
Claims included in the regulatory retail portfolios	-	133.035	-	-	6.975	-	-	-	140.010
Claims secured by residential property	-	-	-	-	-	-	-	-	-
Overdue loans	-	-	-	-	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1.668.616</b>	<b>844.508</b>	<b>5.820.731</b>	<b>507.821</b>	<b>6.975</b>	<b>2.117.903</b>	<b>-</b>	<b>-</b>	<b>10.966.554</b>

**Collaterals for Counterparty Credit Risk:**

	<b>Collateral for derivative transactions</b>				<b>Collateral for other transactions</b>	
	<b>Received Collaterals</b>		<b>Given Collaterals</b>		<b>Received Collaterals</b>	<b>Given Collaterals</b>
	<b>Segregated</b>	<b>Unsegregated</b>	<b>Segregated</b>	<b>Unsegregated</b>		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	47.523	-	50.922	-	13.710
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>47.523</b>	<b>-</b>	<b>50.922</b>	<b>-</b>	<b>13.710</b>

**Counterparty Credit Risk-Credit Derivatives:**

None.

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

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

	<b>Exposure at default (post-CRM)</b>	<b>RWA</b>
Exposure to Qualified Central Counterparties (QCCPs) (total)		26.880
Exposures for trades at QCCPs (excluding initial margin and default	26.878	26.878
(i) OTC Derivatives	-	-
(ii) Exchange-traded Derivatives	26.878	26.878
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	8.204	
Non-segregated initial margin	-	-
Pre-funded default fund contributions	1.009	2
Unfunded default fund contributions	-	-
Exposures to non-QCCPs (total)		-
Exposures for trades at non-QCCPs (excluding initial margin and default		
fund contributions); of which )	-	-
(i) OTC Derivatives	-	-
(ii) Exchange-traded Derivatives	-	-
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-

**Securitisations:**

None.

**Qualitative Disclosure on Credit Risk:**

Credit risk, which is the most important risk profile of the Parent Bank's business model, refers to risks and losses arising from counterparty's failure to meet its obligations under contracts that the Parent Bank is a party to. Credit limits are set according to the risk appetite and capacity of the Bank.

Credit limits are assigned according to the customer's financial condition and credit need by the branches, regional credit committee, head of credit department, executive vice president in charge of loans, general manager, credit committee and board of directors revised whenever required. As part of its risk policies, the Parent Bank monitors limits designated by sectors and sub sectors.

Within the scope of internal systems, internal audit activities are carried out by the Board of Inspectors and the Internal Audit Department in order to ensure that the activities of the Parent Bank are carried out in accordance with the Parent Bank's policies in compliance with the legal regulations. The Risk Management Department, which is the risk unit within the internal systems, performs the functions of measuring, monitoring, controlling and reporting on the credit risk to which the Parent Bank is exposed to. These identified units are regularly reporting on the risks exposed to the Bank's Senior Management.

The Parent Bank, in the credit allocation process, restricts its risk exposure by working with highly creditworthy banks and institutions considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Parent Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Parent Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Parent Bank's risk is concentrated in Turkey. In loan procedure, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically with the Treasury department, concerning the off-balance sheet operations based on the customers and banks.

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

**Credit Quality of Assets:**

		Gross carrying value as per TAS		Allowances/amortisation and impairments	Net values
		Defaulted *	Non-defaulted		
1	Loans	9.282.998	258.453.644	9.027.374	258.709.268
2	Debt Securities*	-	61.408.792	49.279	61.360.712
3	Off-balance sheet exposures	-	111.512.212	367.589	111.144.623
<b>4</b>	<b>Total</b>	<b>9.282.998</b>	<b>431.374.648</b>	<b>9.444.242</b>	<b>431.214.603</b>

\* As of 31 December 2018, TRY 14.374.380 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

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

1	Defaulted loans and debt securities at end of the previous reporting period	6.623.912
2	Loans and debt securities defaulted since the last reporting period	3.687.847
3	Receivables back to performing status	(66.386)
4	Amounts written off	(72.258)
5	Other changes	(890.117)
<b>6</b>	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>9.282.998</b>

**Additional Disclosure Related To The Credit Quality Of Assets:**

**Exposures Provisioned Against By Maturity:**

31 December 2018	Demands	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Over	Total
Loans and Advances	3.160.268	15.139.374	15.195.175	77.568.360	113.386.136	34.259.955	258.709.268

**Exposures Provisioned Against By Major Regions:**

31 December 2018	Loans Under Follow-Up	ECL (Stage 3)
Domestic	9.034.754	6.657.810
European Union (EU) Countries	56	52
OECD Countries	137	92
Off-Shore Banking Regions	-	-
USA, Canada	9	8
Other Countries	248.042	124.592
<b>Total</b>	<b>9.282.998</b>	<b>6.782.554</b>

**Exposures Provisioned Against By Sectors:**

Explained in section 4-II Information according to sectors and counterparties

**Aging analysis of overdue but not impaired financial assets:**

**31 December 2018**

30-60 days overdue	1.789.898
60-90 days overdue	1.345.309
<b>Total</b>	<b>3.135.207</b>

**Breakdown of restructured receivables based on whether or not provisions are allocated:**

**31 December 2018**

Loans Structured from Standard Loans and Other Receivables	1.267.526
Loans Composed of Follow-on Loans and Other Receivables	6.325.568
Loans Restructured from Non-Performing Loans	1.519.301

**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)****XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)****Qualitative Disclosure on Credit Risk Mitigation Techniques:**

The risk mitigating factors used in the lending activities of the Bank are listed below.

- Financial warranties (Treasury Bills, Government Bonds, Cash, Pledged Deposits, Gold, Pledged Securities)
- Guarantees
- Mortgage (Although mortgage lending in Basel II has been considered as a risk class, it has also been included in this section in terms of valuation methods and concentrations).

The financial guarantees in the bank are subject to valuation on a daily basis. The creditors' credits are monitored and assessed within the framework of credit revision schedules.

As long as the mortgage that constitutes the collateral of the credits continues to be related to the loan, the risk-guarantee balances will be monitored and revalued each year. Action plans are developed for the possibility of diminution in value of collaterals.

As per the BRSA regulations, guarantees given by the Treasury and banks are regarded as risk reduction elements and the creditworthiness of banks is regularly monitored.

The Bank's credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation.

The Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The standardized risk weights are applied to the rest of the loans and receivables that remained unprotected after credit risk mitigation techniques.

Financial collaterals that are composed of cash or similar assets and instruments of a high credit quality as well as real estate mortgages have been used in credit risk mitigation.

There is no on-balance sheet or off-balance sheet offsetting.

**Credit Risk Mitigation Techniques- Overview:**

		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1	Loans*	156.220.633	102.488.635	85.382.745	18.091.356	18.091.356	-	-
2	Debt Instruments**	61.360.712	-	-	-	-	-	-
3	Total	211.230.836	102.488.635	85.382.745	18.091.356	18.091.356	-	-
4	Of which defaulted	758.981	1.741.463	1.623.801	493.279	493.279	-	-

\*As collateral, within the scope of the Standard Approach, collaterals to be used to mitigate credit risk, are taken into consideration.

\*\* As of 31 December 2018, TRY 14.374.380 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

**Information about the Banks' Use of Ratings in Calculating Credit Risk by Using Standard Approach to Credit Risk:**

Explained in risk classifications related to Article 6 of Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks in section 4-II Credit risk section.

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

**Credit Risk Mitigation Techniques- Overview (continued):**

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

Risk Classification	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Claims on sovereigns and Central Banks	91.213.466	311.441	109.046.846	1.324.680	14.637.085	13,26%
Claims on regional governments or local authorities	3.829.315	116.305	3.829.315	58.153	1.859.588	47,84%
Claims on administrative bodies and other non-commercial undertakings	2.310.123	1.859.241	2.293.268	929.718	2.735.067	84,86%
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	12.860.967	3.426.811	12.876.227	2.305.403	6.175.119	40,68%
Claims on corporates	102.345.584	70.931.163	95.664.696	45.463.199	138.866.703	98,40%
Claims included in the regulatory retail portfolios	78.688.050	29.854.597	67.537.153	5.666.310	52.444.818	71,64%
Claims secured by residential property	41.197.821	1.595.292	41.197.821	914.434	15.505.212	36,82%
Claims secured by commercial property	26.220.388	2.638.212	26.220.388	2.002.119	14.111.253	50,00%
Overdue loans	2.284.653	5.059	2.284.653	2.654	1.695.622	74,13%
Higher risk categories decided by the Board	37.587	150.747	37.587	101.862	209.174	150,00%
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other receivables	17.661.893	-	17.661.893	-	8.263.146	46,79%
Equity share investments	538.697	-	538.697	-	1.212.753	225,13%
<b>Total</b>	<b>379.188.544</b>	<b>110.888.868</b>	<b>379.188.544</b>	<b>58.768.532</b>	<b>257.715.540</b>	<b>58,84%</b>

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

Risk Classification/Risk weight amount	0%	10%	20%	35%*	50%	75%	100%	150%	200%	250%	Total risk amount (post-CCF and CRM)
Claims on sovereigns and Central Banks	81.428.825	539	-	-	28.610.262	-	331.900	-	-	-	110.371.526
Claims on regional governments or local authorities	14.313	192.475	-	-	3.680.680	-	-	-	-	-	3.887.468
Claims on administrative bodies and other non-commercial undertakings	23.479	515.939	118	-	-	-	2.683.450	-	-	-	3.222.986
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	376.168	-	8.478.921	-	3.694.411	-	2.632.130	-	-	-	15.181.630
Claims on corporates	844.432	2.520	1.243.179	-	839.899	-	138.197.865	-	-	-	141.127.895
Claims included in the regulatory retail portfolios	2.898.303	133.035	359.235	-	-	69.812.890	-	-	-	-	73.203.463
Claims secured by residential property	33.337	-	10.993	40.119.826	-	1.948.098	1	-	-	-	42.112.255
Claims secured by commercial property	-	-	-	-	28.222.507	-	-	-	-	-	28.222.507
Overdue loans	373.206	-	-	-	436.959	-	1.477.142	-	-	-	2.287.307
Higher risk categories decided by the Board	-	-	-	-	-	-	-	139.449	-	-	139.449
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	89.326	-	-	449.371	538.697
Other receivables	7.830.515	-	1.435.160	-	640.601	989.855	6.667.322	-	-	98.440	17.661.893
<b>Total</b>	<b>93.822.578</b>	<b>844.508</b>	<b>11.527.606</b>	<b>40.119.826</b>	<b>66.125.319</b>	<b>72.750.843</b>	<b>152.079.136</b>	<b>139.449</b>	<b>-</b>	<b>547.811</b>	<b>437.957.076</b>

**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)****XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)****Publicly Announced Qualitative Disclosure on Market Risk**

In accordance with the Bank's risk management policy framework to avoid the effect of market risk, the Bank has determined the management activities and has taken necessary precautions within the framework of "Regulation On Measurement and Evaluation Of Capital Adequacy Of Banks" published in Official Journal No 29511 by 23 October 2015.

It is the ultimate responsibility of the Board of Directors to apply and improve risk management strategies, policies and procedures that are approved by the board of directors, inform the board of directors about the important risks the Bank is exposed to, assess internal control, internal audit and risk reports with regard to the Banks' departments and to eliminate the risks, deficiencies or defects identified in these departments or to take the necessary precautionary actions to prevent those risks, deficiencies and defects and participate in the determination of risk limits. As part of this responsibility, the Board of Directors of the Bank designated VAR limits and the interest risk that the Bank can bear is limited to a ratio of the equity.

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the Bank's possibility of loss that may cause due to the general market risk, currency risk, specific risk, commodity risk, clearing risk and counterparty credit risk is calculated by using the standard method. The following table discloses the amounts that are calculated using the standard method.

The Bank measures and monitors risks that exposed to, considering methods suitable with international standards, compliant with legislation. Risk measuring and reporting are performed via advanced methods and risk management softwares. Risk based detailed reports are prepared for management of significant risks, in order to determine strategies and take decisions, in this scope, periodic and non-periodic reports are prepared for board of directors, relevant committees and senior management.

**Market Risk: Standardised approach**

	<b>RWA</b>
<b>Outright products</b>	
Interest rate risk (general and specific)	1.320.438
Equity risk (general and specific)	177.450
Foreign exchange risk	2.050.988
Commodity risk	-
<b>Options</b>	
Simplified approach	-
Delta-plus method	320.362
Scenario approach	-
Securitization	-
<b>Total</b>	<b>3.869.238</b>

**Information related to Operational Risk:**

The value at operational risk is calculated according to the basic indicator approach and once a year with year-end data.

	<b>2 PP Amount</b>	<b>1 PP Amount</b>	<b>CP Amount</b>	<b>Total/ No. of Years of Positive Gross</b>	<b>Rate (%)</b>	<b>Total</b>
Gross Income	7.647.709	10.107.156	11.921.941	9.892.269	15	1.483.840
Value at Operational Risk (Total * 12.5%)						<b>18.548.003</b>



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

**XII. EXPLANATIONS ON REMUNERATION POLICIES**

**1. Disclosures related with Remuneration Committee**

The Parent Bank's Remuneration Committee is comprised of two non-executive directors. The committee has convened for once during the year. The duties and responsibilities of the Committee include the following:

- The scope and structure of the Parent Bank's operations and strategies ensure the effectiveness of a wage policy and wage policy that is consistent with its long-term goals and risk management structures, prevents excessive risk taking and contributes to effective risk management.
- Controls and follows the remuneration practices on behalf of the Board of Directors
- Ensures accordance of ethical values, strategical targets and internal balance of the Parent Bank with the wage policy.
- Evaluates the remuneration policy and its practices in the context of risk management and submits proposals to the Board of Directors.
- Fulfills the other duties specified in the related regulations

The Parent Bank has received consultancy service from a company within the framework of the activities for compliance with the Guidelines on Sound Remuneration Practices in Banks.

The fundamental principles of the remuneration policy are applicable for all bank employees.

The Parent Bank's board members, senior management and the Parent Bank personnel deemed to perform the functions having material impact on the Parent Bank's risk profile are considered as critical key directors; and by the end of 2018, the number of critical key directors is 22.

**2. Information on the design and structure of remuneration process**

The Parent Bank relies on the following values while managing its Remuneration Policy.

- Based on fair and balanced performance targets
- Balance within the Bank in terms of wage application to ensure competitiveness within the sector,
- To increase the efficiency of rewards by emphasizing the concepts of job size, performance and contribution to work,

Remuneration Committee at its meeting in December 2018 has revised the remuneration policy and practices. It has been observed that, total benefits paid to the members of the Parent Bank's Board of Directors, senior management and other staff are in line with the Parent Bank's ethical values, internal balances and strategic objectives in 2018. Regardless of the performance of the units that are audited by internal audit, the benefits of are determined on the basis of the general wage increase rate set by the Parent Bank.

According to the growing and evolving organizational structure of the Parent Bank, the Parent Bank is working with a consulting firm on a project about review of its human resources applications and comparing with other banks in the industry.

**3. Evaluation about how the bank's remuneration processes take the current and future risks into account**

The Parent Bank follows the Risk Management Principles while implementing the remuneration processes.

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<b>SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)</b>
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**XII. EXPLANATIONS ON REMUNERATION POLICIES (continued)**

**4. Evaluation about how the Parent Bank associates variable remunerations with performance**

The Parent Bank's variable payments as performance bonuses are mostly made to the personnel working at the branches and Regional Directorships. The paid amounts are not exceed a certain percentage of the monthly fixed fees. No performance premium payments are made to other members of the bank that are considered to have performed a function that has a significant effect on the risk profile of the bank and the members of the board of directors and senior managers who are designated as critical key personnel but only a dividend payment is made up to twice of the gross monthly salary of all personnel with the decision of the General Assembly of the Parent Bank,

**5. Evaluation about the bank's methods to adjust remunerations according to long-term performance**

The same rules apply for the ratios of deferral for all critical staff members regarding their variable remunerations.

**6. Evaluation about the instruments used by the bank for variable remunerations and the purposes of use of such instruments**

The type and weight of non-cash instruments used in payment of variable remuneration are same for all identified staff.

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

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

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

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

	Current period	
	TRY	FC
Cash and foreign currency	1.259.820	3.332.074
CBRT	2.723.274	27.815.892
Other <sup>(1)</sup>	-	448.664
<b>Total</b>	<b>3.983.094</b>	<b>31.596.630</b>

<sup>(1)</sup>As of 31 December 2018, required reserve deposits kept in Central Bank of Macedonia amounted TRY 145.344 and amounted TRY 303.300 kept in Central Bank of Serbia.

	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>	2.470.993	9.347.358
Time unrestricted amount	-	-
Time restricted amount	-	2.259.938
Other <sup>(2)</sup>	252.281	16.208.596
<b>Total</b>	<b>2.723.274</b>	<b>27.815.892</b>

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

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

	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, FC and/or standard gold and/or scrap gold liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 1,5%-8% for TRY deposits and other liabilities between 4%-20% for FC deposits for other FC liabilities. In accordance with the related communiqué, Central Bank of the Republic of Turkey pays interests to TRY and USD reserves.

The interest related to the reserve requirements set as TRY is paid at a rate of 1300 basis points rate as of 21 September 2018.

<b>SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)</b>
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**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 daily basis, on reserve requirements held by banks commencing on 1 February 2015. As of 27 July 2015 commission ratios have been announced on the CBRT website as zero percent.

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

With the decision No.1005 dated 14 August 2018 of the TRNC, reserve requirement ratio is between 4% and 7% 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	14.375.207	-
<b>Total:</b>	<b>14.375.207</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	-	15.763
<b>Total:</b>	<b>-</b>	<b>15.763</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)**

(2) Financial assets at fair value through profit and loss (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	-	204.002
Swap transactions	-	857.985
Futures transactions	-	-
Options	9	85
Other	-	-
<b>Total</b>	<b>9</b>	<b>1.062.072</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	6.675	2.642.815
Foreign banks	174.717	2.321.964
Branches and offices abroad	-	-
<b>Total</b>	<b>181.392</b>	<b>4.964.779</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>

b) Information on foreign banks:

	<b>Unrestricted Balance</b>	<b>Restricted Balance</b>
	<b>Current Period</b>	<b>Current Period</b>
EU Countries	681.473	42.554
USA and Canada	730.596	-
OECD Countries <sup>(1)</sup>	180.591	2.889
Offshore Banking Regions	522	-
Other	607.836	250.220
<b>Total</b>	<b>2.201.018</b>	<b>295.663</b>

**TÜRKİYE HALK BANKASI 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)**

(3) Information on banks and other financial institutions (continued):

b) Information on foreign banks (continued):

	Unrestricted Balance	Restricted Balance
	Prior Period	Prior Period
EU Countries	682.125	13.485
USA and Canada	279.816	-
OECD Countries <sup>(1)</sup>	69.592	5.219
Offshore Banking Regions	111	-
Other	255.116	279.030
<b>Total</b>	<b>1.286.760</b>	<b>297.734</b>

(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	564.582	168.246
<b>Total</b>	<b>564.582</b>	<b>168.246</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	45.539	392.500
<b>Total</b>	<b>45.539</b>	<b>392.500</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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**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	4.758.820
<i>Quoted on a stock exchange</i>	4.362.283
<i>Not quoted</i>	396.537
Share certificates	128.077
<i>Quoted on a stock exchange</i>	87.532
<i>Not quoted</i>	40.545
Impairment provision(-)	22.085
<b>Total</b>	<b>4.864.812</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	364.003	-
<b>Total</b>	<b>364.003</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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**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>		
		Loans and Receivables Not Subject to restructuring	Restructured Loans and Receivables with Revised Contract Terms	Refinance
Non-specialized loans	191.595.172	8.886.182	103.261	6.222.122
<i>Corporation loans</i>	113.652.470	5.651.760	11.643	5.945.976
<i>Export loans</i>	11.141.163	361.117	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	1.046.720	1.317.500	-	-
<i>Consumer loans<sup>(1)</sup></i>	41.797.895	821.022	27.853	16.963
<i>Credit cards<sup>(2)</sup></i>	5.154.552	264.995	63.765	-
<i>Other</i>	18.802.372	469.788	-	259.183
Specialized lending	42.139.864	1.100.127	-	185
Other receivables	-	-	-	-
Accruals	3.377.281	410.664	583	312.411
<b>Total</b>	<b>237.112.317</b>	<b>10.396.973</b>	<b>103.844</b>	<b>6.534.718</b>

<sup>(1)</sup> Includes TRY 273.061 personnel loans.

<sup>(2)</sup> Includes TRY 90.942 personnel credit cards.

	Standard Loans	Loans under Close Monitoring
12 Months expected loss provision	1.037.945	-
Significant Increase in Credit Risk	-	1.206.875

The general explanations on increase in provisions as a result of the comparison of the expected credit loss provisions between 1 January 2018 which is the date of transition to TFRS 9 and 31 December 2018 are as follows.

ECL ratio for stage 1 loans at transition phase and at 31 December 2018 have not changed significantly.

The increase in the ECL for Stage 2 loans was realized due to increase in foreign exchange rates and interest rates in parallel with increase in the number of repayment days of loans, furthermore increase in close monitoring figures due to the concept of TFRS 9 - significant increase in credit risk. Besides, the credit risks of foreign currency loans which accounted under stage 2 loans had an important factor in this increase.

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**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 (continued):

<b>Number of modifications made to extend payment plan</b>	<b>Standard Loans and Other Receivables<sup>(1)</sup></b>	<b>Loans and Other Receivables Under Close Monitoring<sup>(2)</sup></b>
Extended by 1 or 2 times	1.240.578	6.145.425
Extended by 3,4 or 5 times	26.101	118.252
Extended by more than 5 times	847	61.891

<sup>(1)</sup>Accruals amounting to TRY 11.736 are not included in the table above.

<sup>(2)</sup>Accruals amounting to TRY 312.994 are not included in the table above.

<b>Extended period of time</b>	<b>Standard Loans and Other Receivables<sup>(1)</sup></b>	<b>Loans and Other Receivables Under Close Monitoring<sup>(2)</sup></b>
0-6 Months	129.379	672.486
6 Months - 12 Months	66.947	243.245
1-2 Years	141.584	616.971
2-5 Years	485.175	2.304.786
5 Years and over	444.441	2.488.080

<sup>(1)</sup>Accruals amounting to TRY 11.736 are not included in the table above.

<sup>(2)</sup>Accruals amounting to TRY 312.994 are not included in the table above.

- c) Maturity analysis of cash loans:

<b>Current Period</b>	<b>Standard Loans</b>	<b>Loans under close monitoring</b>	
		<b>Loans with Revised Contract Terms</b>	<b>Refinance</b>
Short-term Loans	48.681.536	2.007.787	461.200
Medium and Long-term Loans	188.430.781	8.389.186	6.177.362
<b>Prior Period</b>			
Short-term Loans	38.945.860	529.406	276.045
Medium and Long-term Loans	159.993.904	4.673.100	2.302.702

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

(5) Information on loans (continued):

d) 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	414.777	38.974.313	39.389.090
<i>Real estate loans</i>	6.689	24.164.588	24.171.277
<i>Automobile loans</i>	2.259	206.044	208.303
<i>Consumer loans</i>	405.829	14.603.681	15.009.510
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	2.514	310.799	313.313
<i>Real estate loans</i>	23	1.252	1.275
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	2.491	309.547	312.038
<i>Other</i>	-	-	-
Consumer loans- FC	4.765	1.411.248	1.416.013
<i>Real estate loans</i>	536	537.132	537.668
<i>Automobile loans</i>	65	8.147	8.212
<i>Consumer loans</i>	3.182	776.990	780.172
<i>Other</i>	982	88.979	89.961
Individual credit cards-TRY	3.472.907	1.457	3.474.364
<i>Installment</i>	1.229.512	1.457	1.230.969
<i>Non-installment</i>	2.243.395	-	2.243.395
Individual credit cards-FC	367	81.348	81.715
<i>Installment</i>	68	81.348	81.416
<i>Non-installment</i>	299	-	299
Personnel loans-TRY	13.206	217.270	230.476
<i>Real estate loans</i>	-	402	402
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	13.206	216.868	230.074
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	49	4.849	4.898
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	49	4.849	4.898
<i>Other</i>	-	-	-
Personnel loans-FC	370	37.317	37.687
<i>Real estate loans</i>	34	32.958	32.992
<i>Automobile loans</i>	-	144	144
<i>Consumer loans</i>	336	4.058	4.394
<i>Other</i>	-	157	157
Personnel credit cards-TRY	89.185	-	89.185
<i>Installment</i>	30.146	-	30.146
<i>Non-installment</i>	59.039	-	59.039
Personnel credit cards-FC	65	1.692	1.757
<i>Installment</i>	1	1.692	1.693
<i>Non-installment</i>	64	-	64
Overdraft accounts-TRY (Retail customers)	1.207.349	-	1.207.349
Overdraft accounts-FC (Retail customers)	64.732	175	64.907
<b>Total</b>	<b>5.270.286</b>	<b>41.040.468</b>	<b>46.310.754</b>

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

(5) Information on loans (continued):

e) 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	1.018.975	26.808.673	27.827.648
<i>Business premises loans</i>	-	601.301	601.301
<i>Automobile loans</i>	13.787	412.266	426.053
<i>Consumer loans</i>	1.005.188	25.795.106	26.800.294
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	55.226	112.765	167.991
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	55.226	112.765	167.991
Commercial installment loans - FC	835.560	18.666.194	19.501.754
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	166.857	16.554.597	16.721.454
<i>Other</i>	668.703	2.111.597	2.780.300
Corporate credit cards-TRY	1.833.272	-	1.833.272
<i>Installment</i>	598.184	-	598.184
<i>Non-installment</i>	1.235.088	-	1.235.088
Corporate credit cards-FC	45	2.974	3.019
<i>Installment</i>	-	2.974	2.974
<i>Non-installment</i>	45	-	45
Overdraft accounts-TRY (Commercial customers)	2.572.296	-	2.572.296
Overdraft accounts-FC (Commercial customers)	17.740	-	17.740
<b>Total</b>	<b>6.333.114</b>	<b>45.590.606</b>	<b>51.923.720</b>

(\*) Interest 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):

e) 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.

f) Loans by customers:

	<b>Current Period</b>
Public	7.288.472
Private	246.859.380
<b>Total</b>	<b>254.147.852</b>

	<b>Prior Period</b>
Public	5.347.397
Private	198.794.873
<b>Total</b>	<b>204.142.270</b>

g) Domestic and foreign loans:

	<b>Current Period</b>
Domestic loans	247.171.753
Foreign loans	6.976.099
<b>Total</b>	<b>254.147.852</b>

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

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

(5) Information on loans (continued):

h) Loans granted to subsidiaries and associates:

None.

i) Credit-impaired losses (Stage III):

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

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

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

j.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</b>	<b>Loans and</b>	<b>Uncollectible</b>
	<b>receivables with</b>	<b>receivables with</b>	<b>loans and</b>
	<b>limited</b>	<b>doubtful</b>	<b>receivables</b>
	<b>collectability</b>	<b>collectability</b>	<b>receivables</b>
<b>Current period</b>			
Gross amounts before provisions	64.295	150.712	1.304.294
Rescheduled loans	64.295	150.712	1.304.294
<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):

j.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 (+)	3.394.752	142.222	150.873
Transfers from other categories of loans under follow-up (+)	-	1.911.433	1.557.483
Transfers to other categories of loans under follow-up (-)	1.968.548	1.500.368	-
Collections (-)	411.282	247.433	669.589
Sold (-)	-	-	-
Write-offs (-)	-	-	72.258
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other*	113.740	185.261	72.800
<b>Current period end balance</b>	<b>1.807.751</b>	<b>1.259.139</b>	<b>6.216.108</b>
Provision (-)	834.885	628.542	5.319.127
<b>Net balance on balance sheet</b>	<b>972.866</b>	<b>630.597</b>	<b>896.981</b>

\*Other includes income accruals amounts for follow-up loans.

**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
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	2.148
<b>Current period end balance</b>	<b>653.579</b>	<b>753.671</b>	<b>4.889.156</b>
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):

j.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	653.299	291.437	2.304.979
Provisions(-)	347.223	175.060	2.062.220
<b>Net balance in the balance sheet</b>	<b>306.076</b>	<b>116.377</b>	<b>242.759</b>
	<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</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>

j.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>972.866</b>	<b>630.597</b>	<b>896.981</b>
Loans to granted real persons and legal entities (Gross)	1.807.751	1.259.139	6.216.108
Provisions (-)	834.885	628.542	5.319.127
<b>Loans to granted real persons and legal entities (Net)</b>	<b>972.866</b>	<b>630.597</b>	<b>896.981</b>
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

(5) Information on loans (continued):

j.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>

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period (Net)</b>	<b>59.796</b>	<b>83.049</b>	<b>27.138</b>
Interest Accruals and Valuation Differences	113.740	185.261	72.800
Provision (-)	53.944	102.212	45.662

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

The Parent 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.

m) 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	-	-
Treasury Bills	37.236.634	2.464.985
Other	10.110	-
<b>Total</b>	<b>37.246.744</b>	<b>2.464.985</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
Other	-	-
<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	2.194.216	8.214.062
<b>Total</b>	<b>2.194.216</b>	<b>8.214.062</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	56.057.685
Treasury bills	196.413
Other public sector debt securities	15.610
<b>Total</b>	<b>56.269.708</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	56.331.345
<i>Quoted on a stock exchange</i>	56.134.932
<i>Not quoted</i>	196.413
Impairment provision (-)	-
<b>Total</b>	<b>56.331.345</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	2.031.757
Purchases during the year <sup>(1)(2)</sup>	39.018.124
Disposals through sales and redemptions	(6.705.635)
Impairment provision (-) / provision reversal (+)	-
<b>Balance at the end of the period</b>	<b>56.331.345</b>

<sup>(1)</sup> Interest income accrual differences between 31 December 2018 amounting to TRY 5.458.441 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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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

(7) Information on associates (Net):

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

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

b) Information on unconsolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Kredi Kayıt Bürosu AŞ <sup>(1)</sup>	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 assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1. 342.784	211.006	206.138	9.294	-	41.206	37.880	-
2. 117.093	64.965	56.060	4.658	-	15.953	11.164	-

<sup>(1)</sup> The financial data is obtained from 31 December 2018 unaudited financial statements.

<sup>(2)</sup> The financial data is obtained from 31 December 2018 audited financial statements.

c) Information on consolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
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 assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value <sup>(2)</sup>
1. 9.681.102	1.438.489	9.715	362.583	3.011	84.803	71.048	415.829
2. 50.811	50.059	83	4.697	-	1.659	1.208	-
3. 41.554	12.414	467	1.563	-	3.891	1.684	-

<sup>(1)</sup> The financial data is obtained from 31 December 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 31 December 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)**

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

Movement of associates:

	<b>Current Period</b>
Balance at the beginning of the period	353.138
Movements during the period	105.584
<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>	102.177
<i>Impairment Provisions (-)/ Reversals</i>	-
<b>Balance at the end of the period</b>	<b>458.722</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 (%)	-

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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):

d) Sectorial information and related carrying amounts of associates:

	<b>Prior Period</b>
Banks	431.547
Insurance companies	2.069
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	15.754
Other non- financial investments	9.352

	<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

e) 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 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 Banka A.D., Skopje	Halk Faktoring AŞ	Halkbank A.D. Beograd	Halk Varlık Kiralama AŞ
<b>CORE CAPITAL</b>										
Paid in Capital	104.000	280.000	412.000	858.000	323.000	26.000	301.922	96.000	213.395	100
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-	-
Share premium	-	101	-	49.945	-	-	11.633	-	99.004	-
Reserves	15.958	23.048	91.617	72.118	13.915	2.152	233.674	10.095	196.454	-
Other Comprehensive Income according to TAS	5.310	-	-	2.467	-	-	5.445	10	13.007	-
<b>Profit / Loss</b>	<b>57.733</b>	<b>7.689</b>	<b>327.843</b>	<b>83.202</b>	<b>(99.668)</b>	<b>10.559</b>	<b>74.086</b>	<b>58.226</b>	<b>17.977</b>	<b>846</b>
<i>Net Profit</i>	<i>57.733</i>	<i>145.122</i>	<i>305.840</i>	<i>83.202</i>	<i>(112.634)</i>	<i>10.136</i>	<i>54.688</i>	<i>67.679</i>	<i>15.697</i>	<i>837</i>
<i>Prior Period Profit/Loss</i>	<i>-</i>	<i>(137.433)</i>	<i>22.003</i>	<i>-</i>	<i>12.966</i>	<i>429</i>	<i>19.398</i>	<i>(9.453)</i>	<i>2.280</i>	<i>9</i>
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	750	-	-	-	-	-	-	-	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	1.465	19.904	-	95	35	104	-	-	-
Leasehold Improvements (-)	-	-	263	-	-	-	9.610	186	5.761	-
Intangible Assets (-)	1.131	3.702	1.792	347	1.277	-	5.881	599	13.251	-
<b>Total Core Capital</b>	<b>182.620</b>	<b>305.671</b>	<b>809.501</b>	<b>1.065.385</b>	<b>235.875</b>	<b>38.676</b>	<b>611.165</b>	<b>163.546</b>	<b>520.825</b>	<b>946</b>
<b>SUPPLEMENTARY</b>										
<b>CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30.623</b>	<b>-</b>	<b>18.709</b>	<b>20.628</b>	<b>7.639</b>	<b>-</b>
<b>CAPITAL</b>	<b>182.620</b>	<b>305.671</b>	<b>809.501</b>	<b>1.065.385</b>	<b>266.498</b>	<b>38.676</b>	<b>629.874</b>	<b>184.174</b>	<b>528.464</b>	<b>946</b>
<b>NET AVAILABLE</b>										
<b>CAPITAL</b>	<b>182.620</b>	<b>305.671</b>	<b>809.501</b>	<b>1.065.385</b>	<b>266.498</b>	<b>38.676</b>	<b>629.874</b>	<b>184.174</b>	<b>528.464</b>	<b>946</b>

<sup>(1)</sup> The financial data is obtained from 31 December 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 (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)		
1.	Bileşim Alternatif Dağ. Kan. AŞ <sup>(1)</sup>			Istanbul	100,00	100,00		
				Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value <sup>(2)</sup>	
Total assets	Shareholders' equity	Total fixed assets	Interest income					
1.	63.794	45.333	8.062	5.157	752	11.542	7.287	57.146

<sup>(1)</sup> The financial information of Bileşim Alternatif Dağ. Kan. AŞ is presented from its financial statements as of 31 December 2018.

<sup>(2)</sup> Fair values has been obtained from valuation report as of 31 December 2018

d) Information on consolidated subsidiaries (Net):

Description		Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1.	Halk Yatırım Menkul Değerler AŞ	İstanbul	99,96	99,96
2.	Halk Sigorta AŞ	İstanbul	89,18	95,32
3.	Halk Hayat ve Emeklilik AŞ	İstanbul	100,00	100,00
4.	Halk Gayrimenkul Yatırım Ortaklığı AŞ <sup>(2),(3)</sup>	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	99,16	99,16
8.	Halk Faktoring AŞ	İstanbul	97,50	100,00
9.	Halkbank A.D. Beograd	Serbia	100,00	100,00
10.	Halk Varlık Kiralama AŞ	İstanbul	100,00	100,00

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

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value <sup>(4)</sup>
1.	309.844	183.751	3.142	118.785	3.241	57.733	29.035	227.603
2.	2.346.676	309.373	5.704	241.162	37.762	145.122	66.061	492.895
3.	1.383.320	811.556	3.781	228.028	41.857	305.840	224.197	1.525.529
4.	1.393.185	1.041.543	654.284	5.235	-	83.202	40.638	432.290
5.	3.403.045	237.152	1.814	272.282	-	(112.634)	55.443	469.553
6.	40.773	38.676	417	6.305	203	10.130	55.443	39.828
7.	4.435.108	626.656	83.242	167.301	14.458	54.688	34.363	580.857
8.	1.419.707	164.331	1.427	328.215	-	67.679	32.041	138.296
9.	2.762.352	539.837	54.404	93.764	12.086	15.697	6.244	406.512
10.	941.061	946	-	-	-	837	9	1.800

<sup>(1)</sup> The financial data is obtained from 31 December 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.

<sup>(4)</sup> Fair values of subsidiaries have been obtained from valuation reports of the subsidiaries as of 31 December 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)**

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

Movement of the subsidiaries:

	<b>Current Period</b>
Balance at the beginning of the period (before elimination)	3.626.708
Movements during the period	705.773
<i>Purchases<sup>(1)(2)(3)</sup></i>	310.098
<i>Bonus shares obtained profit from current year's share</i>	266.211
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfer<sup>(4)</sup></i>	(39.375)
<i>Revaluation increase</i>	236.002
<i>Reversals / Provisions(-) for impairment</i>	(161.627)
<i>Currency Differences on Valuation of Foreign Subsidiaries</i>	94.464
Share capital elimination of subsidiaries	(4.275.335)
<b>Balance at the end of the period</b>	<b>57.146</b>
Capital commitments	-
Share percentage at the end of the period (%)	-

<sup>(1)</sup> Between 1 January – 31 December 2018, The Bank paid TRY 202.726 for 0,11% shares of Halkbank A.D. Beograd, and increased its shares to 100%.

<sup>(2)</sup> Between 1 January – 31 December 2018, The Bank paid TRY 53.864 for 0,13% shares of Halkbank A.D. Skopje, which is located in Macedonia and increased its shares to 99,16%.

<sup>(3)</sup> In the period of 31 December 2018, The Bank paid TRY 53.508 for shares of Halk Sigorta A.Ş.

<sup>(4)</sup> The bank reclassified its shares of Halk portföy Yönetimi A.Ş., which was classified as subsidiary in prior period, under the assets held for sale and discontinued operations in the balance sheet.

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

	<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

**f) Subsidiaries quoted in the stock exchange:**

	<b>Current Period</b>	<b>Prior Period</b>
Quoted to domestic stock <sup>(1), (2)</sup>	925.185	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	1.285.510	1.020.557
Between 1-4 years	1.830.927	1.420.539
More than 4 years	648.917	472.097
<b>Total</b>	<b>3.765.354</b>	<b>2.913.193</b>
	Prior Period	
	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	3.765.354
Unearned revenues from financial lease	(852.161)
<b>Total</b>	<b>2.913.193</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	265.322
Financial lease receivables with doubtful collectability	5.280
Uncollectible financial lease receivables	303.801
Provisions	(406.329)
<b>Total</b>	<b>168.074</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 tangible assets:

The fair value of tangible assets are determined by its equivalence value method. Fair value measurement of investment properties which fair values are determined by equivalence value method, are classified as Level 2.

<b>Current Period</b>	<b>Balance at the end of the prior period</b>	<b>Current Year Additions</b>	<b>Revaluation Increase</b>	<b>Current Year Disposals</b>	<b>Transfer</b>	<b>Balance at the end of the period</b>
<b>Cost</b>						
Immovable	2.822.273	133.410	230.173	11.929	-	3.173.927
Tangible assets purchased through financial lease	26.581	94	-	1.373	-	25.302
Office machines	641.336	205.083	-	80.908	-	765.511
Fixed assets obtained due to non-performing loans	743.605	674.609	-	181.237	4.753	1.241.730
Lease hold improvements costs	155.704	45.999	-	290	-	201.413
Other	328.707	31.881	-	23.449	2.574	339.713
<b>Total Cost</b>	<b>4.718.206</b>	<b>1.091.076</b>	<b>230.173</b>	<b>299.186</b>	<b>7.327</b>	<b>5.747.596</b>
<b>Accumulated depreciation (-)</b>						
Immovable	204.479	18.088	12.463	781	-	234.249
Tangible assets purchased through financial lease	25.893	228	-	1.390	-	24.731
Office machines	369.711	111.537	-	28.343	-	452.905
Fixed assets obtained due to non-performing loans	16.224	8.141	-	5.259	-	19.106
Lease hold improvements costs	91.269	29.362	-	1.676	-	118.955
Other	245.165	23.199	-	22.598	-	245.766
<b>Total Accumulated Depreciation</b>	<b>952.741</b>	<b>190.555</b>	<b>12.463</b>	<b>60.047</b>	<b>-</b>	<b>1.095.712</b>
<b>Provision for impairment (-)</b>						
Immovable	4.248	-	386	-	-	4.634
Fixed assets obtained due to non-performing loans	9.617	-	-	2.253	-	7.364
<b>Total provision for impairment (-)</b>	<b>13.865</b>	<b>-</b>	<b>386</b>	<b>2.253</b>	<b>-</b>	<b>11.998</b>
<b>Net Book Value</b>	<b>3.751.600</b>	<b>900.521</b>	<b>217.324</b>	<b>236.886</b>	<b>7.327</b>	<b>4.639.886</b>

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

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

(12) Information on tangible assets (continued):

<b>Prior Period</b>	<b>Balance at the end of the prior period</b>	<b>Current Year Additions</b>	<b>Revaluation Increase</b>	<b>Current Year Disposals</b>	<b>Transfer</b>	<b>Balance at the end of the period</b>
<b>Cost</b>						
Immovable	2.498.692	89.452	288.145	54.016	-	2.822.273
Tangible assets purchased through financial lease	26.796	4	-	219	-	26.581
Office machines	498.526	169.512	-	26.702	-	641.336
Fixed assets obtained due to non-performing loans	648.547	239.184	-	144.126	-	743.605
Lease hold improvements costs	155.871	25.965	-	26.132	-	155.704
Other	313.851	25.501	-	8.616	(2.029)	328.707
<b>Total Cost</b>	<b>4.142.283</b>	<b>549.618</b>	<b>288.145</b>	<b>259.811</b>	<b>(2.029)</b>	<b>4.718.206</b>
<b>Accumulated depreciation (-)</b>						
Immovable	194.651	14.993	6.392	11.557	-	204.479
Tangible assets purchased through financial lease	25.896	87	-	90	-	25.893
Office machines	301.662	75.856	-	7.807	-	369.711
Fixed assets obtained due to non-performing loans	17.408	6.180	-	7.364	-	16.224
Lease hold improvements costs	83.484	29.431	-	21.646	-	91.269
Other	235.356	17.275	-	7.466	-	245.165
<b>Total accumulated depreciation</b>	<b>858.457</b>	<b>143.822</b>	<b>6.392</b>	<b>55.930</b>	<b>-</b>	<b>952.741</b>
<b>Provision for impairment (-)</b>						
Immovable	5.817	397	-	1.966	-	4.248
Fixed assets obtained due to non-performing loans	11.025	988	-	2.396	-	9.617
<b>Total provision for impairment (-)</b>	<b>16.842</b>	<b>1.385</b>	<b>-</b>	<b>4.362</b>	<b>-</b>	<b>13.865</b>
<b>Net Book Value</b>	<b>3.266.984</b>	<b>404.411</b>	<b>281.753</b>	<b>199.519</b>	<b>(2.029)</b>	<b>3.751.600</b>

(13) Information on other intangible assets:

<b>Current Period</b>	<b>Balance at the end of the prior period</b>	<b>Current Year Additions</b>	<b>Current Year Disposals</b>	<b>Transfers</b>	<b>Balance at the end of the period</b>
<b>Cost:</b>					
Other intangible assets	288.907	71.536	1.396	-	359.047
<b>Total Cost</b>	<b>288.907</b>	<b>71.536</b>	<b>1.396</b>	<b>-</b>	<b>359.047</b>
<b>Accumulated Depreciation (-)</b>					
Other intangible assets	145.812	57.193	27.369	-	175.636
<b>Total Accumulated Depreciation</b>	<b>145.812</b>	<b>57.193</b>	<b>27.369</b>	<b>-</b>	<b>175.636</b>
<b>Net Book Value</b>	<b>143.095</b>	<b>14.343</b>	<b>(25.973)</b>	<b>-</b>	<b>183.411</b>

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

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

(13) Information on other intangible assets (continued):

	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
<b>Prior Period</b>					
<b>Cost:</b>					
Other intangible assets	208.925	87.084	7.102	-	288.907
<b>Total Cost</b>	<b>208.925</b>	<b>87.084</b>	<b>7.102</b>	<b>-</b>	<b>288.907</b>
<b>Accumulated Depreciation (-)</b>					
Other intangible assets	93.696	52.343	227	-	145.812
<b>Total Accumulated Depreciation</b>	<b>93.696</b>	<b>52.343</b>	<b>227</b>	<b>-</b>	<b>145.812</b>
<b>Net Book Value</b>	<b>115.229</b>	<b>34.741</b>	<b>6.875</b>	<b>-</b>	<b>143.095</b>

(14) Information on investment property:

<b>Current Period</b>	
<b>Cost</b>	
<b>Opening Balance</b>	<b>988.280</b>
Acquisitions	74.894
Transfer	-
Disposals	6.116
Impairment Provisions	-
<b>Ending Balance</b>	<b>1.057.058</b>
<b>Accumulated Depreciation (-)</b>	
<b>Opening Balance</b>	
Amortization Charge (-)	77.902
Additions	5.835
Disposals (-)	-
Impairment Provisions	80
Transfer	-
<b>Total Accumulated Depreciation (-)</b>	<b>83.657</b>
<b>Net Book Value</b>	<b>973.401</b>
<b>Prior Period</b>	
<b>Cost</b>	
<b>Opening Balance</b>	<b>934.058</b>
Acquisitions	55.273
Transfer	(407)
Disposals	644
Impairment Provisions	-
<b>Ending Balance</b>	<b>988.280</b>
<b>Accumulated Depreciation (-)</b>	
<b>Opening Balance</b>	
Amortization Charge (-)	69.942
Additions	8.392
Disposals (-)	25
Impairment Provisions	-
Transfer	(407)
<b>Total Accumulated Depreciation (-)</b>	<b>77.902</b>
<b>Net Book Value</b>	<b>910.378</b>



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

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

(15) Information on tax assets:

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

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

	<b>Current Period</b>
Cost	9.593
Accumulated Depreciation (-)	-
<b>Net book value</b>	<b>9.593</b>
<b>Opening Balance</b>	<b>790</b>
Transfer (net)	8.907
Disposals (net) (-)	104
Additions	-
Impairment (-)	-
Depreciation (-)*	-
<b>Closing net book value</b>	<b>9.593</b>

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

Parent Bank's subsidiary Halk Portföy Yönetimi A.Ş. is going to be merged with Ziraat Portföy Yönetimi A.Ş. by acquisition. The merger value of Halk Portföy Yönetimi A.Ş. has been determined as TRY 52,500 in the "Valuation Report" for the shares held by the Bank and its subsidiaries. The Bank's carrying value of the shares are TRY 39.375.

	<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.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 5.501.323 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	6.742.223	-	1.948.028	45.655.985	4.207.981	2.061.570	792.495	101.935	61.510.217
Foreign currency deposits	13.897.192	-	8.911.804	53.784.069	7.669.456	3.401.033	6.795.722	11.268	94.470.544
<i>Residents in Turkey</i>	11.003.321	-	6.712.391	50.232.576	6.849.844	1.790.411	3.681.216	10.784	80.280.543
<i>Residents abroad</i>	2.893.871	-	2.199.413	3.551.493	819.612	1.610.622	3.114.506	484	14.190.001
Public sector deposits	2.920.272	-	2.293.652	3.890.644	1.257.655	1.186.540	16.715	-	11.565.478
Commercial inst. deposits	4.990.202	-	10.054.017	17.863.020	2.147.885	1.479.210	277.424	-	36.811.758
Other inst. deposits	736.010	-	344.876	5.478.120	2.459.517	2.055.496	571.269	-	11.645.288
Precious metals	3.132.484	-	1.446	353.335	16.328	22.150	32.098	-	3.557.841
Interbank deposits	20.673.730	-	952.694	9.035.768	179.870	38.214	138.118	-	31.018.394
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	116.071	-	370.152	6.526.936	17.765	4.116	6.247	-	7.041.287
<i>Foreign banks</i>	20.064.688	-	107.566	2.190.002	2.860	34.098	131.871	-	22.531.085
<i>Participation banks</i>	492.971	-	474.976	318.830	159.245	-	-	-	1.446.022
<b>Total</b>	<b>53.092.113</b>	<b>-</b>	<b>24.506.517</b>	<b>136.060.941</b>	<b>17.938.692</b>	<b>10.244.213</b>	<b>8.623.841</b>	<b>113.203</b>	<b>250.579.520</b>

**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 insurance	Exceeding the insurance limit
	Current Period	Current Period
Saving deposits	29.259.703	32.011.973
Foreign currency saving deposits	12.245.300	32.691.865
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	349.453	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

Saving deposits	Under the guarantee insurance	Exceeding the insurance limit
	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	215.452
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	6.165
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-

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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):

	Prior Period
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:

	Current Period	
	TRY	FC
Forward transactions	-	98.283
Swap transactions	-	302.066
Future transactions	-	-
Options	16	9.974
Other	-	-
<b>Total</b>	<b>16</b>	<b>410.323</b>

  

	Prior Period	
	TRY	FC
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) Information on funds borrowed:

a) Information on funds borrowed:

	Current Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	1.116.624	2.396.533
Foreign banks, institutions and funds	170.000	11.591.323
<b>Total</b>	<b>1.286.624</b>	<b>13.987.856</b>

  

	Prior Period	
	TRY	FC
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	1.285.939	2.666.516
Medium and long-term	685	11.321.340
<b>Total</b>	<b>1.286.624</b>	<b>13.987.856</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 24,55% of saving deposits and 37,70% 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 48,50% of bank deposits and 44,65% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued (Net):

	Current period	
	TRY	FC
Bonds	2.164.993	-
Asset Back Securities	1.951.469	-
Treasury Bills	204.912	12.024.839
<b>Total</b>	<b>4.321.374</b>	<b>12.024.839</b>

  

	Prior period	
	TRY	FC
Bonds	3.280.789	-
Asset Back Securities	100.436	-
Treasury Bills	-	8.640.905
<b>Total</b>	<b>3.381.225</b>	<b>8.640.905</b>

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**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:

Current Period	
Short Term	Long Term
1.080	2.873.041
Prior Period	
Short Term	Long Term
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:

	Current period	
	Gross	Net
Less than 1 year	-	-
Between 1-4 years	116	85
More than 4 years	-	-
<b>Total</b>	<b>116</b>	<b>85</b>
	Prior period	
	Gross	Net
Less than 1 year	-	-
Between 1-4 years	-	-
More than 4 years	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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).

	Prior Period
<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 31 December 2018, the Group's specific provision for unindemnified non-cash loans balance is TRY 169.431 (31 December 2017: TRY 123.060).

d) Information on other provisions:

Total other provision balance amounting to TRY 1.025.015 (31 December 2017: TRY 351.688) consists of TRY 169.431 (31 December 2018: TRY 123.060) for specific provisions for unindemnified non cash loans, TRY 169.431 for expected loss amount for non cash loans, TRY 129.210 (31 December 2017: TRY 110.968) for legal cases filed against the Group , TRY 451.000 (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 77.216 (31 December 2017: TRY 100.660) of other provisions.

e) Movement of employee termination benefits:

Severance indemnity provision as of 31 December 2018 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation according to TAS 19, is as follows;

	Current Period	Prior Period
Inflation Rate	12,00%	8,90%
Discount Rate	16,30%	12,30%
Estimated Real Wage Growth Rate	12,20%	9,10%

Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	471.506	405.116
Charge for the year	46.834	39.745
Interest Expense	57.289	44.640
Actuarial gain/loss	(24.210)	11.258
Prior period service cost composed current period	760	52
Payment/The limitation of benefits/ Loss ( Gain) therefore discharge	3.288	8.229
Benefits paid within the period(-)	(35.642)	(37.534)
<b>Total</b>	<b>519.825</b>	<b>471.506</b>

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

(9) Explanations on provisions (continued):

f) Liabilities for employee benefits:

As of 31 December 2018, unused vacation accruals are TRY 107.557, personnel dividend provision is TRY 278.959, severance indemnity provision for Group personnel is TRY 519.825 and severance indemnity provision for outsourcing firms is TRY 20.277. (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 Group's accounts for actuarial gains / losses under equity commencing from 1 January 2013.

g) Liabilities arising from retirement benefits:

g.1. Liabilities of pension funds founded as per the Social Security Institution:  
None.

g.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 2018, 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.

The above mentioned actuarial review, which was made in accordance with the principles of the related law, measures the present value of the liability as of 31 December 2018, in other words; it measures the amount to be paid to the Social Security Institution by the Bank. Actuarial assumptions used in the calculation are given below.

<b>Assumptions</b>	<b>Current Period</b>	<b>Prior Period</b>
Discount Rate	%9,8	%9,8
Mortality Rate	CSO 1980 woman/man	CSO 1980 woman/man

Some of the Bank's personnel are the members of T. Halk Bankası Çalışanları Emekli Sandığı Vakfı, ("Fund") which was established by 20th provisional article of Social Security Law Act numbered 506. As of 31 December 2018 the number of personnel who benefit from the Fund is 36.012 (31 December 2017: TRY 34.631).

Below table shows the present values of premiums and salary payments as of 31 December 2018, by taking into account the health expenses within the Social Security Institution limits.

<b>Transferable Pension and Medical Benefits:</b>	<b>Current Period</b>	<b>Prior Period</b>
Net Present Value of Total Liabilities Other Than Health	(2.561.914)	(1.938.100)
Net Present Value of Long Term Insurance Line Premiums	2.944.078	2.167.717
<b>Net Present Value of Total Liabilities Other Than Health</b>	<b>382.164</b>	<b>229.617</b>
Net Present Value of Health Liabilities	(538.003)	(435.970)
Net Present Value of Health Premiums	1.839.474	1.354.206
<b>Net Present Value of Health Liabilities</b>	<b>1.301.471</b>	<b>918.236</b>
<b>Pension Fund Assets</b>	<b>2.469.532</b>	1.911.745
General Administration Expenses (1%)	(30.999)	(23.741)
<b>Amount of Actuarial and Technical Deficit</b>	<b>4.122.168</b>	<b>3.035.857</b>



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

(9) Explanations on provisions (continued):

g) Liabilities arising from retirement benefits (continued):

g.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees (continued):

Plan assets are comprised as follows:

<b>Total Assets</b>	<b>Current Period</b>	<b>Prior Period</b>
Banks	1.386.529	1.104.186
Marketable Securities	908.197	644.310
Property and Equipment	112.560	126.403
Other	62.246	36.846
<b>Total</b>	<b>2.469.532</b>	<b>1.911.745</b>

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities are as follows:

**Change in Assumptions (%)**

<b>Assumptions</b>	<b>Pension Benefits</b>	<b>Death Benefits</b>	<b>Medical Benefits</b>	<b>Total</b>
Discount rate+1%	<(0,1%)	(18,0%)	(18,2%)	(18,2%)
Discount rate -1%	0,1%	24,2%	24,6%	24,6%
Inflation rate +1%	0,1%	24,5%	30,8%	30,7%
Inflation rate -1%	<(0,1%)	(18,3%)	(21,7%)	(21,6%)

h) Insurance Technical Provisions (Net):

	<b>Current period</b>
Life-Mathematical Provisions	352.187
Provisions for unearned premium claims	649.756
Provision for outstanding claims	1.195.081
Provisions for unexpired risk reserves	17.019
Other	1.110
<b>Total</b>	<b>2.215.153</b>

	<b>Prior period</b>
Life-Mathematical Provisions	330.550
Provisions for unearned premium claims	538.485
Provision for outstanding claims	932.912
Provisions for unexpired risk reserves	8.739
Other	118
<b>Total</b>	<b>1.810.804</b>

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2018, the Group's corporate tax payable is amounting to TRY 44.287 and accounted for under corporate tax provision at the related date. (31 December 2017: TRY 175.402)

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

(10) Explanations related to tax liabilities (continued):

a) Information on current tax liability (continued):

a.2. Information on taxes payable:

	<b>Current Period</b>
Corporate tax payable	44.287
Income on securities tax	419.083
Property income tax	1.879
Banking and insurance transactions tax (BITT)	188.173
Foreign exchange transactions tax	13
Value added tax payable	6.176
Other	42.338
<b>Total</b>	<b>701.949</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	740
Social insurance premiums-employer	1.329
Bank social aid pension fund premium-employee	12.674
Bank social aid pension fund premium-employer	17.609
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	973
Unemployment insurance-employer	1.933
Other	465
<b>Total</b>	<b>35.723</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>	839.231
Revaluation of Financial Assets	(1.632.153)
Other	435.507
<b>Deferred Tax (Asset) /Liability<sup>(2)</sup>:</b>	<b>(357.415)</b>
<b>Deferred tax accounted in shareholders' equity</b>	<b>(56.923)</b>
Fair value differences for financial assets at through other comprehensive income	92.596
Actuarial gains and losses	(2.319)
Property Revaluation	(147.200)

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

(2) Net deferred tax liability represents TRY 357.415 deferred tax liability consists of deferred tax assets which amounting to TRY 98.345 and deferred tax liabilities amounting to TRY 455.760.

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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):

	Prior Period
<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
Property Revaluation	(141.480)

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

(2) 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:

Liabilities regarding assets held for sale and discontinued operations is amounting to TRY 2.030. (31 December 2017: 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:

	Current Period	
<b>Information on Subordinated Loans</b>	<b>TRY</b>	<b>FC</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	6.182.084	-
Subordinated loans	-	-
Subordinated debt instruments	6.182.084	-
<b>Total</b>	<b>6.182.084</b>	<b>-</b>

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

	Prior Period	
<b>Subordinated debts</b>	<b>TRY</b>	<b>FC</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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**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:

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

(14) Legal Reserves

	<b>Current Period</b>
I. Legal Reserve	1.327.536
II. Legal Reserve	650.465
Special Reserves	40.738
<b>Total</b>	<b>2.018.739</b>
	<b>Prior Period</b>
I. Legal Reserve	1.122.063
II. Legal Reserve	598.418
Special Reserves	38.460
<b>Total</b>	<b>1.758.941</b>

Extraordinary Reserves:

	<b>Current Period</b>
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	18.538.501
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital (-)	-
<b>Total</b>	<b>18.538.501</b>
	<b>Prior Period</b>
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	15.130.546
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital (-)	-
<b>Total</b>	<b>15.130.546</b>

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

(15) Information on minority interest shares:

	<b>Current Period</b>
Paid-in Capital	168.554
Export Premium	10.404
Marketable Securities Revaluation Fund	48
Legal Reserves	4.274
Extraordinary Reserves	11.812
Retained Earnings	24.807
Other Profit Reserves	2.297
Net Period Income / Loss	24.445
<b>Closing Balance</b>	<b>246.641</b>
	<b>Prior Period</b>
Paid-in Capital	158.228
Export Premium	10.451
Marketable Securities Revaluation Fund	52
Legal Reserves	3.889
Extraordinary Reserves	10.906
Retained Earnings	12.500
Other Profit Reserves	1.613
Net Period Income / Loss	12.485
<b>Closing Balance</b>	<b>210.124</b>

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**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	12.728.944
Payment commitments for cheques	2.661.413
Loan granting commitments	4.690.580
Two days forward foreign exchange buy/sell transactions	2.036.669
Commitments for credit cards and banking services promotions	31.409
Tax and fund liabilities from export commitments	65.280
Share capital commitments to associates and subsidiaries	-
Other irrevocable commitments	3.983.131
<b>Total</b>	<b>26.197.426</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	3.230.210
Bank acceptances	7.050.260
Other guarantees	1.991.690
<b>Total</b>	<b>12.272.160</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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**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	17.020.690
Letters of advance guarantees	6.136.162
Letters of tentative guarantees	819.908
Letters of guarantee given to customs offices	1.742.509
Other letters of guarantee	45.678.546
<b>Total</b>	<b>71.397.815</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	7.320.589
<i>Within one year or less original maturity</i>	2.486.270
<i>Within more than one year maturity</i>	4.834.319
Other non-cash loans	76.349.386
<b>Total</b>	<b>83.669.975</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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**III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS (continued)**

(1) Information on off-balance sheet liabilities (continued):

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

b.4. Sectoral risk concentration of non-cash loans

	Current Period			
	TRY	(%)	FC	(%)
Agriculture	87.601	0,23	105.647	0,22
<i>Farming and Stockbreeding</i>	64.687	0,17	15.333	0,03
<i>Forestry</i>	520	-	-	-
<i>Fishery</i>	22.394	0,06	90.314	0,19
Manufacturing	7.894.909	21,34	24.049.023	51,51
<i>Mining and Quarrying</i>	156.756	0,42	407.527	0,87
<i>Production</i>	5.271.059	14,25	22.857.583	48,96
<i>Electricity, Gas and Water</i>	2.467.094	6,67	783.913	1,68
Construction	11.899.549	32,17	10.185.078	21,82
Services	16.321.575	44,15	12.019.928	25,75
<i>Wholesale and Retail Trade</i>	8.616.472	23,31	5.411.509	11,61
<i>Accommodation and Dining</i>	165.427	0,45	1.606.864	3,44
<i>Transportation and Telecom.</i>	499.807	1,35	2.924.156	6,26
<i>Financial Institutions</i>	4.030.896	10,90	215.881	0,46
<i>Real Estate and Rental Services</i>	2.605.931	7,05	1.746.339	3,74
<i>Professional Services</i>	22.065	0,06	694	-
<i>Educational Services</i>	74.897	0,20	61.570	0,13
<i>Health and Social Services</i>	306.080	0,83	52.915	0,11
Other	781.644	2,11	325.021	0,70
<b>Total</b>	<b>36.985.278</b>	<b>100,00</b>	<b>46.684.697</b>	<b>100,00</b>
	Prior Period			
	TRY	(%)	FC	(%)
Agriculture	37.475	0,13	57.214	0,19
<i>Farming and Stockbreeding</i>	30.793	0,11	10.754	0,04
<i>Forestry</i>	183	-	-	-
<i>Fishery</i>	6.499	0,02	46.460	0,15
Manufacturing	7.184.357	25,58	14.044.051	45,75
<i>Mining and Quarrying</i>	113.424	0,40	40.293	0,13
<i>Production</i>	4.043.858	14,40	13.680.317	44,57
<i>Electricity, Gas and Water</i>	3.027.075	10,78	323.441	1,05
Construction	8.039.874	28,62	8.736.570	28,46
Services	12.511.669	44,54	7.683.503	25,03
<i>Wholesale and Retail Trade</i>	6.465.350	23,01	2.928.813	9,54
<i>Accommodation and Dining</i>	82.979	0,30	816.097	2,66
<i>Transportation and Telecom.</i>	306.795	1,09	1.744.681	5,68
<i>Financial Institutions</i>	3.210.202	11,43	312.975	1,02
<i>Real Estate and Rental Services</i>	2.155.546	7,67	1.792.249	5,84
<i>Professional Services</i>	20.133	0,07	839	-
<i>Educational Services</i>	89.042	0,32	49.462	0,16
<i>Health and Social Services</i>	181.622	0,65	38.387	0,13
Other	318.327	1,13	174.618	0,57
<b>Total</b>	<b>28.091.702</b>	<b>100,00</b>	<b>30.695.956</b>	<b>100,00</b>

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

- (1) Information on off-balance sheet liabilities (continued):
- b) Amount and nature of probable losses and commitments from the off-balance sheet items including the below mentioned (continued):
- b.5. Non-cash loans classified under I. and II. Group

	<b>Group I</b>		<b>Group II</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
<b>Non-Cash Loans</b>	<b>36.311.605</b>	<b>45.864.777</b>	<b>673.673</b>	<b>819.920</b>
Letters of Guarantee	34.309.036	35.654.986	673.673	760.120
Bills of Exchange and Bank Acceptances	11.845	7.009.375	-	29.040
Letters of Credit	119.895	3.079.555	-	30.760
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	1.870.829	120.861	-	-

- c) Information on derivative financial instruments:

<b>Derivative transactions according to purposes</b>		
	<b>Trading Derivatives</b>	<b>Derivative Financial Instruments held for Risk Management</b>
	<b>Current Period</b>	<b>Current Period</b>
Types of trading transactions		
<b>Foreign Currency related Derivative Transactions (I):</b>	<b>28.766.322</b>	<b>-</b>
Currency Forwards-Purchases/Sales	7.048.111	-
Currency Swaps-Purchases/Sales	15.858.965	-
Currency Futures-Purchases/Sales	-	-
Currency Options-Purchases/Sales	5.859.246	-
<b>Interest Rate related Derivative Transactions (II)</b>	<b>17.392.884</b>	<b>-</b>
Interest Rate Contracts	-	-
Interest Rate Swaps-Purchases/Sales	17.392.884	-
Interest Rate Options-Purchases/Sales	-	-
Interest Rate Futures-Purchases/Sales	-	-
<b>Other Trading Derivatives (III) <sup>(1)</sup></b>	<b>2.239.469</b>	<b>-</b>
<b>A. Total Trading Derivatives (I+II+III)</b>	<b>48.398.675</b>	<b>-</b>
<b>Derivative Financial Instruments held for Risk Management</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
FC investment in associates risk hedge	-	-
<b>B. Total Derivative Financial Instruments held for Risk Management</b>	<b>-</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>48.398.675</b>	<b>-</b>

<sup>(1)</sup> Other trading derivatives consist of forward buying and selling precious contracts amounting to TRY 89.699 and TRY 2.149.770, respectively.

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

(1) Information on off-balance sheet liabilities (continued):

c) Information on derivative financial instruments (continued):

Derivative transactions according to purposes		
	Trading Derivatives	Derivative Financial Instruments held for Risk Management
	Prior Period	Prior Period
Types of trading transactions		
<b>Foreign Currency related Derivative Transactions (I):</b>	<b>17.324.553</b>	<b>-</b>
Currency Forwards-Purchases/Sales	9.085.301	-
Currency Swaps-Purchases/Sales	6.358.831	-
Currency Futures-Purchases/Sales	-	-
Currency Options-Purchases/Sales	1.880.421	-
<b>Interest Rate related Derivative Transactions (II)</b>	<b>10.886.762</b>	<b>-</b>
Interest Rate Contracts	-	-
Interest Rate Swaps-Purchases/Sales	10.886.762	-
Interest Rate Options-Purchases/Sales	-	-
Interest Rate Futures-Purchases/Sales	-	-
<b>Other Trading Derivatives (III) <sup>(1)</sup></b>	<b>2.730.418</b>	<b>-</b>
<b>A. Total Trading Derivatives (I+II+III)</b>	<b>30.941.733</b>	<b>-</b>
<b>Derivative Financial Instruments held for Risk Management</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
FC investment in associates risk hedge	-	-
<b>B. Total Derivative Financial Instruments held for Risk Management</b>	<b>-</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>30.941.733</b>	<b>-</b>

<sup>(1)</sup> Other trading derivatives consist of forward buying and selling precious contracts amounting to TRY 24.982 and TRY 2.705.436, respectively.

d) Information on contingent liabilities and assets:

Group's commitments for the cheques given to customers are TRY 2.661.413 (31 December 2017: TRY 3.269.281).

e) Services provided on behalf of others:

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**

(1) Information on interest income:

a) Information on interest income on loans:

	<b>Current Period</b>	
	<b>TRY</b>	<b>FC</b>
<b>Interest on loans<sup>(1)</sup></b>		
Short term loans	8.185.456	377.034
Medium and long term loans	15.461.224	4.705.540
Interest on non-performing loans	261.445	4.110
Premiums from resource utilization support fund	-	-
<b>Total</b>	<b>23.908.125</b>	<b>5.086.684</b>

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

	<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>
<b>Interest on loans<sup>(1)</sup></b>		
Short term loans	4.454.399	225.871
Medium and long term loans	11.044.967	3.199.222
Interest on non-performing loans	133.052	3.327
Premiums from resource utilization support fund	-	-
<b>Total</b>	<b>15.632.418</b>	<b>3.428.420</b>

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

b) Interest received from banks:

	<b>Current Period</b>	
	<b>TRY</b>	<b>FC</b>
CBRT	427.986	80.777
Domestic banks	106.347	31.104
Overseas banks	10.272	10.119
Head office and branches	-	-
<b>Total</b>	<b>544.605</b>	<b>122.000</b>

	<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>
CBRT	99.640	83.263
Domestic banks	44.116	8.122
Overseas banks	8.409	13.151
Head office and branches	-	-
<b>Total</b>	<b>152.165</b>	<b>104.536</b>

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**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	17.696	1.414
Financial assets at fair value through other comprehensive income	259.787	87.352
Financial assets measured at amortised cost	6.231.379	553.919
<b>Total</b>	<b>6.508.862</b>	<b>642.685</b>

	<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>
Financial assets held for trading	3.180	29
Financial Assets at fair value through profit or loss	-	-
Available-for-sale financial assets	1.284.569	297.838
Held-to-maturity investments	2.038.882	141.034
<b>Total</b>	<b>3.326.631</b>	<b>438.901</b>

d) Interest income from subsidiaries and associates:

None.

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**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	255.888	493.171
<i>CBRT</i>	1	-
<i>Domestic banks</i>	191.292	51.822
<i>Overseas banks</i>	64.595	441.349
<i>Overseas head office and branches</i>	-	-
Other institutions	11	20.134
<b>Total</b>	<b>255.899</b>	<b>513.305</b>

	<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>
Banks	137.592	388.334
<i>CBRT</i>	-	279
<i>Domestic banks</i>	99.716	51.369
<i>Overseas banks</i>	37.876	336.686
<i>Overseas head office and branches</i>	-	-
Other institutions	12	14.347
<b>Total</b>	<b>137.604</b>	<b>402.681</b>

b) Interest expenses to subsidiaries and associates:

	<b>Current period</b>
Interest expenses to subsidiaries and associates	16.848
	<b>Prior period</b>
Interest expenses to subsidiaries and associates	4.283

c) Information on interest expenses to marketable securities issued:

	<b>Current period</b>	
	<b>TRY</b>	<b>FC</b>
Interest on securities issued	1.011.483	543.720
<b>Total</b>	<b>1.011.483</b>	<b>543.720</b>
	<b>Prior period</b>	
	<b>TRY</b>	<b>FC</b>
Interest on securities issued	379.126	466.409
<b>Total</b>	<b>379.126</b>	<b>466.409</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						
Account name	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year	Cumulative deposit	Total
<b>TRY</b>								
Bank deposits	1.476	405.773	525.324	48.880	691	-	-	982.144
Saving deposits	5	317.695	7.368.649	310.727	119.538	59.977	9.931	8.186.522
Public deposits	106	268.493	544.146	101.996	271.430	3.570	-	1.189.741
Commercial deposits	19	1.234.280	3.529.934	342.693	183.702	38.034	-	5.328.662
Other deposits	-	122.682	1.346.118	193.824	396.049	5.747	-	2.064.420
7 days call accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1.606</b>	<b>2.348.923</b>	<b>13.314.171</b>	<b>998.120</b>	<b>971.410</b>	<b>107.328</b>	<b>9.931</b>	<b>17.751.489</b>
<b>Foreign currency</b>								
Deposits	1.726	142.699	1.724.489	121.576	101.256	143.581	394	2.235.721
Bank deposits	55	305.283	537	293	43	742	205	307.158
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	29	2.808	266	319	545	-	3.967
<b>Total</b>	<b>1.781</b>	<b>448.011</b>	<b>1.727.834</b>	<b>122.135</b>	<b>101.618</b>	<b>144.868</b>	<b>599</b>	<b>2.546.846</b>
<b>Grand total</b>	<b>3.387</b>	<b>2.796.934</b>	<b>15.042.005</b>	<b>1.120.255</b>	<b>1.073.028</b>	<b>252.196</b>	<b>10.530</b>	<b>20.298.335</b>

Prior Period		Time deposits						
Account name	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year	Cumulative deposit	Total
<b>TRY</b>								
Bank deposits	318	336.521	309.222	914	558	-	-	647.533
Saving deposits	6	74.481	3.997.373	150.964	45.425	45.682	8.751	4.322.682
Public deposits	47	178.874	298.891	66.829	392.510	4.394	-	941.545
Commercial deposits	25	411.283	1.870.278	265.515	254.904	15.738	-	2.817.743
Other deposits	-	62.220	371.336	78.037	52.286	8.526	-	572.405
7 days call accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>396</b>	<b>1.063.379</b>	<b>6.847.100</b>	<b>562.259</b>	<b>745.683</b>	<b>74.340</b>	<b>8.751</b>	<b>9.301.908</b>
<b>Foreign currency</b>								
Deposits	207	76.500	1.164.740	212.884	54.129	65.406	354	1.574.220
Bank deposits	242	191.700	230	509	2.305	14.554	36	209.576
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	153	-	-	-	-	-	-	153
<b>Total</b>	<b>602</b>	<b>268.200</b>	<b>1.164.970</b>	<b>213.393</b>	<b>56.434</b>	<b>79.960</b>	<b>390</b>	<b>1.783.949</b>
<b>Grand total</b>	<b>998</b>	<b>1.331.579</b>	<b>8.012.070</b>	<b>775.652</b>	<b>802.117</b>	<b>154.300</b>	<b>9.141</b>	<b>11.085.857</b>

(3) Information on dividend income:

	Current Period
Financial Assets at Fair Value Through Profit or Loss	379
Financial Assets at Fair Value Through other Comprehensive Income	3.936
Other	8.862
<b>Total</b>	<b>13.177</b>



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**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)**

(3) Information on dividend income (continued):

	<b>Prior Period</b>
Financial Assets Held for Trading	194
Financial Assets Valued at Fair Value through Profit or Loss	24
Financial Assets Available-for-Sale	4.003
Other	7.418
<b>Total</b>	<b>11.639</b>

(4) a) Explanations on trading profit / loss (net):

	<b>Current Period</b>
<b>Profit</b>	<b>55.546.634</b>
Profit from the capital market operations	50.979
Profit on derivative financial instruments	5.911.938
Foreign exchange gains	49.583.717
<b>Loss (-)</b>	<b>55.315.151</b>
Loss from the capital market operations	17.898
Loss on derivative financial instruments	3.932.717
Foreign exchange losses	51.364.536

	<b>Prior Period</b>
<b>Profit</b>	<b>45.384.051</b>
Profit from the capital market operations	48.558
Profit on derivative financial instruments	1.824.452
Foreign exchange gains	43.511.041
<b>Loss (-)</b>	<b>45.305.426</b>
Loss from the capital market operations	13.481
Loss on derivative financial instruments	2.020.170
Foreign exchange losses	43.271.775

b) Information on derivative financial instruments

	<b>Current period</b>
<b>Profit on derivative financial instruments</b>	<b>5.911.938</b>
Effect of the change in foreign exchange on profit	5.749.027
Effect of the change in interest rate on profit	162.911
<b>Loss on derivative financial instruments (-)</b>	<b>3.932.717</b>
Effect of the change in foreign exchange on loss	3.799.881
Effect of the change in interest rate on loss	132.836
<b>Profit/loss on derivative financial instruments</b>	<b>1.979.221</b>

	<b>Prior period</b>
<b>Profit on derivative financial instruments</b>	<b>1.824.452</b>
Effect of the change in foreign exchange on profit	1.768.357
Effect of the change in interest rate on profit	56.095
<b>Loss on derivative financial instruments (-)</b>	<b>2.020.170</b>
Effect of the change in foreign exchange on loss	1.971.201
Effect of the change in interest rate on loss	48.969
<b>Profit/loss on derivative financial instruments</b>	<b>(195.718)</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)**

(5) Information on other operating income:

	<b>Current period</b>
Adjustments for prior period expenses	461.355
Insurance technical income	1.512.044
Income from the asset sale	123.169
Rent income	63.122
Other income	329.680
<b>Total</b>	<b>2.489.370</b>
	<b>Prior Period</b>
Adjustments for prior period expenses	442.260
Insurance technical income	1.414.967
Income from the asset sale	112.497
Rent income	49.417
Other income	137.442
<b>Total</b>	<b>2.156.583</b>

(6) Impairment losses on loans and other receivables:

	<b>Current Period</b>
Expected Credit Loss	2.598.891
<i>12 Month Expected Credit Loss (Stage 1)</i>	76.916
<i>Significant Increase in Credit Risk (Stage 2)</i>	458.938
<i>Non – Performing Loans (Stage 3)</i>	2.063.037
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>	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint Ventures</i>	-
Other	821.625
<b>Total</b>	<b>3.420.516</b>
	<b>Prior Period</b>
Specific provisions on loans and receivables	1.139.908
<i>Group - III loans and receivables</i>	373.220
<i>Group - IV loans and receivables</i>	528.643
<i>Group - V loans and receivables</i>	238.045
General loan provision expenses	268.934
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	97.029
<b>Total</b>	<b>1.505.871</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)**

(7) Information on other operating expenses:

	<b>Current Period</b>
Personnel expenses	2.608.022
Reserve for employee termination benefits	75.141
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	387
Depreciation expenses of fixed assets	148.432
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	43.441
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	7.846
Impairment expense for property and equipment held for sale	-
Other operating expenses	2.243.268
<i>Operational leasing expenses</i>	303.879
<i>Maintenance expenses</i>	59.724
<i>Advertisement expenses</i>	214.597
<i>Other expenses</i>	1.665.068
Loss on sales of assets	273
Other	2.027.804
<b>Total</b>	<b>7.154.614</b>

	<b>Prior Period</b>
Personnel expenses	2.153.948
Reserve for employee termination benefits	96.833
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	410
Depreciation expenses of fixed assets	115.012
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	48.893
Impairment expense for equity shares subject to the equity method accounting	-
Impairment expense of assets that will be disposed of	13.437
Amortization expenses of assets that will be disposed of	-
Impairment expense for property and equipment held for sale	-
Other operating expenses	1.808.318
<i>Operational leasing expenses</i>	204.389
<i>Maintenance expenses</i>	49.046
<i>Advertisement expenses</i>	226.048
<i>Other expenses</i>	1.328.835
Loss on sales of assets	363
Other	1.648.989
<b>Total</b>	<b>5.886.203</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)**

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

The Group's income before tax is due from continuing and discontinued activities.

The amount of profit before tax consists TRY 8.942.912 of net interest income and TRY 1.904.363 of net fees and commissions. The profit from continuing operations before tax of the Group is amounting to TRY 3.032.795.

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

For the period ended 31 December 2018, the Group's tax provision amounting to TRY 361.833 consists of TRY 175.752 of current tax charge and TRY 1.161.994 of deferred tax charge and TRY 975.913 of deferred tax benefit.

For the period ended 31 December 2018, the Group's deferred tax income from discontinued operations is amounting to TRY 2.860 consists of TRY 2.890 of current tax charge and TRY 30 of deferred tax benefit.

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

As of 31 December 2018, the Group's operating income after tax is amounting to TRY 2.670.962.

As of 31 December 2018, the Group's discontinued operations income after tax is amounting to TRY 10.130.

- (11) 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.

- (12) Minority interest profit/losses:

	<b>Current Period</b>
Minority interest profit/losses	24.445
	<b>Prior Period</b>
Minority interest profit/losses	12.485

- (13) Other items in Income Statement:

Other items do not exceed 10% of the income statement.

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

**V. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was previously recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

**VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT**

- (1) Disclosures for the "other" and "the effect of foreign exchange differences on cash and cash equivalents" items of cash flow statement:

The "net increase/(decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 9.775.972 (31 December 2017: TRY 17.670.819 increase) increase for the year 2018. The "others" item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TRY 13.874.450 decrease for the year 2018 (31 December 2017: TRY 6.134.162 decrease)

For the year ended 31 December 2018, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 5.233.224 increase (31 December 2017: TRY 897.165 increase). The average exchange rates of last five weekdays were taken into consideration as of the balance sheet date when calculating the effect of change in the exchange rates.

- (2) Items used in determination of cash and cash equivalents, accounting policies used in the determination of those items: Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.
- (3) The effect of any change in accounting policies: None.
- (4) Cash and cash equivalents balance at the beginning of the period:

	<b>Current period</b>	<b>Prior period</b>
Cash	36.681.377	30.211.966
<i>Cash in TRY and foreign currency</i>	2.208.130	1.543.096
<i>Central Bank and others<sup>(1)</sup></i>	34.473.247	28.668.870
Cash equivalents	7.597.218	3.010.590
<i>Demand and Time Deposits Up to 3 Months</i>	6.309.050	1.938.193
<i>Money Market Placements</i>	1.288.168	1.072.397
<b>Total cash and cash equivalents</b>	<b>44.278.595</b>	<b>33.222.556</b>
Reserve deposits in Central Bank of Turkey	(16.725.443)	(17.363.786)
Banks Blocked Amount <sup>(1)</sup>	(325.226)	(290.080)
Accruals on reserve deposits in Central Bank of Turkey	(89.784)	(36.875)
Accruals on Money Markets Placements	(2.669)	-
Accruals on banks	(18.620)	(1.219)
<b>Total Cash and Cash Equivalents</b>	<b>27.122.191</b>	<b>15.530.596</b>

<sup>(1)</sup>Other items include cheques received and required reserves that are held at The Central Bank of Macedonia.

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

**VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT (continued)**

(5) Cash and cash equivalents balance at the end of the period:

	<b>Current Period</b>	<b>Prior Period</b>
Cash	35.579.724	36.681.377
<i>Cash in TRY and foreign currency</i>	4.591.894	2.208.130
<i>Central Bank and others<sup>(1)</sup></i>	30.987.830	34.473.247
Cash Equivalents	5.195.753	7.597.218
<i>Demand and Time Deposits Up to 3 Months</i>	5.130.435	6.309.050
<i>Money Market Placements</i>	65.318	1.288.168
<b>Cash and Banks</b>	<b>40.775.477</b>	<b>44.278.595</b>
Reserve deposits in Central Bank of Turkey	(16.685.658)	(16.725.443)
Banks Blocked Amount <sup>(1)</sup>	(387.741)	(325.226)
Accruals on reserve deposits in Central Bank of Turkey	(223.863)	(89.784)
Accruals on Money Markets Placements	-	(2.669)
Accruals on banks	(29.630)	(18.620)
<b>Total Cash and Cash Equivalents</b>	<b>23.448.585</b>	<b>27.122.191</b>

<sup>(1)</sup> Other items include cheques received and required reserves amounts that are held at The Central Bank of Macedonia.

**TÜRKİYE HALK BANKASI AŞ****EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018***(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)***SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****VII. 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) Information on the loans of the Parent Banks' risk group:

None. (31 December 2017: None)

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

<b>Risk group</b>	<b>Subsidiaries, associates and jointly controlled entities (joint ventures)</b>	<b>Direct or indirect shareholders of the Bank</b>	<b>Other real and legal persons in the risk group</b>
<b>Deposits</b>	<b>Current Period</b>	<b>Current Period</b>	<b>Current Period</b>
Beginning balance	21.542	-	-
Closing Balance	42.260	-	-
Interest expense on deposits	5.321	-	-

<b>Risk group</b>	<b>Subsidiaries, associates and jointly controlled entities (joint ventures)</b>	<b>Direct or indirect shareholders of the Bank</b>	<b>Other real and legal persons in the risk group</b>
<b>Deposits</b>	<b>Prior Period</b>	<b>Prior Period</b>	<b>Prior Period</b>
Beginning balance	8.771	-	-
Closing Balance	21.542	-	-
Interest expense on deposits	1.296	-	-

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

None.

**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED  
FINANCIAL STATEMENTS (continued)****VII. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK (CONTINUED)**

## (2) Disclosures for risk group:

- a) The relations of the Bank with the entities controlled by the 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 of 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 amounts in the financial statements
Cash loans	-	-
Non-cash loans	-	-
Deposits	42.260	%0,02
Forward and option contracts	-	-
Banks and other financial institutions	-	-

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

- (3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 28.606 as of 31 December 2018 (31 December 2017: TRY 23.873).



**TÜRKİYE HALK BANKASI AŞ****EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018***(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)***SECTION V: EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****VIII. EXPLANATIONS ON THE PARENT BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES**

- (1) Explanations on the Parent Bank's domestic branches, agencies/branches abroad and off-shore branches

	Quantity	Number of Employees	Countries		
<b>Domestic Branches</b>	988	18.713			
<b>Abroad Agencies</b>	3	4	IRAN ENGLAND SINGAPORE		
				<b>Total Assets</b>	<b>Capital Legal</b>
<b>Overseas Branches</b>	5	61	TRNC	1.328.014	-
<b>Off-shore Branches</b>	1	3	BAHRAIN	23.374.933	-

- (2) Explanations on branch and agency openings or closings of the Bank:

The Bank opened 28 domestic branches during the year 2018.

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

The Bank's shares in the capital of Halk Portföy Yönetimi A.Ş., as classified under Assets Held For Sale, has been transferred to Ziraat Portföy Yönetimi A.Ş. as of January 02, 2019.

In January 2019, the Group's subsidiary Halk Banka A.D., Skopje acquired an insurance company named Nova Osiguruvanje established in Macedonia.

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<b>SECTION VI: OTHER EXPLANATIONS</b>
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**I. 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.

<b>SECTION VII: AUDITORS' REPORT</b>
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**I. EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT**

The Parent Bank's publicly available consolidated audited financial statements and footnotes have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 14 February 2019 is presented in front of the financial statements.

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

None.