

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

**TÜRKİYE HALK BANKASI  
ANONİM ŞİRKETİ**

**Unconsolidated Financial Statements**

**As of 31 March 2019**

**With Review Report Thereon**

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

13 May 2019

*This report contains “Review Report” comprising 3  
pages and; “Unconsolidated Interim Financial  
Statements and Related Disclosures and Footnotes”  
comprising 96 pages.*

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

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

### *Introduction*

We have reviewed the accompanying unconsolidated statement of financial position of Türkiye Halk Bankası A.Ş. (“the Bank”) as at 31 March 2019, and the unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders’ equity and unconsolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying unconsolidated interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this unconsolidated interim financial information based on our review.

### *Scope of Review*

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

### *Basis for Qualified Conclusion*

1. The accompanying unconsolidated interim financial statements as at 31 March 2019, subsequent to the reversal of TRY 29.500 thousand in the current period, include a general reserve amounting to TRY 384.500 thousand provided by the Bank 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 March 2019, other provisions would be less by TRY 384.500 thousand, prior periods’ income would be higher by TRY 414.000 and net profit would be lower by TRY 29.500 thousand.

2. The Bank reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard (“TFRS”) 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9. The government bonds reclassified into financial assets measured at amortised cost as at 31 March 2019 amounted to TRY 18.219.585 thousand. If such classification were not made, total assets and shareholders’ equity excluding tax effect would be lower by TRY 3.227.216 thousand as at 31 March 2019.

### *Qualified Conclusion*

Based on our review, except for the effects of the matters described in the basis for qualified conclusion paragraphs, nothing has come to our attention that causes us to believe that accompanying unconsolidated interim financial information does not present fairly, in all material respects, the financial position of Türkiye Halk Bankası A.Ş. as at 31 March 2019, and of the results of its operations and its cash flows for the three-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

### *Emphasis of Matter*

We draw attention to the following:

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

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

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

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

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

*Additional paragraph for English translation:*

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

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

Hasan Kılıç  
Partner

Istanbul, 13 May 2019

**TÜRKİYE HALK BANKASI AŞ**  
**THE UNCONSOLIDATED FINANCIAL REPORT**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019**

1. The Bank's Headquarter Address:  
Barbaros Mahallesi Şebboy Sokak No:4/1 Ataşehir/İstanbul
2. The Bank's Contact Phone and Facsimile:  
Phone : 0216 503 70 70  
Facsimile : 0212 340 93 99
3. The Bank's Website and E-mail Address:  
Website: www.halkbank.com.tr  
E-mail Address: halkbank.ir@halkbank.com.tr

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

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

The unconsolidated financial statements for the three-month period and related disclosures and footnotes that are subject to audit and are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance, and in compliance with the financial records of our Bank and, unless stated otherwise, presented in **thousands of Turkish Lira**.

Istanbul, 13 May 2019

R. Süleyman Özdil	Sadık Tıltak	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 : Arman Acar / Manager  
Tel : 0216 503 57 59  
Fax No : 0212 340 09 90

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**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019**

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

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

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

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

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

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

As of 31 March 2019 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	31 March 2019	%	31 December 2018	%
Türkiye Varlık Fonu <sup>(1)</sup>	638.276	51,06	638.276	51,06
Public shares <sup>(1)</sup>	611.641	48,93	611.641	48,93
Other shareholders <sup>(2)</sup>	83	0,01	83	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**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019**

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

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

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

<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 Director, Chairman of the Audit Committee
Sezai UÇARMAK	Member of the Board of Directors
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 Follow-up
Mustafa ÇÖDEK	Executive Vice President, Retail Banking
Ergin KAYA	Executive Vice President, Banking Operations and Information Technology
Erkan KİLİMCİ	Executive Vice President, Treasury Management and International Banking
Metin KÖSTEK	Executive Vice President, 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

People mentioned above do not own any shares in the Bank's capital.

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

<b>Title</b>	<b>Name</b>	<b>Starting Date</b>
Member of the Board of Directors	Sezai UÇARMAK	27 February 2019
Executive Vice President	Erkan KİLİMCİ	22 February 2019

- b) The Bank's top management members who have left their position in 2019 are listed with titles and dates of leaving.

None.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019**

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

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

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

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

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

**a) General information about the Bank:**

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

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019**

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

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

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

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

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

As of 31 March 2019, the Bank operates with a total of 998 branches consisting of 992 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 47 satellite branches. The Bank has also 3 representative office in England, Singapore and Iran.

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

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

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

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019**

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

<b>SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)</b>
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**VII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDER’S EQUITY BETWEEN THE BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES**

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019**

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

<b>SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS</b>
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- I. Balance Sheet (Statement of Financial Position)
- II. Statement of Off-Balance Sheet Items
- III. Statement of Profit or Loss
- IV. Statement of Profit or Loss and Other Comprehensive Income
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows

**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2019**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

		Reviewed			Audited		
		Current Period			Prior Period		
		31 March 2019			31 December 2018		
ASSETS	Note	TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I. FINANCIAL ASSETS (NET)</b>		<b>24.342.767</b>	<b>36.503.155</b>	<b>60.845.922</b>	<b>21.189.525</b>	<b>38.439.541</b>	<b>59.629.066</b>
<b>1.1 Cash and Cash Equivalents</b>	(1)	<b>3.537.500</b>	<b>33.032.794</b>	<b>36.570.294</b>	<b>4.149.691</b>	<b>35.934.002</b>	<b>40.083.693</b>
1.1.1 Cash and Balances with Central Bank	(3)	3.430.287	30.593.805	34.024.092	3.982.876	30.974.174	34.957.050
1.1.2 Banks		126.469	2.438.989	2.565.458	180.915	4.959.828	5.140.743
1.1.3 Money Markets		-	-	-	-	-	-
1.1.4 Expected Loss Provision (-)	(2)	19.256	-	19.256	14.100	-	14.100
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>		<b>14.473.897</b>	<b>21.176</b>	<b>14.495.073</b>	<b>14.475.244</b>	<b>21.455</b>	<b>14.496.699</b>
1.2.1 Government Debt Securities		14.407.803	21.176	14.428.979	14.409.039	21.455	14.430.494
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		66.094	-	66.094	66.205	-	66.205
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	(4)	<b>6.331.342</b>	<b>2.130.569</b>	<b>8.461.911</b>	<b>2.564.581</b>	<b>1.422.613</b>	<b>3.987.194</b>
1.3.1 Government Debt Securities		6.153.081	2.028.754	8.181.835	2.389.866	1.339.997	3.729.863
1.3.2 Equity Instruments		64.012	101.815	165.827	58.724	82.616	141.340
1.3.3 Other Financial Assets		114.249	-	114.249	115.991	-	115.991
<b>1.4 Derivative Financial Assets</b>	(2)(11)	<b>28</b>	<b>1.318.616</b>	<b>1.318.644</b>	<b>9</b>	<b>1.061.471</b>	<b>1.061.480</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		28	1.318.616	1.318.644	9	1.061.471	1.061.480
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)</b>		<b>232.568.375</b>	<b>101.241.313</b>	<b>333.809.688</b>	<b>210.751.960</b>	<b>95.936.717</b>	<b>306.688.677</b>
<b>2.1 Loans</b>	(5)	<b>192.769.388</b>	<b>89.212.738</b>	<b>281.982.126</b>	<b>174.099.895</b>	<b>84.974.331</b>	<b>259.074.226</b>
<b>2.2 Lease Receivables</b>	(10)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.3 Factoring Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.4 Other Financial Assets Measured at Amortised Cost</b>	(6)	<b>48.909.477</b>	<b>12.028.575</b>	<b>60.938.052</b>	<b>45.110.667</b>	<b>10.962.386</b>	<b>56.073.053</b>
2.4.1 Government Debt Securities		48.858.992	12.028.575	60.887.567	45.060.153	10.962.386	56.022.539
2.4.2 Other Financial Assets		50.485	-	50.485	50.514	-	50.514
<b>2.5 Expected Credit Loss (-)</b>		<b>9.110.490</b>	<b>-</b>	<b>9.110.490</b>	<b>8.458.602</b>	<b>-</b>	<b>8.458.602</b>
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)</b>	(13)	<b>2</b>	<b>-</b>	<b>2</b>	<b>39.377</b>	<b>-</b>	<b>39.377</b>
3.1 Held for Sale Purpose		2	-	2	39.377	-	39.377
3.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>3.392.300</b>	<b>1.550.506</b>	<b>4.942.806</b>	<b>3.367.602</b>	<b>1.403.197</b>	<b>4.770.799</b>
<b>4.1 Investments in Associates (Net)</b>	(7)	<b>22.490</b>	<b>431.471</b>	<b>453.961</b>	<b>22.490</b>	<b>415.828</b>	<b>438.318</b>
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		22.490	431.471	453.961	22.490	415.828	438.318
<b>4.2 Subsidiaries (Net)</b>	(8)	<b>3.369.810</b>	<b>1.119.035</b>	<b>4.488.845</b>	<b>3.345.112</b>	<b>987.369</b>	<b>4.332.481</b>
4.2.1 Unconsolidated Financial Subsidiaries		3.312.664	1.119.035	4.431.699	3.287.966	987.369	4.275.335
4.2.2 Unconsolidated Non- Financial Subsidiaries		57.146	-	57.146	57.146	-	57.146
<b>4.3 Joint Ventures (Net)</b>	(9)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V. PROPERTY AND EQUIPMENT (Net)</b>		<b>3.810.635</b>	<b>106</b>	<b>3.810.741</b>	<b>3.147.814</b>	<b>100</b>	<b>3.147.914</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>		<b>133.371</b>	<b>-</b>	<b>133.371</b>	<b>140.250</b>	<b>-</b>	<b>140.250</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		133.371	-	133.371	140.250	-	140.250
<b>VII. INVESTMENT PROPERTIES (Net)</b>	(12)	<b>356.040</b>	<b>-</b>	<b>356.040</b>	<b>356.848</b>	<b>-</b>	<b>356.848</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>3.490</b>	<b>-</b>	<b>3.490</b>	<b>6.042</b>	<b>-</b>	<b>6.042</b>
<b>IX. DEFERRED TAX ASSET</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. OTHER ASSETS</b>	(14)	<b>2.225.221</b>	<b>906.916</b>	<b>3.132.137</b>	<b>2.742.059</b>	<b>901.023</b>	<b>3.643.082</b>
<b>TOTAL ASSETS</b>		<b>266.832.201</b>	<b>140.201.996</b>	<b>407.034.197</b>	<b>241.741.477</b>	<b>136.680.578</b>	<b>378.422.055</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2019**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

		Reviewed			Audited		
		Current Period			Prior Period		
		31 March 2019			31 December 2018		
LIABILITIES	Note	TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I. DEPOSITS</b>	(1)	134.360.448	135.294.857	269.655.305	140.018.439	108.836.815	248.855.254
<b>II. FUNDS BORROWED</b>	(3)	389.260	10.945.795	11.335.055	372.398	11.543.629	11.916.027
<b>III. MONEY MARKETS</b>		43.156.636	3.329.004	46.485.640	32.759.788	5.402.273	38.162.061
<b>IV. SECURITIES ISSUED (Net)</b>	(4)	3.295.640	12.636.331	15.931.971	3.023.139	12.024.839	15.047.978
4.1 Bills		2.180.060	-	2.180.060	2.011.697	-	2.011.697
4.2 Assets Backed Securities		1.010.821	-	1.010.821	1.011.442	-	1.011.442
4.3 Bonds		104.759	12.636.331	12.741.090	-	12.024.839	12.024.839
<b>V. FUNDS</b>		2.852.574	-	2.852.574	2.874.121	-	2.874.121
5.1 Borrower Funds		38	-	38	42	-	42
5.2 Other		2.852.536	-	2.852.536	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) (7)	39	321.124	321.163	16	410.422	410.438
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		39	321.124	321.163	16	410.422	410.438
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VIII. FACTORING LIABILITIES</b>		-	-	-	-	-	-
<b>IX. LEASE LIABILITIES</b>	(6)	497.943	110.246	608.189	-	-	-
<b>X. PROVISIONS</b>	(8)	2.011.744	-	2.011.744	1.853.914	-	1.853.914
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1.022.792	-	1.022.792	887.228	-	887.228
10.3 Insurance for Technical Provision (Net)		-	-	-	-	-	-
10.4 Other Provisions		988.952	-	988.952	966.686	-	966.686
<b>XI. CURRENT TAX LIABILITY</b>	(9)	1.036.763	128	1.036.891	669.903	106	670.009
<b>XII. DEFERRED TAX LIABILITIES</b>	(9)	197.800	-	197.800	452.769	-	452.769
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(10)	6.014.112	-	6.014.112	6.182.084	-	6.182.084
14.1 Loans		-	-	-	-	-	-
14.2 Other Debt Instruments		6.014.112	-	6.014.112	6.182.084	-	6.182.084
<b>XV. OTHER LIABILITIES</b>	(5)	20.483.087	932.870	21.415.957	22.085.654	891.011	22.976.665
<b>XVI. SHAREHOLDERS' EQUITY</b>	(11)	29.052.977	114.819	29.167.796	28.896.436	124.299	29.020.735
16.1 Paid-in Capital		1.250.000	-	1.250.000	1.250.000	-	1.250.000
16.2 Capital Reserves		1.231.581	-	1.231.581	1.230.674	-	1.230.674
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		1.231.581	-	1.231.581	1.230.674	-	1.230.674
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		1.334.345	-	1.334.345	1.334.345	-	1.334.345
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		1.230.239	114.819	1.345.058	1.379.793	124.299	1.504.092
16.5 Profit Reserves		20.475.295	-	20.475.295	20.475.295	-	20.475.295
16.5.1 Legal Reserves		1.864.266	-	1.864.266	1.864.266	-	1.864.266
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		18.563.848	-	18.563.848	18.563.848	-	18.563.848
16.5.4 Other Profit Reserves		47.181	-	47.181	47.181	-	47.181
16.6 Income or (Loss)		3.531.517	-	3.531.517	3.226.329	-	3.226.329
16.6.1 Prior Periods' Income or (Loss)		3.226.329	-	3.226.329	704.534	-	704.534
16.6.2 Current Period Income or (Loss)		305.188	-	305.188	2.521.795	-	2.521.795
16.7 Minority Shares		-	-	-	-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>243.349.023</b>	<b>163.685.174</b>	<b>407.034.197</b>	<b>239.188.661</b>	<b>139.233.394</b>	<b>378.422.055</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**  
**AS OF 31 MARCH 2019**

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

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

		Reviewed			Audited		
		Current Period			Prior Period		
		31 March 2019			31 December 2018		
OFF-BALANCE SHEET	Note	TRY	FC	TOTAL	TRY	FC	TOTAL
<b>A. COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>91.562.096</b>	<b>110.745.757</b>	<b>202.307.853</b>	<b>70.717.925</b>	<b>86.627.054</b>	<b>157.344.979</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>(1)</b>	<b>38.595.625</b>	<b>49.042.526</b>	<b>87.638.151</b>	<b>37.167.935</b>	<b>45.871.890</b>	<b>83.039.825</b>
1.1 Letters of guarantee		36.355.039	38.213.677	74.568.716	35.165.366	35.686.852	70.852.218
1.1.1 Guarantees subject to public procurement law		1.888.759	12.026.696	13.915.455	1.982.722	12.444.947	14.427.669
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		34.466.280	26.186.981	60.653.261	33.182.644	23.241.905	56.424.549
1.2 Bank loans		9.194	7.575.079	7.584.273	11.845	7.038.415	7.050.260
1.2.1 Import acceptances		-	85.413	85.413	-	94.572	94.572
1.2.2 Other bank acceptances		9.194	7.489.666	7.498.860	11.845	6.943.843	6.955.688
1.3 Letters of credit		124.877	3.123.878	3.248.755	119.895	3.016.499	3.136.394
1.3.1 Documentary letters of credit		124.877	3.123.878	3.248.755	119.895	3.016.499	3.136.394
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed refinancing		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		2.106.515	129.892	2.236.407	1.870.829	130.124	2.000.953
1.9 Other sureties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>(1)</b>	<b>23.916.877</b>	<b>2.423.764</b>	<b>26.340.641</b>	<b>24.243.824</b>	<b>1.853.816</b>	<b>26.097.640</b>
2.1 Irrevocable commitments		23.675.583	2.209.255	25.884.838	24.091.686	1.680.920	25.772.606
2.1.1 Forward asset purchase commitments		996.044	1.740.265	2.736.309	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		2.240.793	468.990	2.709.783	4.159.896	451.988	4.611.884
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for Cheques		3.287.913	-	3.287.913	2.661.413	-	2.661.413
2.1.8 Tax and fund liabilities from export commitments		65.210	-	65.210	65.280	-	65.280
2.1.9 Commitments for credit card expenditure limits		13.252.914	-	13.252.914	12.674.648	-	12.674.648
2.1.10 Commitments for credit cards and banking services promotions		31.582	-	31.582	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		3.801.127	-	3.801.127	3.691.303	-	3.691.303
2.2 Revocable commitments		241.294	214.509	455.803	152.138	172.896	325.034
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		241.294	214.509	455.803	152.138	172.896	325.034
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>29.049.594</b>	<b>59.279.467</b>	<b>88.329.061</b>	<b>9.306.166</b>	<b>38.901.348</b>	<b>48.207.514</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		29.049.594	59.279.467	88.329.061	9.306.166	38.901.348	48.207.514
3.2.1 Forward foreign currency buy/sell transactions		2.804.767	6.867.985	9.672.752	1.806.188	5.243.125	7.049.313
3.2.1.1 Forward foreign currency transactions-buy		2.195.191	3.608.003	5.803.194	1.553.375	3.068.338	4.621.713
3.2.1.2 Forward foreign currency transactions-sell		609.576	3.259.982	3.869.558	252.813	2.174.787	2.427.600
3.2.2 Currency and interest rate swaps		17.541.079	39.887.386	57.428.465	5.202.187	27.857.299	33.059.486
3.2.2.1 Currency swap-buy		1.069.141	18.727.587	19.796.728	1.012.983	6.973.576	7.986.559
3.2.2.2 Currency swap-sell		16.471.938	2.837.867	19.309.805	4.189.204	3.490.839	7.680.043
3.2.2.3 Interest rate swap-buy		-	9.160.966	9.160.966	-	8.696.442	8.696.442
3.2.2.4 Interest Rate swap-sell		-	9.160.966	9.160.966	-	8.696.442	8.696.442
3.2.3 Currency, interest rate and marketable securities options		5.093.565	6.596.236	11.689.801	2.297.791	3.561.455	5.859.246
3.2.3.1 Currency call options		1.208.351	4.662.933	5.871.284	1.148.905	1.780.728	2.929.633
3.2.3.2 Currency put options		3.885.214	1.933.303	5.818.517	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		3.610.183	3.381.647	6.991.830	-	-	-
3.2.4.1 Currency futures-buy		682.693	2.746.667	3.429.360	-	-	-
3.2.4.2 Currency futures-sell		2.927.490	634.980	3.562.470	-	-	-
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		-	2.546.213	2.546.213	-	2.239.469	2.239.469
<b>B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)</b>		<b>1.007.530.808</b>	<b>327.521.046</b>	<b>1.335.051.854</b>	<b>954.219.496</b>	<b>310.868.814</b>	<b>1.265.088.310</b>
<b>IV. CUSTODIES</b>		<b>498.613.698</b>	<b>49.191.981</b>	<b>547.805.679</b>	<b>432.711.289</b>	<b>42.627.039</b>	<b>475.338.328</b>
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		183.928.959	1.212.304	185.141.263	161.920.322	1.017.194	162.937.516
4.3 Cheques in collection process		16.351.001	28.423.386	44.774.387	15.226.267	26.439.655	41.665.922
4.4 Commercial notes in collection process		257.036.342	6.545.210	263.581.552	239.240.554	5.575.684	244.816.238
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		1.754.530	338.768	2.093.298	4.280.917	486.438	4.767.355
4.8 Custodians		39.542.866	12.672.313	52.215.179	12.043.229	9.108.068	21.151.297
<b>V. PLEDGED ASSETS</b>		<b>508.917.110</b>	<b>278.329.065</b>	<b>787.246.175</b>	<b>521.508.207</b>	<b>268.241.775</b>	<b>789.749.982</b>
5.1 Marketable securities		5.949.071	772.350	6.721.421	5.608.542	733.250	6.341.792
5.2 Collateral notes		7.933.862	1.170.198	9.104.060	7.595.289	1.024.377	8.619.666
5.3 Commodity		25.812	-	25.812	25.812	-	25.812
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		400.243.766	235.379.522	635.623.288	384.287.726	224.420.837	608.708.563
5.6 Other pledged assets		77.219.879	40.297.676	117.517.555	76.477.704	39.614.525	116.092.229
5.7 Pledges		17.544.720	709.319	18.254.039	47.513.134	2.448.786	49.961.920
<b>VI. ACCEPTED BILL GUARANTEES AND SURETIES</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)</b>		<b>1.099.092.904</b>	<b>438.266.803</b>	<b>1.537.359.707</b>	<b>1.024.937.421</b>	<b>397.495.868</b>	<b>1.422.433.289</b>

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



**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED**  
**31 MARCH 2019**

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

**III. STATEMENT OF PROFIT OR LOSS**

		Reviewed Current Period	Reviewed Prior Period
		1 January- 31 March 2019	1 January- 31 March 2018
INCOME AND EXPENSES	Note		
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>10.743.038</b>	<b>6.926.203</b>
1.1 Interest on Loans		8.440.465	5.729.854
1.2 Interest on Reserve Requirements		25.738	36.262
1.3 Interest on Banks		136.805	84.640
1.4 Interest on Money Market Transactions		-	11.363
1.5 Interest on Marketable Securities Portfolio		2.127.198	1.056.205
1.5.1 Fair Value Through Profit or Loss		4.099	1.988
1.5.2 Fair Value Through Other Comprehensive Income		269.181	424.277
1.5.3 Measured at Amortized Cost		1.853.918	629.940
1.6 Financial Lease Interest Income		-	-
1.7 Other Interest Income		12.832	7.879
<b>II. INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>9.015.014</b>	<b>4.956.826</b>
2.1 Interest on Deposits		6.267.592	3.790.080
2.2 Interest on Funds Borrowed		75.583	101.674
2.3 Interest Expense on Money Market Transactions		2.069.058	767.964
2.4 Interest on Securities Issued		508.290	234.389
2.5 Interest on Leases		23.652	-
2.6 Other Interest Expenses		70.839	62.719
<b>III. NET INTEREST INCOME (I - II)</b>		<b>1.728.024</b>	<b>1.969.377</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>616.235</b>	<b>406.372</b>
4.1 Fees and Commissions Received		861.773	536.313
4.1.1 Non – cash Loans		217.120	117.341
4.1.2 Other	(11)	644.653	418.972
4.2 Fees and Commissions Paid (-)		245.538	129.941
4.2.1 Non – cash Loans		47	12
4.2.2 Other	(11)	245.491	129.929
<b>V. DIVIDEND INCOME</b>		<b>377.114</b>	<b>85</b>
<b>VI. TRADING INCOME / LOSS (Net)</b>	<b>(3)</b>	<b>(431.225)</b>	<b>30.052</b>
6.1 Trading Gains / (Losses) on Securities		17.733	9.981
6.2 Gains / (Losses) on Derivate Financial Transactions		456.024	69.372
6.3 Foreign Exchange Gains / (Losses)		(904.982)	(49.301)
<b>VII. OTHER OPERATING INCOME</b>	<b>(4)</b>	<b>431.612</b>	<b>247.712</b>
<b>VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>2.721.760</b>	<b>2.653.598</b>
<b>IX. EXPECTED LOSS PROVISIONS (-)</b>	<b>(5)</b>	<b>1.047.074</b>	<b>392.371</b>
<b>X. OTHER PROVISION EXPENSES (-)</b>	<b>(5)</b>	<b>32.309</b>	<b>70.999</b>
<b>XI. PERSONNEL EXPENSE (-)</b>		<b>712.745</b>	<b>550.402</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>(6)</b>	<b>814.068</b>	<b>647.990</b>
<b>XIII. NET OPERATING INCOME /LOSS (VIII-IX-X-XI-XII)</b>		<b>115.564</b>	<b>991.836</b>
<b>XIV. INCOME AFTER MERGER</b>		-	-
<b>XV. INCOME / (LOSS ) FROM INVESTMENTS IN SUBSIDIARIES</b>		-	-
<b>CONSOLIDATED BASED ON EQUITY METHOD</b>		-	-
<b>XVI. INCOME / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XVII. PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS</b>			
(XIII+...+XVI)		115.564	991.836
<b>XVIII. TAX PROVISIONS FOR CONTINUED OPERATIONS (±)</b>	<b>(7)</b>	<b>189.624</b>	<b>(201.644)</b>
18.1 Current Tax Provision	(8)	2.613	(60.123)
18.2 Deferred Tax Income Effect (+)		686.287	195.893
18.3 Deferred Tax Expense Effect (-)		878.524	54.372
<b>XIX. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS</b>			
(XVII±XVIII)		305.188	790.192
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>	<b>(9)</b>	-	-
20.1 Income from non- Current Assets Held for Sale	(1)	-	-
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3 Income from Other Discontinued Operations		-	-
<b>XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>		-	-
21.1 Expenses for Non-current Assets Held for Sale		-	-
21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
21.3 Expenses for Other Discontinued Operations		-	-
<b>XXII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI)</b>		-	-
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
23.1 Current Tax Provision		-	-
23.2 Deferred Tax Expense Effect (+)		-	-
23.3 Deferred Tax Income Effect (-)		-	-
<b>XXIV. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS</b>			
(XIX±XXII)		-	-
<b>XXV. NET PROFIT/(LOSS) (XVIII+XXIV)</b>		<b>305.188</b>	<b>790.192</b>
25.1 Profit / (Loss) of Group	(10)	305.188	790.192
25.2 Profit / (Loss) of Minority Shares (-)		-	-
Profit / (Loss) Per Share (full TRY)		0,2441504	0,6321536

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

**TÜRKİYE HALK BANKASI AŞ**

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2019**

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

**IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		Reviewed	Reviewed
		Current Period	Prior Period
		1 January - 31 March 2019	1 January - 31 March 2018
STATEMENT OF PROFIT OR LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY			
<b>I.</b>	<b>CURRENT PERIOD INCOME/LOSS</b>	<b>305.188</b>	<b>790.192</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>(159.034)</b>	<b>(361.275)</b>
<b>2.1</b>	<b>Not Reclassified Through Profit or Loss</b>	<b>-</b>	<b>(4.486)</b>
2.1.1	Property and Equipment Revaluation Increase/Decrease	-	(4.984)
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	-	-
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	498
<b>2.2</b>	<b>Reclassified Through Profit or Loss</b>	<b>(159.034)</b>	<b>(356.789)</b>
2.2.1	Foreign Currency Translation Differences	1.855	112.343
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(223.621)	(499.827)
2.2.3	Cash Flow Hedge Income/Loss	-	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Loss	-	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	62.732	30.695
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>146.154</b>	<b>428.917</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 MARCH 2019**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss							Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss									
	Paid in Capital	Share Premium s	Share Cancellat ion Profits	Other Capital Reserves	Accumulated Revaluation Increase/Decr ease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other(Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Expect Minority Shares	Minority Shares	Total Equity	
Reviewed (1 January– 31 March 2018)																	
I. Prior Period End Balance	1.250.000	-	-	1.176.589	1.273.315	(10.263)	-	52.631	972.898	-	16.936.107	3.725.462	-	25.376.739	-	25.376.739	
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	704.534	-	704.534	-	704.534	
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	704.534	-	704.534	-	704.534	
III. Adjusted Beginning Balance (I-II)	1.250.000	-	-	1.176.589	1.273.315	(10.263)	-	52.631	972.898	-	16.936.107	4.429.996	-	26.081.273	-	26.081.273	
IV. Total Comprehensive Income	-	-	-	-	(4.486)	-	-	112.343	(469.132)	-	-	-	790.192	428.917	-	428.917	
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	-	-	-	(112.343)	-	-	-	-	-	-	-	-	-	(112.343)	-	(112.343)	
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period End Balance (III+IV+.....+X+XI)	1.250.000	-	-	1.064.246	1.268.829	(10.263)	-	164.974	503.766	-	16.936.107	4.429.996	790.192	26.397.847	-	26.397.847	
(1 January – 31 March 2019)																	
I. Prior Period End Balance	1.250.000	-	-	1.230.674	1.324.802	9.543	-	(1.454)	1.505.546	-	20.475.295	704.534	2.521.795	29.020.735	-	29.020.735	
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Beginning Balance (I-II)	1.250.000	-	-	1.230.674	1.324.802	9.543	-	(1.454)	1.505.546	-	20.475.295	704.534	2.521.795	29.020.735	-	29.020.735	
IV. Total Comprehensive Income	-	-	-	-	-	-	-	1.855	(160.889)	-	-	-	305.188	146.154	-	146.154	
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	-	-	-	907	-	-	-	-	-	-	-	2.521.795	(2.521.795)	907	-	907	
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period End Balance (III+IV+.....+X+XI)	1.250.000	-	-	1.231.581	1.324.802	9.543	-	401	1.344.657	-	20.475.295	3.226.329	305.188	29.167.796	-	29.167.796	

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

**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31**  
**MARCH 2019**

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

**VI. STATEMENT OF CASH FLOWS**

		<b>Reviewed</b>	<b>Reviewed</b>
		<b>Current Period</b>	<b>Prior Period</b>
	<b>Note</b>	<b>1 January- 31 March 2019</b>	<b>1 January- 31 March 2018</b>
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities</b>	<b>(2.883.748)</b>	<b>(2.529.609)</b>
1.1.1	Interest received	9.696.038	6.114.396
1.1.2	Interest paid	(9.190.995)	(4.716.922)
1.1.3	Dividend received	377.114	85
1.1.4	Fees and commissions received	863.212	534.498
1.1.5	Other income	370.124	70.198
1.1.6	Collections from previously written off loans	342.844	371.928
1.1.7	Cash payments to personnel and service suppliers	(724.810)	(557.268)
1.1.8	Taxes paid	(443.887)	(366.819)
1.1.9	Other	(4.173.388)	(3.979.705)
<b>1.2</b>	<b>Assets and Liabilities Subject to Banking Operations</b>	<b>(293.163)</b>	<b>2.028.483</b>
1.2.1	Net Increase / decrease in financial assets at fair value through profit or loss	660	(31.194)
1.2.2	Net (increase) / decrease in due from banks	(3.223)	(1.650)
1.2.3	Net (increase) / decrease in loans	(21.666.979)	(13.521.614)
1.2.4	Net (increase) / decrease in other assets	(6.199.486)	(1.910.345)
1.2.5	Net increase / (decrease) in bank deposits	3.627.825	325.050
1.2.6	Net increase / (decrease) in other deposits	17.179.642	6.423.884
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	(565.283)	(1.623.283)
1.2.9	Net increase / (decrease) in matured payables	-	-
1.2.10	Net increase / (decrease) in other liabilities	7.333.681	12.367.635
<b>I.</b>	<b>Net cash provided from banking operations</b>	<b>(3.176.911)</b>	<b>(501.126)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>II.</b>	<b>Net cash provided from/ (used in) investing activities</b>	<b>(8.840.377)</b>	<b>(2.099.040)</b>
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	(89.974)	(88.788)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	39.375	-
2.3	Fixed assets purchases	(166.991)	(520.651)
2.4	Fixed assets sales	94.278	68.988
2.5	Cash paid for purchase of financial assets at fair value through other comprehensive income	(10.500.854)	(2.999.079)
2.6	Cash obtained from sale of financial assets at fair value through other comprehensive income	5.765.227	1.196.421
2.7	Cash paid for purchase of investment securities	(4.529.304)	(119.999)
2.8	Cash obtained from sale of investment securities	541.494	354.254
2.9	Other	6.372	9.814
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net cash used in financing activities</b>	<b>209.403</b>	<b>1.041.107</b>
3.1	Cash obtained from loans borrowed and securities issued	2.336.000	3.385.000
3.2	Cash used for repayment of loans borrowed and securities issued	(2.065.879)	(2.343.893)
3.3	Bonds issued	-	-
3.4	Dividends paid	-	-
3.5	Payments for leases	(60.718)	-
3.6	Other	-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>716.288</b>	<b>551.942</b>
<b>V.</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(11.091.597)</b>	<b>(1.007.117)</b>
<b>VI.</b>	<b>Cash and cash equivalents at beginning of the period</b>	<b>23.631.619</b>	<b>27.121.864</b>
<b>VII.</b>	<b>Cash and cash equivalents at end of the period</b>	<b>12.540.022</b>	<b>26.114.747</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019**

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

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

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial assets and liabilities carried at fair value. Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.

Accounting policies and accounting estimates on which the accompanying financial statements based are in compliance with “The Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulation” and other regulations, circulars and pronouncements published by the BRSA and by the POA for those that are not stipulated by them and Turkish Accounting Standards issued by Public Oversight Agency for the matters not regulated by the aforementioned legislations and have been applied consistently by the Bank.

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

**Additional paragraph for convenience translation to English**

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019**

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

<b>SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)</b>
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**II. EXPLANATIONS ON THE STRATEGY OF USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS**

a) The Bank's strategy on financial instruments:

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

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

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

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

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

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

The Bank started to apply fair value hedge accounting as at 1 July 2015 by designating the exchange rate risk of Halkbank A.D. Beograd (subsidiary), Halk Banka A.D. Skopje (subsidiary), Demirhalkbank NV (associate), foreign investments that are recognized under fair value accounting as hedged item, in compliance with TFRS 9 standard. Accordingly, the effective portion of the foreign exchange differences is recorded under statement of profit or loss in the current period.

**III. EXPLANATIONS ON ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES**

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)****IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS**

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

Pledges arises derivative transactions recorded in off-balance sheet accounts with their agreement amounts. Derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under “derivative financial assets” or “derivative financial liabilities”, respectively depending on the fair values being positive or negative. Fair value changes of derivative instruments are recorded under statement of profit or loss. Fair values of derivatives are calculated using discounted cash flow model or market value.

**Explanations related to credit derivatives and its risk exposures:**

The Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic’s credit risk. As of 31 March 2019, the bank has credit default swap transaction amounting to USD 310 million with 5 year maturity. In this transactions the Bank sells protection.

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

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

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

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

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

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

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

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

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

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

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

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

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

***Assessment of Business Model***

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

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

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

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

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

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

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

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



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

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

**3. Other Business Models:**

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

***Measurement Categories of Financial Assets and Liabilities***

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

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

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

Included in its securities portfolio; the Bank also has; consumer price indexed government bonds (CPI) measured at fair value through other comprehensive income and CPI government bonds measured at amortised cost. CPI's are valued and accounted for according to the effective interest rate method which is calculated as per the real coupon rate and the reference inflation index on the issue date. The reference index used during the calculation of the actual coupon payment amount is determined by using the previous two months' CPI. The Bank determines its expected inflation rates similarly. The estimated inflation rate according to the Central Bank of Turkey and the Bank's expectations, is updated during the year when it is considered necessary. As of 31 March 2019, the valuation of these securities is based on 16,20% annual inflation forecast. If such valuation of these CPI-indexed securities was made according to the reference index valid for 31 March 2019, the revaluation differences of financial assets within the equity of the Bank would increase TRY 32.404 (net), and the interest income from the securities would decrease by TRY 759.814.

**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.

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<b>SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)</b>
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**VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)**

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

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

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

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

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

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

***Cash Equivalents and Banks***

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

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

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

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

***Loans and Receivables***

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

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

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

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the statement of profit or loss depending on foreign currency rates being higher or lower than opening date rates.

Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the statement of profit or loss.

***Associates and subsidiaries:***

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

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

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

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

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

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

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

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

**Calculation of expected credit losses**

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

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

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

**Probability of Default (PD):**

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

**Loss given Default (LGD):**

This is the parameter indicates the expected economic loss of the bank if the credit defaults. In the case of the credit defaults and the Bank collects the entire amount of the default, LGD is zero, in the case of no collection, LGD is 100% 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 Expected Credit Losses**

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

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

**Lifetime Expected Credit Losses**

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

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

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

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

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

**Lifetime Probability of Default (continued)**

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

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

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

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

**Low Credit Risk**

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

According to Article 5.5.10 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 Bank are classified as follows:

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

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

c) Treasury Loans

d) Loans guaranteed by Treasury of Republic of Turkey

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

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

**IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

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

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

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

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

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 5 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

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

**XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT**

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

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

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

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

	<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, plant and equipment.

*Classification of Investment Properties:*

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

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

**XIV. EXPLANATIONS ON INVESTMENT PROPERTIES**

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

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



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

**XV. EXPLANATIONS ON LEASING TRANSACTIONS**

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

The Bank does not participate in the financial leasing transactions as a “lessor”.

According to “TFRS 16 Leases” standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease was removed and the lease transactions were started to be recognised under “Property and Equipment” as an asset (tenure) and under “Lease Liabilities” as a liability. Impact and application of TFRS 16 concerning this transition were explained in Section three, footnote XXIV.

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

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

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)****XVII. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES**

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

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

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

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

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

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

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

**XVIII. EXPLANATIONS ON TAXATION**

In accordance with provisional article 10 of the Law No. 5520 on Taxation No. 7061 added to the Article No 91 of the Law on Taxation, the 20% rate institutions listed in the first paragraph of the Article 32 of the Corporate Tax Law are subject to the taxation periods of 2018, 2019 and 2020 (for fiscal years beginning in the year concerned for the designated institutions). In addition, the 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 after 2021.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the statement of profit or loss since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

**Tax practices in the countries that foreign branches operate:**

**Turkish Republic of Northern Cyprus (TRNC)**

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are subject to 10% of corporate tax and this taxed amount is subject to 15% of income tax.

The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October.

On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporations. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is higher than the corporate tax payable, the difference is deducted from income tax payable.

**Bahrain**

Banks in Bahrain are not subject to tax according to the regulations of the country.

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

**XIX. ADDITIONAL EXPLANATIONS ON BORROWINGS**

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

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

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

**XX. EXPLANATIONS ON SHARES ISSUED**

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

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

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

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

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

**XXII. EXPLANATIONS ON GOVERNMENT INCENTIVES**

There are no government incentives utilized by the Bank.

**XXIII. EXPLANATIONS ON SEGMENT REPORTING**

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

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

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

**XXIV. EXPLANATIONS ON TFRS 16 LEASES STANDARDS**

The Bank assesses whether the contract has the quality of a lease or whether the transaction includes a lease at the beginning of a contract.

A lease agreement is an agreement between two or more parties that gives the tenure the legally enforceable rights and obligations of the underlying asset. In case the contract is transferred for a certain period of time to control the use of the asset defined for a price, it is either leased or includes a lease. The Bank reflects the existence of a right-of-use and a lease liability to the financial statements at the effective date of the lease.

***Existence of right-of-use:***

As a result of internal evaluations, the Bank accounts real estate and vehicles subject to operational lease in accordance with TFRS 16. ATMs and other leasing transaction balances are not considered within the scope of TFRS 16 as they are below the materiality level and the corresponding rent payments are recognized under Other Operating Expenses.

At the commencement date, the Bank measures the right-of-use real estates considered as the cost of right-of-use asset being the right-of-use asset in accordance with TFRS 16. The cost of the right-of-use;

- a) The amount of the initial measurement of the lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

The Bank applies TAS 36 Impairment of Assets to determine whether the real estates considered as right-of-use assets are impaired and to account for any impairment loss identified.

***The Lease Obligations:***

Based on TFRS 16, at the commencement date, the Bank measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the alternative borrowing interest rate.

After the commencement date, the Bank measures the lease liability as follows:

- a) Increasing the carrying amount to reflect interest on the lease liability,
- b) Reducing the book value to reflect the lease payments made,
- c) Reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

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

**XXIV. EXPLANATIONS ON TFRS 16 LEASES STANDARDS (continued)**

*The Lease Obligations (continued):*

In the event of a modification in the lease agreement which affects the lease payments or defined assets, the Bank re-measures its lease liability by using the current borrowing rate. The Bank reflects the remeasured leasing liability and the right-of-use in the financial statements. On the other hand, in the changes in the shortening of the lease term, the termination of the contract and the decreases in the scope of the underlying asset, the gains or losses are recognized in profit or loss.

**First Transition to TFRS 16 Leasing Standard**

“TFRS 16 Leases” Standard was promulgated in the Official Gazette to be applied in the accounting period starting on 31 December 2018. The Bank applied TFRS 16 “Leasing” standard as of 1 January 2019, the date of first implementation.

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The Bank preferred to adopt the facilitative procedure at its first transition date and has not made any changes in the comparative financial statements of the previous period.

Details based on the asset with regard to the recognised asset tenure is as follows:

	1 January 2019	31 March 2019
Existence of Right-of-use		
Real Estate	513.592	561.379
Vehicles	85.867	86.311
<b>Total</b>	<b>599.459</b>	<b>647.690</b>

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

In accordance with TFRS 16, the Bank recognised prepaid rent payments amounting to TRY 7.863 under tangible assets as right-of-use which were previously classified under prepaid expenses.

	1 January 2019
Operational Leasing Commitments	1.012.188
Contracts that are excluded from the scope of TFRS 16 (-)	111.608
Total Leasing Liability	900.580
<b>Discounted Lease Obligation</b>	<b>591.596</b>

**XXV. EXPLANATIONS ON OTHER MATTERS**

None.

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

**I. EXPLANATIONS ON CAPITAL**

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 31 March 2019, the Bank's capital adequacy ratio in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy" is 12,98% (31 December 2018: 13,80%), The equity is calculated as TRY 37.459.695 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2018: TRY 37.119.404).

(1) Information on Equity items:

Current Period	Amount	Amounts related to treatment before 1/1/2014(*)
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	20.475.353	
Other Comprehensive Income according to TAS	3.063.573	
Profit	3.531.517	
Current Period Profit	305.188	
Prior Period Profit	3.226.329	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	11.473	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>29.552.367</b>	
<b>Deductions from Common Equity Tier 1 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 (-)	384.571	
Leasehold Improvements on Operational Leases (-)	68.460	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	133.371	133.371
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>586.402</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>28.965.965</b>	

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

**I. EXPLANATIONS ON CAPITAL (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)	-
<b>Additional Tier I Capital before Deductions</b>	-
<b>Deductions from Additional Tier I Capital</b>	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA	-
<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+Additional Tier I Capital)</b>	<b>28.965.965</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)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.578.672
<b>Tier II Capital Before Deductions</b>	<b>8.508.467</b>
<b>Deductions From Tier II Capital</b>	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	-
<b>Total Tier II Capital</b>	<b>8.508.467</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>37.474.432</b>
<b>Total Tier I and Tier II Capital (Total Equity)</b>	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-
Other items to be defined by the BRSA (-)	14.737



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

**I. EXPLANATIONS ON CAPITAL (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	37.459.695
Total Risk Weighted Assets	288.618.479
<b>Capital Adequacy Ratios</b>	
CET1 Capital Ratio (%)	10,04
Tier I Capital Ratio (%)	10,04
Capital Adequacy Ratio (%)	12,98
<b>BUFFERS</b>	
Bank-specific total CET1 Capital Ratio (a+b+c)	2,527
a) Capital Conservation Buffer Ratio (%)	2,500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,027
c) Systemic significant bank buffer ratio (%) **	0,000
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	4,036
<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	118.064
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	444.609
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	2.348.529
<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)	2.578.672
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.578.672
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>	
(effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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

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

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

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

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

**I. EXPLANATIONS ON CAPITAL (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)	-
<b>Additional Tier I Capital before Deductions</b>	-
<b>Deductions from Additional Tier I Capital</b>	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be defined by the BRSA (-)	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>	-
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
<b>Total Deductions from Additional Tier I Capital</b>	-
<b>Total Additional Tier I Capital</b>	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>28.813.340</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)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.386.241
<b>Total Deductions from Tier II Capital</b>	<b>8.316.036</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 (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	-
<b>Total Tier II Capital</b>	<b>8.316.036</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>37.129.376</b>
<b>Total Tier I and Tier II Capital (Total Equity)</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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## EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

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

#### I. EXPLANATIONS ON CAPITAL (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>TOTAL CAPITAL</b>	
Total Capital ( Total of Tier I Capital and Tier II Capital )	37.119.404
Total Risk Weighted Assets	269.022.275
<b>CAPITAL ADEQUACY RATIOS</b>	
CET1 Capital Ratio (%)	10,71
Tier I Capital Ratio (%)	10,71
Capital Adequacy Ratio (%)	13,80
<b>BUFFERS</b>	
Bank-specific total CET1 Capital Ratio	1,894
Capital Conservation Buffer Ratio (%)	1,875
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,019
Systemic Bank Buffer Ratio (%)	0,000
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	4,71
<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	96.102
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	428.967
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.480.963
<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)	2.386.241
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.386.241
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

- (2) The equity is calculated on the capital adequacy ratio calculation basis having reduced deductible assets on equity from the sum of core capital and supplementary capital within the scope of "Regulation on Equities of Banks" (Regulation). The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision and subordinated debt instruments. On the other hand, in the calculation of the Total Capital, development costs for operating leases followed under tangible assets in the balance sheet and intangible assets. Additionally, some of the accounts determined by the Board are reduced from the total equity in the calculation of capital.

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

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

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

<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	-	-	-
<b>Write-down feature</b>			
If write-down, write-down trigger(s)	-	-	-
If write-down, full or partial	-	-	-
If write-down, permanent or temporary	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	-	-	-
In compliance with article number 7 and 8 of "Own fund regulation"	The instrument is in compliance with article number 8.	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.

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

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

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

Announced current foreign exchange buying rates of the Bank as at 31 March 2019 and the previous five working days in full TRY are as follows:

	<b>22.03.2019</b>	<b>25.03.2019</b>	<b>26.03.2019</b>	<b>27.03.2019</b>	<b>28.03.2019</b>	<b>29.03.2019</b>
USD	5,6000000	5,6000000	5,4800000	5,4000000	5,5000000	5,5700000
CHF	5,6214000	5,6344000	5,5020000	5,4179000	5,5119000	5,5868000
GBP	7,3728000	7,3924000	7,2375000	7,1200000	7,1969000	7,2274000
JPY	0,0508165	0,0508211	0,0494982	0,0488242	0,0495913	0,0501681
EUR	6,3216000	6,3395000	6,1899000	6,0755000	6,1798000	6,2532000

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

	<b>Buying rate of exchange</b>
USD	5,4442857
CHF	5,4341667
GBP	7,1588143
JPY	0,0488987
EUR	6,1530048

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

**II. EXPLANATIONS ON CURRENCY RISK (continued)**

Information related to currency risk:

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>OTHER FC</b>	<b>TOTAL</b>
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	15.805.950	9.160.605	5.627.250	30.593.805
Banks	1.090.983	1.053.840	294.166	2.438.989
Financial assets at fair value through profit and loss <sup>(3)</sup>	-	21.176	-	21.176
Money market placements	-	-	-	-
Financial assets at fair value through other comp. income	1.014.033	1.116.536	-	2.130.569
Loans <sup>(2)</sup>	45.592.863	43.341.867	849.805	89.784.535
Subsidiaries, associates and entities under common control	431.471	-	1.119.035	1.550.506
Financial assets measured at amortised cost	500.739	11.527.836	-	12.028.575
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	106	106
Intangible assets	-	-	-	-
Other assets <sup>(3)</sup>	288.067	1.936.822	396	2.225.285
<b>Total assets</b>	<b>64.724.106</b>	<b>68.158.682</b>	<b>7.890.758</b>	<b>140.773.546</b>
<b>Liabilities</b>				
Bank deposits	11.986.971	6.977.354	676.083	19.640.408
Foreign currency deposits	54.725.668	55.570.815	5.357.966	115.654.449
Money market balances	-	3.329.004	-	3.329.004
Funds provided from other financial institutions	6.694.557	4.244.469	6.769	10.945.795
Bonds issued	-	12.636.331	-	12.636.331
Sundry creditors	169.287	210.256	58	379.601
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities <sup>(3)</sup>	440.331	435.866	108.570	984.767
<b>Total liabilities</b>	<b>74.016.814</b>	<b>83.404.095</b>	<b>6.149.446</b>	<b>163.570.355</b>
<b>Net balance sheet position</b>	<b>(9.292.708)</b>	<b>(15.245.413)</b>	<b>1.741.312</b>	<b>(22.796.809)</b>
<b>Net off-balance sheet position</b>	<b>8.493.230</b>	<b>12.329.336</b>	<b>(1.588.918)</b>	<b>19.233.648</b>
Financial derivative assets <sup>(4)</sup>	9.595.749	20.167.238	1.202.737	30.965.724
Financial derivative liabilities <sup>(4)</sup>	1.102.519	7.837.902	2.791.655	11.732.076
Non-cash loans <sup>(1)</sup>	26.104.142	20.746.385	2.191.999	49.042.526
<b>Prior period</b>				
Total assets	61.549.098	67.929.714	7.965.633	137.444.445
Total liabilities	61.266.452	72.715.170	5.127.473	139.109.095
<b>Net balance sheet position</b>	<b>282.646</b>	<b>(4.785.456)</b>	<b>2.838.160</b>	<b>(1.664.650)</b>
<b>Net off-balance sheet position</b>	<b>(310.646)</b>	<b>4.242.088</b>	<b>(1.863.820)</b>	<b>2.067.622</b>
Financial derivative assets	1.429.164	10.031.927	941.418	12.402.509
Financial derivative liabilities	1.739.810	5.789.839	2.805.238	10.334.887
Non-cash loans <sup>(1)</sup>	22.836.419	21.002.596	2.032.875	45.871.890

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

<sup>(2)</sup> Includes TRY 571.797 of foreign currency indexed loans and their accruals.

<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", prepaid expenses (TRY 247) in assets; and shareholders' equity (TRY 114.819) in liabilities 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 406.120. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 2.140.093. 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 BANK (continued)</b>
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**III. EXPLANATIONS ON INTEREST RATE RISK**

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

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

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

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



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

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

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	15.054.408	-	-	-	-	18.969.684	34.024.092
Banks and financial institutions	566.085	85.819	2.000	-	-	1.911.554	2.565.458
Financial assets at fair value through profit and loss	15.943	50.876	29.055	158	24.661	14.374.380	14.495.073
Money market placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	353.247	818.418	2.502.999	3.722.877	898.543	165.827	8.461.911
Loans	74.511.400	65.698.004	58.226.958	59.474.215	9.836.432	5.132.854	272.879.863
Financial assets measured at amortised cost	894.005	21.976.543	5.194.080	10.801.280	22.072.144	(8.227)	60.929.825
Other assets <sup>(4)</sup>	801.632	1.839	8.353	24.494	998	12.840.659	13.677.975
<b>Total assets</b>	<b>92.196.720</b>	<b>88.631.499</b>	<b>65.963.445</b>	<b>74.023.024</b>	<b>32.832.778</b>	<b>53.386.731</b>	<b>407.034.197</b>
<b>Liabilities</b>							
Bank deposits	14.610.692	4.805.818	10.000	-	-	15.125.763	34.552.273
Other deposits	146.623.427	33.957.655	14.006.181	251.949	1.726	40.262.094	235.103.032
Money market balances	45.784.616	557.474	-	-	-	143.550	46.485.640
Sundry creditors	2.799.617	-	-	-	-	2.492.135	5.291.752
Bonds issued	355.962	4.609.035	4.271.953	6.563.433	-	131.588	15.931.971
Funds provided from other financial institutions <sup>(3)</sup>	1.026.511	1.543.647	5.136.032	2.526.245	1.019.657	82.963	11.335.055
Other liabilities <sup>(1),(2)</sup>	1.000.000	-	-	14.374.380	4.929.795	38.030.299	58.334.474
<b>Total liabilities</b>	<b>212.200.825</b>	<b>45.473.629</b>	<b>23.424.166</b>	<b>23.716.007</b>	<b>5.951.178</b>	<b>96.268.392</b>	<b>407.034.197</b>
Balance sheet long position	-	43.157.870	42.539.279	50.307.017	26.881.600	-	162.885.766
Balance sheet short position	(120.004.105)	-	-	-	-	(42.881.661)	(162.885.766)
Off-balance sheet long position	678.950	5.975.586	74.267	1.204.181	3.376.302	33.158.366	44.467.652
Off-balance sheet short position	(167.100)	(4.896.116)	(74.267)	(2.308.551)	(3.376.302)	(33.039.073)	(43.861.409)
<b>Total position</b>	<b>(119.492.255)</b>	<b>44.237.340</b>	<b>42.539.279</b>	<b>49.202.647</b>	<b>26.881.600</b>	<b>(42.762.368)</b>	<b>606.243</b>

<sup>(1)</sup> TRY 197.800 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.

<sup>(4)</sup> Net of follow-up loans amounting TRY 1.915.770 is disclosed under the non-bearing interest column in other assets.

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**MANAGEMENT OF THE BANK (continued)**

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

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	16.093.521	-	-	-	-	18.863.529	34.957.050
Banks and financial institutions	3.497.158	-	4.000	-	-	1.639.585	5.140.743
Financial assets at fair value through profit and loss	50.564	-	50.092	185	21.478	14.374.380	14.496.699
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	-	653.968	1.019.806	1.892.010	280.070	141.340	3.987.194
Loans	37.534.966	33.990.655	98.206.961	61.221.795	14.092.705	5.576.631	250.623.713
Held-to-maturity investments	326.618	16.991.193	7.893.787	10.657.616	20.203.839	-	56.073.053
Other assets <sup>(4)</sup>	830.862	2.840	7.760	26.791	1.328	12.274.022	13.143.603
<b>Total assets</b>	<b>58.333.689</b>	<b>51.638.656</b>	<b>107.182.406</b>	<b>73.798.397</b>	<b>34.599.420</b>	<b>52.869.487</b>	<b>378.422.055</b>
<b>Liabilities</b>							
Bank deposits	8.615.098	1.529.114	10.000	-	-	20.787.230	30.941.442
Other deposits	119.237.546	47.476.465	17.240.991	388.921	1.752	33.568.137	217.913.812
Money market balances	37.129.670	842.273	-	-	-	190.118	38.162.061
Sundry creditors	2.390.541	-	-	-	-	2.189.240	4.579.781
Bonds issued	673.665	1.338.032	2.634.853	10.208.711	-	192.717	15.047.978
Funds provided from other financial institutions <sup>(3)</sup>	254.331	5.159.773	2.934.349	2.425.903	1.043.018	98.653	11.916.027
Other liabilities <sup>(1)(2)</sup>	1.150.250	7	26.889	14.529.699	6.870.185	37.283.924	59.860.954
<b>Total liabilities</b>	<b>169.451.101</b>	<b>56.345.664</b>	<b>22.847.082</b>	<b>27.553.234</b>	<b>7.914.955</b>	<b>94.310.019</b>	<b>378.422.055</b>
Balance sheet long position	-	-	84.335.324	46.245.163	26.684.465	-	157.264.952
Balance sheet short position	(111.117.412)	(4.707.008)	-	-	-	(41.440.532)	(157.264.952)
Off-balance sheet long position	1.032.864	1.415.000	4.506.341	1.139.324	3.208.897	13.021.620	24.324.046
Off-balance sheet short position	(646.460)	(1.054.000)	(4.084.721)	(1.983.234)	(3.208.897)	(12.906.156)	(23.883.468)
<b>Total position</b>	<b>(110.731.008)</b>	<b>(4.346.008)</b>	<b>84.756.944</b>	<b>45.401.253</b>	<b>26.684.465</b>	<b>(41.325.068)</b>	<b>440.578</b>

<sup>(1)</sup> TRY 452.769 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.

<sup>(4)</sup> TRY 2.244.556 of net non-performing loans is disclosed under the non-bearing interest column in other assets.

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

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

**2. Average interest rates applied to financial instruments:**

<b>Current period</b>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TRY</b>
<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
Due from other banks and financial institutions <sup>(1)</sup>	0,18	2,50	-	20,63
Financial assets at fair value through profit and loss	-	7,31	-	19,06
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	4,09	6,65	-	18,37
Loans <sup>(2)</sup>	5,29	7,60	1,40	15,74
Financial assets measured at amortised cost	2,21	7,15	-	14,97
<b>Liabilities</b>				
Bank deposits	1,46	3,71	0,25	17,49
Other deposits <sup>(4)</sup>	1,52	3,13	0,25	17,48
Money market borrowings	-	4,95	-	25,45
Sundry creditors <sup>(3)</sup>	-	-	-	4,75
Bonds issued	-	4,46	-	15,67
Funds provided from other financial institutions	0,96	3,58	1,40	13,16

<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 twelve months as of 31 March 2019.

<sup>(4)</sup> Customer based calculated interest rates are applied to TRY and FC deposits as of 31 March 2019.

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

<b>Prior Period</b>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TRY</b>
<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
Due from other banks and financial institutions <sup>(1)</sup>	0,19	2,22	-	19,58
Financial assets at fair value through profit and loss	-	6,62	-	18,62
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	4,05	5,83	-	24,36
Loans <sup>(2)</sup>	5,28	7,48	1,54	16,53
Financial assets measured at amortised cost	-	5,61	-	21,94
<b>Liabilities</b>				
Bank deposits	2,98	5,30	-	24,33
Other deposits <sup>(4)</sup>	2,53	4,65	0,25	20,63
Money market borrowings	-	4,55	-	23,35
Sundry creditors <sup>(3)</sup>	-	-	-	4,75
Bonds issued	-	4,46	-	16,46
Funds provided from other financial institutions	0,85	2,80	1,40	12,07

<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 twelve 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.

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

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

Information on the carrying value, fair value, market value and capital requirement amounts of equity investments resulting from banking accounts:

Equities	Carrying Value	Comparison		Capital Requirements
		Fair Value Change	Market Value	
Investment in Shares-Grade A	456.988	456.988	456.988	36.559
Quoted Securities <sup>(1)</sup>	456.988	456.988	456.988	36.559
Investment in Shares-Grade B	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares-Grade C	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares- Grade D <sup>(2)</sup>	492.895	492.895	-	39.432
Other	4.009.479	3.992.923	-	374.332

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

<sup>(2)</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.

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

Portfolio	Revaluated appreciation in the fair value				Unrealized gains and losses	
	Realized gains (losses) in the current period	Total	Included To Supplementary Capital	Total	Included To total Core Capital	Included to Supplementary Capital
1. Private equity investments	-	-	-	-	-	-
2. Share certificates quoted on a stock exchange <sup>(1) (2)</sup>	-	246.567	246.567	-	-	-
3. Other share certificates	-	1.482.188	1.482.188	-	-	-
<b>Total</b>	<b>-</b>	<b>1.728.755</b>	<b>1.728.755</b>	<b>-</b>	<b>-</b>	<b>-</b>

<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.

<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.

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

**V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO**

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

To detect liquidity risk, 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 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 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 Bank's position against such ratios.

The upper limits of the 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 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 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 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 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 BANK (continued)****V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)**

According to “Regulation for Banks’ Liquidity Coverage Ratio Calculations” (the Regulation), Liquidity Coverage Ratio (LCR), 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 100% and 80% in 2019 respectively.

High quality liquid assets are composed of 47,77% securities considered as high quality liquid assets, 45,80% central banks, 5,90% cash.

Main funding source composition is composed of 71,98% deposits, 12,41% money market borrowings, 4,25% securities issued, 3,79% funds borrowed, and 1,61% 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 743.592.

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

Liquidity ratios and its daily changes 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 Audit Committee and the Asset-Liability Committee regularly.

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

**Liquidity Minimum-Maximum**

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Week	(%)	Related Week	(%)
Maximum	18.03.2019 24.03.2019	191,12	14.01.2019 20.01.2019	125,92
Minimum	21.01.2019 27.01.2019	138,50	25.03.2019 31.03.2019	101,50

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

**V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (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			62.062.757	32.234.393
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	124.001.921	52.264.935	11.122.673	5.226.494
Stable Deposits	25.550.368	-	1.277.518	-
Less Stable Deposits	98.451.553	52.264.935	9.845.155	5.226.494
Unsecured wholesale funding , of which;	108.862.229	58.414.741	50.176.100	29.752.487
Operational Deposits	27.896.175	6.714.621	6.974.044	1.678.655
Non-operational Deposits	75.053.359	48.810.739	38.013.899	25.231.982
Other Unsecured Funding	5.912.695	2.889.381	5.188.157	2.841.850
Secured Funding			-	-
Other cash outflows, of which;	9.020.617	5.930.972	4.871.579	3.719.935
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	1.391.307	1.887.096	1.391.307	1.887.096
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	7.629.310	4.043.876	3.480.272	1.832.839
Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	99.272.328	42.595.013	7.894.104	3.460.938
<b>Total Cash Outflows</b>			<b>74.064.456</b>	<b>42.159.854</b>
<b>Cash Inflows</b>				
Secured Lending	-	-	-	-
Unsecured Lending	25.854.366	10.725.584	18.286.173	8.866.065
Other Cash Inflows	91.729	13.686.273	91.729	13.686.273
<b>Total Cash Inflows</b>	<b>25.946.095</b>	<b>24.411.857</b>	<b>18.377.902</b>	<b>22.552.338</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>62.062.757</b>	<b>32.234.393</b>
<b>Total Net Cash Outflows</b>			<b>55.686.554</b>	<b>19.607.516</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>111,85%</b>	<b>167,40%</b>

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

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

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

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



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**MANAGEMENT OF THE BANK (continued)**

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

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
<b>Assets</b>								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	2.632.246	31.390.974	-	872	-	-	-	34.024.092
Banks	2.038.507	433.588	85.830	7.533	-	-	-	2.565.458
Financial assets at fair value through profit and loss	-	15.943	50.876	14.403.435	158	24.661	-	14.495.073
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	237.624	118.249	1.572.037	5.421.267	946.907	165.827	8.461.911
Loans <sup>(2)</sup>	5.462.194	17.693.411	20.207.777	74.048.058	123.607.472	31.860.951	-	272.879.863
Financial assets measured at amortised cost	-	-	1.313.269	4.043.310	24.523.874	31.049.372	-	60.929.825
Other assets <sup>(2)</sup>	2.817	538.476	795.693	667.229	24.699	113.398	11.535.663	13.677.975
<b>Total assets</b>	<b>10.135.764</b>	<b>50.310.016</b>	<b>22.571.694</b>	<b>94.742.474</b>	<b>153.577.470</b>	<b>63.995.289</b>	<b>11.701.490</b>	<b>407.034.197</b>
<b>Liabilities</b>								
Bank deposits	15.063.990	14.654.553	4.822.664	11.066	-	-	-	34.552.273
Other deposits	38.444.107	147.557.667	34.521.425	14.321.894	256.213	1.726	-	235.103.032
Funds provided from other financial institutions <sup>(3)</sup>	36	786.202	949.379	2.055.593	4.685.398	2.858.447	-	11.335.055
Money market balances	-	43.679.055	5.225	2.244.360	-	557.000	-	46.485.640
Bonds issued	-	360.721	4.662.672	4.345.145	6.563.433	-	-	15.931.971
Sundry creditors	15.370	2.051.492	132.990	634.334	1.978.853	5.369	473.344	5.291.752
Other liabilities <sup>(1)</sup>	141.717	2.864.488	312.492	14.769.171	1.986.858	7.323.159	30.936.589	58.334.474
<b>Total liabilities</b>	<b>53.665.220</b>	<b>211.954.178</b>	<b>45.406.847</b>	<b>38.381.563</b>	<b>15.470.755</b>	<b>10.745.701</b>	<b>31.409.933</b>	<b>407.034.197</b>
<b>Liquidity gap</b>	<b>(43.529.456)</b>	<b>(161.644.162)</b>	<b>(22.835.153)</b>	<b>56.360.911</b>	<b>138.106.715</b>	<b>53.249.588</b>	<b>(19.708.443)</b>	<b>-</b>
<b>Net off-balance sheet position</b>	<b>-</b>	<b>(24.422)</b>	<b>80.501</b>	<b>(72.166)</b>	<b>622.330</b>	<b>-</b>	<b>-</b>	<b>606.243</b>
Derivative financial assets	-	21.056.776	6.825.214	5.697.996	4.135.062	6.752.604	-	44.467.652
Derivative financial liabilities	-	(21.081.198)	(6.744.713)	(5.770.162)	(3.512.732)	(6.752.604)	-	(43.861.409)
<b>Non-cash loans</b>	<b>2.381.060</b>	<b>2.576.129</b>	<b>7.845.088</b>	<b>31.549.267</b>	<b>17.045.216</b>	<b>26.241.391</b>	<b>-</b>	<b>87.638.151</b>
<b>Prior Period</b>								
Total Assets	9.244.835	47.995.057	16.046.181	95.075.364	137.303.255	61.384.238	11.373.125	378.422.055
Total Liabilities	52.716.986	172.040.885	53.115.444	38.500.199	19.338.166	11.503.484	31.206.891	378.422.055
<b>Liquidity Gap</b>	<b>(43.472.151)</b>	<b>(124.045.828)</b>	<b>(37.069.263)</b>	<b>56.575.165</b>	<b>117.965.089</b>	<b>49.880.754</b>	<b>(19.833.766)</b>	<b>-</b>
<b>Net off-balance sheet position</b>	<b>-</b>	<b>44.220</b>	<b>(121.257)</b>	<b>(8.676)</b>	<b>526.291</b>	<b>-</b>	<b>-</b>	<b>440.578</b>
Derivative financial assets	-	8.365.005	1.275.142	4.617.257	3.648.848	6.417.794	-	24.324.046
Derivative financial liabilities	-	(8.320.785)	(1.396.399)	(4.625.933)	(3.122.557)	(6.417.794)	-	(23.883.468)
<b>Non-cash loans</b>	<b>2.567.374</b>	<b>3.295.072</b>	<b>5.997.297</b>	<b>29.566.343</b>	<b>16.377.306</b>	<b>25.236.433</b>	<b>-</b>	<b>83.039.825</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 are disclosed in other assets under the undistributed column.

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

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

	Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
<b>On-Balance Sheet Items</b>		
1.On-balance sheet items (excluding derivatives and SFTs, but including collateral)	391.089.368	373.308.958
2.Assets that are deducted from core capital	(203.040)	(198.802)
3.Total on balance sheet exposures	390.886.328	373.110.156
<b>Derivative exposures and credit derivatives</b>		
4.Replacement cost associated with derivative financial instruments and credit derivatives	1.097.105	1.060.813
5.The potential amount of credit risk with derivative financial instruments and credit derivatives	460.592	301.456
6.The total amount of risk on derivative financial instruments and credit derivatives	1.557.697	1.362.269
<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)	2.340.832	1.524.846
8.Risk amount of exchange brokerage operations	-	-
9.Total risks related with securities or commodity financing transactions	2.340.832	1.524.846
<b>Off -Balance Sheet Items</b>		
10.Gross notional amount of off-balance sheet items	110.571.648	107.657.161
11.Adjustments for conversion to credit equivalent amounts	-	-
12.The total risk of off-balance sheet items	110.571.648	107.657.161
<b>Capital and Total Exposures</b>		
13.Tier 1 Capital	28.828.672	28.323.502
14.Total Exposures	505.356.505	483.654.432
<b>Leverage Ratio</b>		
15.Leverage Ratio	5,70%	5,86%

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

**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)****VII. EXPLANATIONS ON BUSINESS SEGMENTATION**

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

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

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

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

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

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

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

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

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

**VII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)**

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

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 March 2019 are presented in the table below.

<b>Current Period (1 January - 31 March 2019)</b>	<b>Corporate</b>	<b>Commercial</b>	<b>SME/ Integrated</b>	<b>Treasury / Investment</b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>					
Interest income	1.204.282	1.632.798	5.711.416	2.194.542	10.743.038
Interest on loans	1.203.654	1.632.358	5.567.749	36.704	8.440.465
Interest income on marketable securities	-	-	133.955	1.993.243	2.127.198
Interest received from banks	-	-	-	136.805	136.805
Other interest income	628	440	9.712	27.790	38.570
Interest expense	1.532.164	611.458	3.932.974	2.938.418	9.015.014
Interest on deposits	1.531.645	602.059	3.802.772	331.116	6.267.592
Interest on borrowings	206	4.486	16.769	54.122	75.583
Interest on money market borrowings	-	-	62.059	2.006.999	2.069.058
Interest on marketable bonds issued	-	-	-	508.290	508.290
Other interest expense	313	4.913	51.374	37.891	94.491
Net interest income / (loss)	(327.882)	1.021.340	1.778.442	(743.876)	1.728.024
Net fees and commissions income	111.322	133.484	292.471	78.958	616.235
Net trading profit / (loss)	1.116	3.484	227.040	(662.865)	(431.225)
Dividend income	-	-	-	377.114	377.114
Other income	1.600	39.345	142.178	248.489	431.612
Expected credit loss	18.687	222.588	423.727	382.072	1.047.074
Other expenses	12.704	22.403	603.025	920.990	1.559.122
<b>Income before taxes</b>	<b>(245.235)</b>	<b>952.662</b>	<b>1.413.379</b>	<b>(2.005.242)</b>	<b>115.564</b>
Income tax provision	-	-	-	189.624	189.624
<b>Net profit for the period</b>	<b>(245.235)</b>	<b>952.662</b>	<b>1.413.379</b>	<b>(1.815.618)</b>	<b>305.188</b>
<b>SEGMENT ASSETS (31 March 2019)</b>					
Marketable securities	-	-	9.482.215	74.404.594	83.886.809
Derivative financial assets	-	-	146.280	1.172.364	1.318.644
Banks and money market receivables	-	-	673	2.564.785	2.565.458
Associates and subsidiaries (net)	-	-	-	4.942.806	4.942.806
Loans	48.065.846	55.884.756	166.485.120	2.444.141	272.879.863
Other assets <sup>(1)</sup>	98.815	692.436	3.217.897	37.431.469	41.440.617
<b>TOTAL ASSETS</b>	<b>48.164.661</b>	<b>56.577.192</b>	<b>179.332.185</b>	<b>122.960.159</b>	<b>407.034.197</b>
<b>SEGMENT LIABILITIES (31 March 2019)</b>					
Deposits	72.187.652	24.409.161	147.974.689	25.083.803	269.655.305
Derivative financial liabilities	-	-	93.053	228.110	321.163
Money market balances	-	-	3.329.004	43.156.636	46.485.640
Borrowing funding loans	19.069	473.395	1.065.584	9.777.007	11.335.055
Bonds issued	-	-	-	15.931.971	15.931.971
Other liabilities	690.109	501.854	7.931.166	21.767.703	30.890.832
Provisions and tax payable	115.785	134.803	329.381	2.666.466	3.246.435
Shareholders' equity	(259.936)	883.161	1.033.621	27.510.950	29.167.796
<b>TOTAL LIABILITIES</b>	<b>72.752.679</b>	<b>26.402.374</b>	<b>161.756.498</b>	<b>146.122.646</b>	<b>407.034.197</b>
<b>OFF-BALANCE SHEET ITEMS (31 March 2019)</b>					
<b>Guarantees and sureties</b>	<b>23.687.985</b>	<b>25.782.538</b>	<b>46.272.398</b>	<b>106.564.932</b>	<b>202.307.853</b>
Guarantees and sureties	23.640.971	25.218.131	24.453.536	14.325.513	87.638.151
Commitments	47.014	564.407	8.822.513	16.906.707	26.340.641
Derivative financial instruments	-	-	12.996.349	75.332.712	88.329.061

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

**VII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)**

<b>Prior Period</b> <b>(1 January-31 March 2018)</b>	<b>Corporate</b>	<b>Commercial</b>	<b>SME/ Integrated</b>	<b>Treasury / Investment<sup>(1)</sup></b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>					
Interest income	666.362	1.040.946	4.045.300	1.173.595	6.926.203
Interest on loans	665.910	1.040.860	3.958.771	64.313	5.729.854
Interest income on marketable securities	-	-	79.440	976.765	1.056.205
Interest received from banks	-	-	-	84.640	84.640
Other interest income	452	86	7.089	47.877	55.504
Interest expense	497.612	230.814	2.839.946	1.388.454	4.956.826
Interest on deposits	494.432	224.134	2.766.163	305.351	3.790.080
Interest on borrowings	81	1.638	6.888	93.067	101.674
Interest on money market borrowings	-	-	30.753	737.211	767.964
Interest on marketable bonds issued	-	-	-	234.389	234.389
Other interest expense <sup>(2)</sup>	3.099	5.042	36.142	18.436	62.719
Net interest income	168.750	810.132	1.205.354	(214.859)	1.969.377
Net fees and commissions income	66.598	60.152	201.934	77.688	406.372
Net trading profit / (loss)	425	1.371	126.235	(97.979)	30.052
Dividend income	-	-	-	85	85
Other income	27.665	78.718	99.902	41.427	247.712
Expected loss provisions	31.847	(2.035)	267.937	165.621	463.370
Other expenses	7.954	18.801	506.300	665.337	1.198.392
<b>Income before taxes</b>	<b>223.637</b>	<b>933.607</b>	<b>859.188</b>	<b>(1.024.596)</b>	<b>991.836</b>
Income tax provision	-	-	-	(201.644)	(201.644)
<b>Net profit for the period</b>	<b>223.637</b>	<b>933.607</b>	<b>859.188</b>	<b>(1.226.240)</b>	<b>790.192</b>
<b>SEGMENT ASSETS</b> <b>(31 December 2018)</b>					
Marketable securities	-	-	8.756.221	65.800.725	74.556.946
Derivative financial assets held for trading	-	-	102.003	959.477	1.061.480
Banks and money market receivables	-	-	2.088	5.138.655	5.140.743
Associates and subsidiaries (net)	-	-	-	4.770.799	4.770.799
Loans	44.013.011	51.605.358	152.062.318	2.943.026	250.623.713
Other assets	87.096	659.517	2.793.595	38.728.166	42.268.374
<b>TOTAL ASSETS</b>	<b>44.100.107</b>	<b>52.264.875</b>	<b>163.716.225</b>	<b>118.340.848</b>	<b>378.422.055</b>
<b>SEGMENT LIABILITIES</b> <b>(31 December 2018)</b>					
Deposits	57.968.918	26.420.864	141.103.733	23.361.739	248.855.254
Derivative financial liabilities	-	-	53.332	357.106	410.438
Money market balances	-	-	5.402.273	32.759.788	38.162.061
Borrowing funding loans	18.183	375.649	1.114.372	10.407.823	11.916.027
Bonds issued	-	-	-	15.047.978	15.047.978
Other liabilities	702.546	481.589	7.070.252	23.778.483	32.032.870
Provisions and tax payable	114.122	131.949	288.821	2.441.800	2.976.692
Shareholders' equity	1.298.084	3.650.485	3.392.443	20.679.723	29.020.735
<b>TOTAL LIABILITIES</b>	<b>60.101.853</b>	<b>31.060.536</b>	<b>158.425.226</b>	<b>128.834.440</b>	<b>378.422.055</b>
<b>OFF-BALANCE SHEET ITEMS</b> <b>(31 December 2018)</b>					
Guarantees and sureties	23.734.433	22.867.737	23.260.633	13.177.022	83.039.825
Commitments	77.333	888.889	9.648.799	15.482.619	26.097.640
Derivative financial instruments	-	-	12.025.139	36.182.375	48.207.514

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

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

**Explanations Related To Risk Management**

The 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 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 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 Bank is exposed in relation to its duties.

The 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 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 Bank is exposed to more effectively, to support the decision making processes related to them, to create new strategies and policies.

The Bank reports to the BRSA by applying the stress tests determined in accordance with the Internal Capital Adequacy Assessment Process (ICAAP). 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 Bank monitors its effectiveness by closely monitoring the processes of managing and reducing the risks arising from the business model. The Bank regularly revises the strategies it has established regarding these processes in line with the existing conditions and sets policies.

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

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

**Overview of Risk Weighted Amounts (\*):**

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)	254.520.370	245.251.114	20.361.630
2	Standardized approach	254.520.370	245.251.114	20.361.630
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	4.507.106	3.597.146	360.568
5	Standardized approach for counterparty credit risk	4.507.106	3.597.146	360.568
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies look-through approach	-	-	-
9	Investments made in collective investment companies mandate-based approach	-	-	-
10	Investments made in collective investment companies 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB Supervisory Formula Approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	9.857.750	2.933.787	788.620
17	Standardized approach	9.857.750	2.933.787	788.620
18	Internal model approaches	-	-	-
19	Operational Risk	18.625.782	16.167.810	1.490.063
20	Basic Indicator Approach	18.625.782	16.167.810	1.490.063
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.107.471	1.072.418	88.598
24	Floor adjustment	-	-	-
25	<b>Total ( 1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>288.618.479</b>	<b>269.022.275</b>	<b>23.089.479</b>

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

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	1.032.551	1.599.386	1.259.602	3.158.262
CBRT	2.397.736	28.994.390	2.723.274	27.815.892
Other	-	29	-	20
<b>Total</b>	<b>3.430.287</b>	<b>30.593.805</b>	<b>3.982.876</b>	<b>30.974.174</b>

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount <sup>(1)</sup>	2.245.855	3.234.300	2.470.993	9.347.358
Time unrestricted amount	-	-	-	-
Time restricted amount	-	1.875.960	-	2.259.938
Other <sup>(2)</sup>	151.881	23.884.130	252.281	16.208.596
<b>Total</b>	<b>2.397.736</b>	<b>28.994.390</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.

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.

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.



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

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

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

a) Financial assets at fair value through profit and loss blocked/given as collateral:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	5.846.684	-	14.374.380	-
<b>Total</b>	<b>5.846.684</b>	<b>-</b>	<b>14.374.380</b>	<b>-</b>

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	8.354.479	-	-	15.763
<b>Total</b>	<b>8.354.479</b>	<b>-</b>	<b>-</b>	<b>15.763</b>

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	152.529	-	204.002
Swap transactions	-	1.163.793	-	857.384
Futures transactions	-	-	-	-
Options	28	2.294	9	85
Other	-	-	-	-
<b>Total</b>	<b>28</b>	<b>1.318.616</b>	<b>9</b>	<b>1.061.471</b>

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	43.266	58.755	6.200	2.642.001
Foreign banks	83.203	2.380.234	174.715	2.317.827
Branches and offices abroad	-	-	-	-
<b>Total</b>	<b>126.469</b>	<b>2.438.989</b>	<b>180.915</b>	<b>4.959.828</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:

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	362.897	176.078	432.417	168.246
<b>Total</b>	<b>362.897</b>	<b>176.078</b>	<b>432.417</b>	<b>168.246</b>

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	4.300.934	280.910	45.539	392.500
<b>Total</b>	<b>4.300.934</b>	<b>280.910</b>	<b>45.539</b>	<b>392.500</b>

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

	Current Period	Prior Period
Debt securities	8.436.727	3.850.625
<i>Quoted on a stock exchange</i>	8.436.727	3.850.625
<i>Not quoted</i>	-	-
Share certificates	206.900	184.939
<i>Quoted on a stock exchange</i>	170.301	151.103
<i>Not quoted</i>	36.599	33.836
Impairment provision(-)	181.716	48.370
<b>Total</b>	<b>8.461.911</b>	<b>3.987.194</b>

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

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-Cash loans	Cash loans	Non-Cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	357.393	-	319.725	-
<b>Toplam</b>	<b>357.393</b>	<b>-</b>	<b>319.725</b>	<b>-</b>

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

Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject Not Subject to restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract	Refinance
			Terms	
Non-specialized loans	200.367.230	8.198.486	102.542	8.236.563
<i>Corporation loans</i>	121.220.644	4.774.785	39.868	7.846.975
<i>Export loans</i>	12.137.112	267.677	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	2.881.185	1.392.500	-	-
<i>Consumer loans</i>	40.156.653	771.605	43.188	12.752
<i>Credit cards</i>	4.786.706	434.962	19.247	-
<i>Other</i>	19.184.930	556.957	239	376.836
Specialized lending	49.442.118	1.232.650	-	250
Other receivables	-	-	-	-
Accruals	4.339.095	380.388	3.444	449.595
<b>Total</b>	<b>254.148.443</b>	<b>9.811.524</b>	<b>105.986</b>	<b>8.686.408</b>

	Standard Loans		Loans and Other Receivables Under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
12 Months Expected Loss Provision	1.294.055	984.741	-	-
Significant Increase in Credit Risk	-	-	1.030.389	1.182.480

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

(5) Information on loans (continued):

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

<b>Current Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Consumer loans-TRY	503.081	39.057.626	39.560.707
<i>Real estate loans</i>	5.187	23.886.936	23.892.123
<i>Automobile loans</i>	3.219	187.647	190.866
<i>Consumer loans</i>	494.675	14.983.043	15.477.718
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	3.299.700	1.207	3.300.907
<i>Installment</i>	1.076.528	1.207	1.077.735
<i>Non-installment</i>	2.223.172	-	2.223.172
Individual credit cards-FC	378	-	378
<i>Installment</i>	-	-	-
<i>Non-installment</i>	378	-	378
Personnel loans-TRY	19.486	255.553	275.039
<i>Real estate loans</i>	-	375	375
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	19.486	255.178	274.664
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	82.302	-	82.302
<i>Installment</i>	26.287	-	26.287
<i>Non-installment</i>	56.015	-	56.015
Personnel credit cards-FC	52	-	52
<i>Installment</i>	-	-	-
<i>Non-installment</i>	52	-	52
Overdraft accounts-TRY (Retail customers)	1.148.452	-	1.148.452
Overdraft accounts-FC (Retail customers)	-	-	-
<b>Total</b>	<b>5.053.451</b>	<b>39.314.386</b>	<b>44.367.837</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):

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

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

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

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

(5) Information on loans (continued):

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

<b>Current Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Commercial installment loans-TRY	1.142.507	35.029.172	36.171.679
<i>Business premises loans</i>	1.575	569.949	571.524
<i>Automobile loans</i>	12.668	407.716	420.384
<i>Consumer loans</i>	1.128.264	34.051.507	35.179.771
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	260.326	17.514.339	17.774.665
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	260.326	17.514.339	17.774.665
<i>Other</i>	-	-	-
Corporate credit cards-TRY	1.857.156	-	1.857.156
<i>Installment</i>	597.682	-	597.682
<i>Non-installment</i>	1.259.474	-	1.259.474
Corporate credit cards-FC	120	-	120
<i>Installment</i>	-	-	-
<i>Non-installment</i>	120	-	120
Overdraft accounts-TRY (Commercial customers)	2.233.874	-	2.233.874
Overdraft accounts-FC (Commercial customers)	-	-	-
<b>Total</b>	<b>5.493.983</b>	<b>52.543.511</b>	<b>58.037.494</b>

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

<b>Prior 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	-	-	-
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	166.857	16.554.597	16.721.454
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	166.857	16.554.597	16.721.454
<i>Other</i>	-	-	-
Corporate credit cards-TRY	1.833.272	-	1.833.272
<i>Installment</i>	598.184	-	598.184
<i>Non-installment</i>	1.235.088	-	1.235.088
Corporate credit cards-FC	45	-	45
<i>Installment</i>	-	-	-
<i>Non-installment</i>	45	-	45
Overdraft accounts-TRY (Commercial customers)	2.572.296	-	2.572.296
Overdraft accounts-FC (Commercial customers)	-	-	-
<b>Total</b>	<b>5.591.445</b>	<b>43.363.270</b>	<b>48.954.715</b>

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

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

(5) Information on loans (continued):

e) Domestic and foreign loans:

	<b>Current Period</b>	<b>Prior Period</b>
Domestic loans	270.582.837	248.491.859
Foreign loans	2.169.524	2.054.519
<b>Total</b>	<b>272.752.361</b>	<b>250.546.378</b>

f) Loans granted to subsidiaries and associates:

	<b>Current Period</b>	<b>Prior Period</b>
Direct loans granted to subsidiaries and associates	1.600.432	1.377.511
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>1.600.432</b>	<b>1.377.511</b>

g) Credit-impaired losses (Stage III):

	<b>Current Period</b>	<b>Current Period</b>
Loans and receivables with limited collectability	448.190	689.818
Loans and receivables with doubtful collectability	1.014.000	585.798
Uncollectible loans and receivables	5.315.629	5.007.676
<b>Total</b>	<b>6.777.819</b>	<b>6.283.292</b>

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

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

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

	<b>III. Group Loans and receivables with limited collectability</b>	<b>IV. Group Loans and receivables with doubtful collectability</b>	<b>V. Group Uncollectible loans and receivables</b>
<b>Current period</b>			
<b>Gross amounts before the specific provisions</b>	<b>83.323</b>	<b>73.601</b>	<b>1.271.775</b>
Rescheduled loans and other receivables	83.323	73.601	1.271.775
<b>Prior period</b>			
<b>Gross amounts before the specific provisions</b>	<b>61.786</b>	<b>67.344</b>	<b>1.258.926</b>
Rescheduled loans and other receivables	61.786	67.344	1.258.926

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

(5) Information on loans (continued):

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

	<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	1.533.724	1.165.570	5.828.554
Additions (+)	798.313	92.638	153.810
Transfers from other categories of loans under follow-up (+)	-	1.149.226	371.067
Transfers to other categories of loans under follow-up (-)	1.171.439	348.854	-
Collections (-)	121.503	87.960	133.381
Write-offs (-)	-	-	-
Sold (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other*</i>	-	-	-
<b>Current period end balance</b>	<b>1.039.095</b>	<b>1.970.620</b>	<b>6.220.050</b>
Provision (-)	448.190	1.014.000	5.315.629
<b>Net balance on balance sheet</b>	<b>590.905</b>	<b>956.620</b>	<b>904.421</b>

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period:</b>			
Balance at the end of the period	88.888	519.021	2.072.769
Provisions(-)	44.573	299.383	1.904.413
<b>Net balance in the balance sheet</b>	<b>44.315</b>	<b>219.638</b>	<b>168.356</b>
<b>Prior Period:</b>			
Balance at the end of the period	415.553	199.312	2.004.432
Provisions(-)	212.465	133.080	1.829.189
<b>Net balance in the balance sheet</b>	<b>203.088</b>	<b>66.232</b>	<b>175.243</b>



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

(5) Information on loans (continued):

h.4. Gross and net amounts of non-performing loans according to 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>590.905</b>	<b>956.620</b>	<b>904.421</b>
Loans to granted real persons and legal entities (Gross)	1.039.095	1.970.620	6.220.050
Provisions (-)	448.190	1.014.000	5.315.629
<b>Loans to granted real persons and legal entities (Net)</b>	<b>590.905</b>	<b>956.620</b>	<b>904.421</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>
<b>Prior period (Net)</b>	<b>843.906</b>	<b>579.772</b>	<b>820.878</b>
Loans to granted real persons and legal entities (Gross)	1.533.724	1.165.570	5.828.554
Specific provisions (-)	689.818	585.798	5.007.676
<b>Loans to granted real persons and legal entities (Net)</b>	<b>843.906</b>	<b>579.772</b>	<b>820.878</b>
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

i) 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>54.974</b>	<b>109.832</b>	<b>63.803</b>
Interest Accruals and Valuation Differences	104.498	257.513	174.165
Provision (-)	49.524	147.681	110.362

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

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bond	-	-	-	-
Government bonds and similar securities	12.569.392	435.155	37.195.684	2.464.985
<b>Total</b>	<b>12.569.392</b>	<b>435.155</b>	<b>37.195.684</b>	<b>2.464.985</b>

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar	34.039.009	5.264.914	2.194.216	8.214.062
<b>Total</b>	<b>34.039.009</b>	<b>5.264.914</b>	<b>2.194.216</b>	<b>8.214.062</b>

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

	Current Period	Prior Period
Government bonds	60.872.073	56.006.929
Treasury bills	-	-
Other public sector debt securities	15.494	15.610
<b>Total</b>	<b>60.887.567</b>	<b>56.022.539</b>

c) Information on financial assets measured at amortised cost:

	Current Period	Prior Period
Debt securities	60.938.052	56.073.053
<i>Quoted on a stock exchange</i>	60.938.052	56.073.053
<i>Not quoted</i>	-	-
Impairment provision (-)	-	-
<b>Total</b>	<b>60.938.052</b>	<b>56.073.053</b>

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

	Current Period	Prior Period
Beginning balance	56.073.053	21.727.169
Foreign currency differences on monetary assets	614.618	1.974.143
Purchases during the year <sup>(1)(2)</sup>	4.791.875	36.157.157
Disposals through sales and redemptions	(541.494)	(3.785.416)
Impairment provision (-) / provision reversal (+)	-	-
<b>Balance at the end of the period</b>	<b>60.938.052</b>	<b>56.073.053</b>

<sup>(1)</sup> Interest income accrual differences between 31 March 2019 amounting to TRY 7.721.156 and 31 December 2018 amounting to TRY 7.458.585 has been included in purchases row.

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

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

(7) Information on associates (Net):

a) Information on associates:

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

b) Information related to the associates as shown in (a) <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>(3)</sup>
1. 9.799.108	1.523.255	9.736	85.761	1.312	29.427	22.033	431.471
2. 51.460	50.591	77	1.419	-	532	81	-
3. 298.608	175.136	173.225	3.724	-	11.639	12.685	-
4. 112.968	76.049	57.630	1.332	-	11.084	6.090	-
5. 67.519	16.527	463	300	-	2.196	385	-

<sup>(1)</sup> The financial data is obtained from 31 March 2018 financial statements used in consolidation.

<sup>(2)</sup> Financial information of Kredi Kayıt Bürosu AŞ. And Bankalararası Kart Merkezi AŞ. is obtained from un audited financial statements as of 31 March 2019.

<sup>(3)</sup> Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 March 2019.

c) Movement of associates:

	Current Period	Prior Period
Balance at the beginning of the period	438.318	332.792
Movements during the period	15.643	105.526
<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>	15.643	102.119
<i>Impairment Provisions (-)/ Reversals</i>	-	-
<b>Balance at the end of the period</b>	<b>453.961</b>	<b>438.318</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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

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

d) Sectorial information and related carrying amounts of associates:

	Current Period	Prior Period
Banks	431.471	415.828
Insurance companies	1.620	1.620
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	11.518	11.518
Other non- financial investments	9.352	9.352

e) Associates quoted on a stock exchange:

None.

(8) Information on subsidiaries (Net):

a) Information on subsidiaries <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 Banka AD, Skopje	Halk Faktoring AŞ	Halk Bank AD, Beograd	Halk Varlık Kiralama AŞ
<b>CORE CAPITAL</b>									
Paid in Capital	104.000	280.000	412.000	858.000	323.000	391.896	96.000	213.395	100
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-
Share premium	-	101	-	49.945	-	11.633	-	99.004	-
Reserves	23.490	23.048	131.559	72.118	14.959	255.417	15.008	218.987	622
Other Comprehensive Income according to TAS	6.380	-	-	2.467	-	8.680	10	11.291	-
<b>Profit / Loss</b>	<b>20.141</b>	<b>61.489</b>	<b>126.221</b>	<b>89.296</b>	<b>(117.865)</b>	<b>76.505</b>	<b>36.694</b>	<b>25.063</b>	<b>291</b>
<i>Net Profit</i>	20.141	53.800	101.687	11.060	4.355	19.497	16.718	7.086	66
<i>Prior Period Profit/Loss</i>	-	7.689	24.534	78.236	(122.220)	57.008	19.976	17.977	225
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	-	-	-	-	-	-	-	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	473	19.571	-	95	-	-	-	-
Leasehold Improvements (-)	-	-	307	-	-	9.980	-	6.513	-
Intangible Assets (-)	1.449	3.765	2.651	339	1.479	5.508	791	13.732	-
<b>Total Core Capital</b>	<b>152.562</b>	<b>360.400</b>	<b>647.251</b>	<b>1.071.487</b>	<b>218.520</b>	<b>728.643</b>	<b>146.921</b>	<b>547.495</b>	<b>1.013</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34.935</b>	<b>12.957</b>	<b>26.063</b>	<b>7.706</b>	<b>-</b>
<b>CAPITAL</b>	<b>152.562</b>	<b>360.400</b>	<b>647.251</b>	<b>1.071.487</b>	<b>253.455</b>	<b>741.600</b>	<b>172.984</b>	<b>555.201</b>	<b>1.013</b>
<b>NET AVAILABLE CAPITAL</b>	<b>152.562</b>	<b>360.400</b>	<b>647.251</b>	<b>1.071.487</b>	<b>253.455</b>	<b>741.600</b>	<b>172.984</b>	<b>555.201</b>	<b>1.013</b>

<sup>(1)</sup> The information is presented from companies' financial statements as of 31 March 2019.

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

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

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

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

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

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

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

b) Information on subsidiaries:

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

c) Information related to the subsidiaries as shown in (b): <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
1	1.005.328	154.011	3.347	24.074	1.705	20.141	10.628	227.604
2	2.501.921	364.165	8.104	86.898	14.835	53.800	19.927	492.895
3	1.285.830	650.209	12.459	64.011	3.782	101.687	76.875	1.525.529
4	1.416.038	1.047.637	641.727	592	-	11.060	8.142	456.988
5	3.608.657	219.999	3.049	80.114	-	4.355	14.940	469.552
6	4.849.715	744.131	123.903	46.830	3.260	19.497	8.376	696.630
7	1.244.548	147.712	2.525	86.167	-	16.718	6.562	138.296
8	57.536	37.867	7.675	2.127	-	4.286	1.051	57.146
9	2.975.502	567.740	88.349	29.068	3.760	7.086	5.183	422.405
10	1.002.245	1.013	-	-	-	66	21	1.800

<sup>(1)</sup> The financial data is obtained from 31 March 2019 financial statements used in consolidation.

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

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

d) Movement of the subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	4.332.481	3.626.708
Movements during the period	156.364	705.773
Purchase <sup>(1)</sup>	89.974	310.098
Bonus shares obtained profit from current year's share	-	266.211
Dividends from current year income	-	-
Sales	-	-
Transfer	-	(39.375)
Revaluation Increase/Decrease	41.693	330.466
Impairment Provisions (-)/ Reversals	24.697	(161.627)
<b>Balance at the end of the period</b>	<b>4.488.845</b>	<b>4.332.481</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(1)</sup> Between 1 January – 31 March 2019, The Bank paid TRY 89.974 for 0,13% shares of Halkbank A.D., Skopje, which is located in Macedonia and increased its shares to 99,29%.

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

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

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

	Current Period	Prior Period
Banks	1.119.035	987.369
Insurance companies	2.018.425	2.018.425
Factoring companies	138.296	138.296
Leasing companies	469.551	469.551
Financing companies	-	-
Other financial subsidiaries	686.392	661.694
Other non-financial subsidiaries	57.146	57.146

f) Subsidiaries quoted in the stock exchange:

	Current Period	Prior Period
Quoted to domestic stock <sup>(1), (2)</sup>	949.883	925.185
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.

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

None.

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

None.

(12) Information on investment property:

	Current Period	Prior Period
<b>Cost:</b>		
Opening Balance	432.347	430.845
Acquisitions	-	1.502
Transfer	-	-
Disposals	-	-
Impairment Charge/Cancellation	-	-
<b>Ending Balance</b>	<b>432.347</b>	<b>432.347</b>
<b>Accumulated Depreciation (-)</b>		
Opening Balance	75.499	72.271
Amortization Charge	808	3.228
Transfer	-	-
Disposals	-	-
Impairment Provisions	-	-
<b>Total Accumulated Depreciation (-)</b>	<b>76.307</b>	<b>75.499</b>
<b>Net Book Value</b>	<b>356.040</b>	<b>356.848</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 assets held for sale and held from discontinued operations:

	<b>Current Period<sup>(*)</sup></b>	<b>Prior Period</b>
Cost	2	39.377
Accumulated Depreciation (-)	-	-
<b>Net book value</b>	<b>2</b>	<b>39.377</b>
Balances at end of prior period	39.377	-
Transfer (net)	-	39.377
Disposals (net)	(39.375)	-
Additions	-	-
Impairment	-	-
Depreciation	-	-
<b>Closing net book value</b>	<b>2</b>	<b>39.377</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 Bank owned 3,6562% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations".

(14) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 3.132.137 and does not exceed 10% of the balance sheet total (31 December 2018: TRY 3.643.082).

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

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

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

a) For deposit / funds collected:

**Current period:**

	<b>Demand</b>	<b>7 day call accounts</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6 months year</b>	<b>1 year and over</b>	<b>Cumulative deposits</b>	<b>Total</b>
Saving deposits	6.962.186	-	2.875.100	41.510.957	2.362.453	2.245.903	827.939	108.189	56.892.727
Foreign currency deposits	16.995.191	-	19.765.111	59.627.269	5.542.133	2.856.627	6.249.372	11.850	111.047.553
<i>Residents in Turkey</i>	<i>14.033.201</i>	-	<i>17.088.286</i>	<i>55.988.581</i>	<i>5.282.641</i>	<i>1.948.391</i>	<i>3.880.840</i>	<i>11.344</i>	<i>98.233.284</i>
<i>Residents abroad</i>	<i>2.961.990</i>	-	<i>2.676.825</i>	<i>3.638.688</i>	<i>259.492</i>	<i>908.236</i>	<i>2.368.532</i>	<i>506</i>	<i>12.814.269</i>
Public sector deposits	2.317.106	-	2.160.555	5.916.695	4.371.395	200.151	18.642	-	14.984.544
Commercial inst. Deposits	7.542.462	-	10.522.642	15.396.877	1.186.418	2.636.621	309.519	-	37.594.539
Other inst. Deposits	703.429	-	447.059	5.199.887	2.027.711	1.015.862	582.825	-	9.976.773
Precious metals	3.923.733	-	9.096	578.212	26.934	31.385	37.536	-	4.606.896
Interbank deposits	15.063.990	-	6.304.667	12.975.103	197.517	4.360	6.636	-	34.552.273
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	<i>86.733</i>	-	<i>5.016.496</i>	<i>6.749.851</i>	<i>28.978</i>	<i>4.360</i>	<i>6.636</i>	-	<i>11.893.054</i>
<i>Foreign banks</i>	<i>14.008.714</i>	-	<i>65.139</i>	<i>5.665.566</i>	-	-	-	-	<i>19.739.419</i>
<i>Participation banks</i>	<i>968.543</i>	-	<i>1.223.032</i>	<i>559.686</i>	<i>168.539</i>	-	-	-	<i>2.919.800</i>
<b>Total</b>	<b>53.508.097</b>	-	<b>42.084.230</b>	<b>141.205.000</b>	<b>15.714.561</b>	<b>8.990.909</b>	<b>8.032.469</b>	<b>120.039</b>	<b>269.655.305</b>

**Prior period:**

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



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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	28.608.881	29.259.703	28.057.812	32.011.973
Foreign currency saving deposits	13.327.485	10.687.058	37.043.500	32.319.474
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	343.455	349.453	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

b.1.2. Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

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

	Current Period	Prior Period
Foreign branches' saving deposits and other accounts	200.962	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	3.617	3.066
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

(2) Information on derivative financial liabilities held for trading:

Negative differences table related to the derivative financial liabilities held-for-trading:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	54.367	-	98.286
Swap transactions	-	251.065	-	302.162
Future transactions	-	-	-	-
Options	39	15.692	16	9.974
Other	-	-	-	-
<b>Total</b>	<b>39</b>	<b>321.124</b>	<b>16</b>	<b>410.422</b>

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

(3) Information on funds borrowed:

a) Information on Banks and other financial instruments:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	389.260	1.492.077	372.398	1.456.532
Foreign banks, institutions and funds	-	9.453.718	-	10.087.097
<b>Total</b>	<b>389.260</b>	<b>10.945.795</b>	<b>372.398</b>	<b>11.543.629</b>

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	388.892	1.379.957	372.030	1.802.519
Medium and long-term	368	9.565.838	368	9.741.110
<b>Total</b>	<b>389.260</b>	<b>10.945.795</b>	<b>372.398</b>	<b>11.543.629</b>

(4) Marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bonds	2.180.060	-	2.011.697	-
Treasury Bills	104.759	12.636.331	-	12.024.839
Assets Backed Securities	1.010.821	-	1.011.442	-
<b>Total</b>	<b>3.295.640</b>	<b>12.636.331</b>	<b>3.023.139</b>	<b>12.024.839</b>

(5) Information on other liabilities:

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

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

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

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

In the financial lease agreements, installments are based on useful life, usage periods and provisions with respect to related accounting standards.

- b) Explanation on finance lease payables:

None.

- c) Explanations regarding operational leases:

Current Period	Gross	Net
Up to 1 year	132.860	99.460
1 - 4 years	281.700	236.490
More than 4 years	490.409	272.239
<b>Total</b>	<b>904.969</b>	<b>608.189</b>

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

(7) Information on derivative financial liabilities for hedging purposes:

None.

(8) Explanations on provisions:

a) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

As of 31 March 2019 the Bank's the amount of the currency differences on foreign currency indexed loans and finance lease receivables is none. (31 December 2018: None).

b) Specific provisions provided for unindemnified non-cash loans:

As of 31 March 2019, the Bank's specific provision for unindemnified non-cash loans balance is TRY 180.973 (31 December 2018: TRY 169.363).

c) Information on other provisions:

Total other provision balance amounting to TRY 988.952 (31 December 2018: TRY 966.686) consists of TRY 180.973 (31 December 2018: TRY 169.363) for specific provisions of unindemnified and unfunded non cash loans, TRY 226.745 (31 December 2018: TRY 196.831) for expected loss amount of non-cash loans, TRY 96.799 (31 December 2018: TRY 115.020) for legal cases filed against the Bank, TRY 384.500 (31 December 2018: 414.000) general provision for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions and TRY 99.935 (31 December 2018: TRY 71.472) of other provisions.

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 March 2019, the Bank's current tax asset is amounting to TRY 3.490.

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

a.2. Information on taxes payable:

	<b>Current Period</b>	<b>Prior Period</b>
Corporate tax payable	-	-
Income on securities tax	814.364	419.083
Property income tax	1.933	1.879
Banking and insurance transactions tax (BITT)	144.277	172.999
Foreign exchange transactions tax	20	13
Value added tax payable	-	-
Other	34.457	42.750
<b>Total</b>	<b>995.051</b>	<b>636.724</b>

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

a) Information on current tax liability (continued):

a.3. Information on premiums:

	Current Period	Prior Period
Social insurance premiums-employee	23	20
Social insurance premiums-employer	29	25
Bank social aid pension fund premium-employee	15.874	12.674
Bank social aid pension fund premium-employer	22.086	17.609
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	1.150	922
Unemployment insurance-employer	2.267	1.805
Other	411	230
<b>Total</b>	<b>41.840</b>	<b>33.285</b>

b) Information deferred tax liability:

	Current Period	Prior Period
<b>Deferred Tax (Asset) /Liability</b>		
Provisions <sup>(1)</sup>	820.766	753.154
Revaluation of Financial Assets	(2.166.380)	(1.634.098)
Other	1.147.814	428.175
<b>Deferred Tax (Asset) /Liability:</b>	<b>(197.800)</b>	<b>(452.769)</b>
<b>Deferred tax accounted in shareholders' equity</b>	<b>(96.034)</b>	<b>(158.766)</b>
Fair value through other comprehensive income arising from securities	53.552	(9.180)
Actuarial gains and losses	(2.386)	(2.386)
Valuation of subsidiaries	(147.200)	(147.200)

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

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

	Current Period		Prior Period	
<b>Information on Subordinated Loans</b>	<b>TRY</b>	<b>FC</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	6.014.112	-	6.182.084	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.014.112	-	6.182.084	-
<b>Total</b>	<b>6.014.112</b>	<b>-</b>	<b>6.182.084</b>	<b>-</b>

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

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

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

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

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.429.092	299.663	1.404.394	291.471
Valuation differences	1.429.092	299.663	1.404.394	291.471
Exchange rate difference	-	-	-	-
Financial assets at fair value through other comprehensive income	(198.853)	(184.844)	(24.601)	(167.172)
Valuation differences	(198.853)	(184.844)	(24.601)	(167.172)
Exchange rate difference	-	-	-	-
<b>Total</b>	<b>1.230.239</b>	<b>114.819</b>	<b>1.379.793</b>	<b>124.299</b>

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

<b>Types of irrevocable commitments</b>	<b>Current Period</b>	<b>Prior Period</b>
Commitments for credit card expenditure limits	13.252.914	12.674.648
Payment commitments for cheques	3.287.913	2.661.413
Loan granting commitments	2.709.783	4.611.884
Two days forward foreign exchange buy/sell transactions	2.736.309	2.036.669
Commitments for credit cards and banking services promotions	31.582	31.409
Tax and fund liabilities from export commitments	65.210	65.280
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	3.801.127	3.691.303
<b>Total</b>	<b>25.884.838</b>	<b>25.772.606</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>	<b>Prior Period</b>
Letters of credit	3.248.755	3.136.394
Bank acceptances	7.584.273	7.050.260
Other guarantees	2.236.407	2.000.953
<b>Total</b>	<b>13.069.435</b>	<b>12.187.607</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Letters of certain guarantees	17.086.688	17.065.885
Letters of advance guarantees	5.539.675	6.037.362
Letters of tentative guarantees	883.192	804.609
Letters of guarantee given to customs offices	1.679.744	1.742.025
Other letters of guarantee	49.379.417	45.202.337
<b>Total</b>	<b>74.568.716</b>	<b>70.852.218</b>

c) Total non-cash loans:

	<b>Current Period</b>	<b>Prior Period</b>
Non-cash loans for providing cash loans	7.040.893	6.481.383
<i>Within one year or less original maturity</i>	1.878.184	1.974.877
<i>Within more than one year maturity</i>	5.162.709	4.506.506
Other non-cash loans	80.597.258	76.558.442
<b>Total</b>	<b>87.638.151</b>	<b>83.039.825</b>

d) Information on contingent liabilities and assets:

Bank's commitments for the cheques given to customers are TRY 3.287.913 (31 December 2018: TRY 2.661.413).

e) Services provided on behalf of others:

None.

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF PROFIT OR LOSS**

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
<b>Interest on loans<sup>(1)</sup></b>				
Short term loans	2.363.971	126.335	1.432.834	52.771
Medium and long term loans	4.496.260	1.281.999	3.286.645	869.462
Interest on non-performing loans	171.900	-	88.142	-
Premiums from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>7.032.131</b>	<b>1.408.334</b>	<b>4.807.621</b>	<b>922.233</b>

<sup>(1)</sup> Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
CBRT	87.344	15.847	51.016	15.657
Domestic banks	15.796	2.158	7.049	8.490
Overseas banks	6.448	9.212	1.361	1.067
Head office and branches	-	-	-	-
<b>Total</b>	<b>109.588</b>	<b>27.217</b>	<b>59.426</b>	<b>25.214</b>

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From Financial Assets at Fair Value through Profit or Loss	3.745	354	1.988	-
Financial Assets at Fair Value through Other Comprehensive Income	242.283	26.898	342.909	81.368
Financial Assets Measured at Amortized Cost	1.695.278	158.640	595.295	34.645
<b>Total</b>	<b>1.941.306</b>	<b>185.892</b>	<b>940.192</b>	<b>116.013</b>

d) Interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest income from subsidiaries and associates	32.000	9.621

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

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	11.720	59.042	7.528	89.992
<i>CBRT</i>	-	-	-	-
<i>Domestic banks</i>	11.720	9.223	4.732	5.821
<i>Overseas banks</i>	-	49.819	2.796	84.171
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	-	4.821	3	4.151
<b>Total</b>	<b>11.720</b>	<b>63.863</b>	<b>7.531</b>	<b>94.143</b>

b) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses to subsidiaries and associates	149.429	96.267

c) Information on interest expenses to marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on securities issued	361.708	146.582	133.124	101.265
<b>Total</b>	<b>361.708</b>	<b>146.582</b>	<b>133.124</b>	<b>101.265</b>



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

(2) Information on interest expenses (continued):

d) Maturity structure of interest expenses on deposits:

Current Period		Time deposits						
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
TRY								
Bank deposits	124	142.374	285.181	928	661	-	-	429.268
Saving deposits	1	94.739	2.153.715	192.490	114.581	36.236	3.201	2.594.963
Public deposits	24	104.244	189.762	135.872	23.881	670	-	454.453
Commercial deposits	6	488.818	784.074	97.158	130.409	21.256	-	1.521.721
Other deposits	1	12.553	247.570	130.522	52.775	20.368	-	463.789
7 days call accounts	-	-	-	-	-	-	-	-
Total	156	842.728	3.660.302	556.970	322.307	78.530	3.201	5.464.194
Foreign currency								
Deposits	25	82.485	517.749	64.357	20.197	42.183	-	726.996
Bank deposits	1	74.418	-	-	-	-	-	74.419
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	6	1.493	86	157	241	-	1.983
Total	26	156.909	519.242	64.443	20.354	42.424	-	803.398
Grand total	182	999.637	4.179.544	621.413	342.661	120.954	3.201	6.267.592

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
TRY								
Bank deposits	143	78.839	79.215	1.792	-	-	-	159.989
Saving deposits	1	20.355	1.319.923	51.252	11.887	11.478	2.506	1.417.402
Public deposits	48	50.527	125.005	18.154	131.326	1.400	-	326.460
Commercial deposits	4	169.675	761.156	68.600	67.942	7.309	-	1.074.686
Other deposits	-	20.383	255.461	39.052	24.958	639	-	340.493
7 days call accounts	-	-	-	-	-	-	-	-
Total	196	339.779	2.540.760	178.850	236.113	20.826	2.506	3.319.030
Foreign currency								
Deposits	7	20.331	312.253	21.251	22.191	21.360	-	397.393
Bank deposits	-	73.197	-	-	-	-	-	73.197
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	9	320	20	28	83	-	460
Total	7	93.537	312.573	21.271	22.219	21.443	-	471.050
Grand total	203	433.316	2.853.333	200.121	258.332	42.269	2.506	3.790.080

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

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

	<b>Current Period</b>	<b>Prior Period</b>
<b>Profit</b>	<b>10.918.809</b>	<b>5.430.689</b>
Profit from the capital market operations	21.755	15.997
Profit on derivative financial instruments	1.737.983	441.740
Foreign exchange gains	9.159.071	4.972.952
<b>Loss (-)</b>	<b>11.350.034</b>	<b>5.400.637</b>
Loss from the capital market operations	4.022	6.016
Loss on derivative financial instruments	1.281.959	372.368
Foreign exchange losses	10.064.053	5.022.253

(4) Information on other operating income:

	<b>Current Period</b>	<b>Prior Period</b>
Adjustments for prior period expenses	397.059	205.712
Income from the asset sale	16.299	21.143
Rent income	3.370	9.439
Other income	14.884	11.418
<b>Total</b>	<b>431.612</b>	<b>247.712</b>

(5) Impairment losses on loans and other receivables:

	<b>Current Period</b>	<b>Prior Period</b>
Expected Credit Loss	1.047.074	392.371
<i>12 Month Expected Credit Loss (Stage 1)</i>	352.952	96.532
<i>Significant Increase in Credit Risk (Stage 2)</i>	23.035	19.004
<i>Non – Performing Loans (Stage 3)</i>	671.087	276.835
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	32.309	70.999
<b>Total</b>	<b>1.079.383</b>	<b>463.370</b>

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

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

(6) Information on other operating expenses:

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for employee termination benefits	34.671	33.605
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	72.322	28.152
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	10.159	12.627
Impairment expense for equity shares subject to	-	-
Impairment expense of assets that will be	-	-
Amortization expenses of assets that will be	2.623	3.659
Impairment expense for property and equipment	-	-
Other operating expenses	423.190	475.240
<i>Leasing Expenses on TFRS 16 Exceptions</i>	21.656	61.915
<i>Maintenance expenses</i>	5.924	7.047
<i>Advertisement expenses</i>	37.030	26.732
<i>Other expenses</i>	358.580	379.546
Loss on sales of assets	25	21
Other	271.078	94.686
<b>Total</b>	<b>814.068</b>	<b>647.990</b>

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

The Bank's income before tax is due from continuing activities. The amount of profit before tax consists TRY 1.728.024 of net interest income and TRY 616.235 of net fees and commissions. The profit from continuing operations before tax of the Bank is amounting to TRY 115.564.

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

For the period then ended 31 March 2019, the Bank's tax provision amounting to TRY 189.624 consists of TRY 2.613 of current tax charge and TRY 686.287 of deferred tax charge, TRY 878.524 of deferred tax income.

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

For the period ended 31 March 2019, net operating income after tax is TRY 305.188.

(10) Information on operating results needed for better understanding of the Bank's performance:

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 Statement of Profit or Loss are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

(11) Other items in statement of profit or loss:

The other items under Fees and Commissions Received and Fees and Commissions Paid generally consist of credit cards, insurance and other banking transaction commissions.

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

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

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

**Current period:**

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	1.377.511	224.571	-	-	-	-
Closing balance	1.600.432	250.521	-	-	-	-
Interest and commissions income	32.000	391	-	-	-	-

**Prior period:**

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	967.161	234.553	-	-	-	-
Closing balance	1.377.511	224.571	-	-	-	-
Interest and commissions income	9.621	237	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Deposits</b>						
Beginning balance	2.889.487	2.857.226	-	-	-	-
Closing Balance	2.967.448	2.889.487	-	-	-	-
Interest expense on deposits	146.767	94.172	-	-	-	-

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

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

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

## (2) Disclosures for risk group:

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

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

Branches of the Bank are the agency of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. In addition, the Bank is an intermediary for brokerage services of Halk Yatırım Menkul Değerler A.Ş. within scope of “Brokerage Order Contract”.

- b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

	<b>Amount</b>	<b>% compared to the amounts in the financial statements</b>
Cash loans	1.600.432	0,59
Non-cash loans	250.521	0,29
Deposits	2.967.448	1,10
Forward and option contracts	-	-

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

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

Explained in b).

- d) Transactions accounted under the equity method:

None.

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

Benefits given to the key management personnel are TRY 2.409 as of 31 March 2019 (31 December 2018: TRY 2.592).

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

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

Bank, as approved by the BRSA on 19 April 2019, and under Article 7 of the BRSA Regulation on Bank Equities, has exercised its authority to sign a subordinated loan agreement with the Turkey Wealth Fund Corporation's Market Stability and Equalization Fund to borrow Euro 900 million to be accounted for as part of the Additional Tier 1 capital and duly executed the relevant transaction on 24 April 2019, in exchange acquired government securities under "debt and other instruments at amortised cost". The agreement shall operate on a rolling, fixed-rate basis with the earliest prepayment option and the first interest payment set for the end of year 5.

**VII. OTHER EXPLANATIONS ON THE BANK'S OTHER ACTIVITIES**

One of the Bank's former directors has been convicted and imprisoned for some of the charges by the court in the United States of America ("USA") of the violation of the USA sanctions involving Iran as of 16 May 2018. 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 always sensitive in complying with national and international regulations and puts considerable efforts in improving such compliance policies in line with international standards.

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

The Bank placed a high importance on this matter and established a separate "Compliance Department". The Bank has received advisory services from an international expert firm in forming effectiveness of this department's policies and control procedures and processes.

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
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<b>SECTION VI: AUDITORS' REVIEW REPORT</b>
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**I. EXPLANATIONS ON INDEPENDENT AUDITORS' REVIEW REPORT**

The Bank's publicly available unconsolidated interim financial statements and footnotes as of 31 March 2019 have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' review report dated 13 May 2019 is presented in front of the financial statements.

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

None.

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VII: INTERIM ACTIVITY REPORT**

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

**Assessment of Chairman of the Board of Directors**

Esteemed Stakeholders,

The changes in international trade and fiscal policies of developed nations has directly influenced the finance market's performance in the last year. Although we adapted to this process through an active finance strategy that prioritizes the public and the finance sector's profitability, the global economic stability is yet to be fully restored so far in the new year.

In the first quarter, the U.S. Federal Reserve decided to hold policy interest rates steady, reinforcing the anticipations suggesting it will not increase interest rates again for a time. The U.S. government suspended extra tariffs on China, renewing the hope for peaceful trade negotiations between the two countries.

However, the data from the European Union our largest export market, was not positive. The uncertainties surrounding the ongoing process of Brexit negotiations and sharp fall in industrial production of the region have negatively affected our foreign trade performance. The EU industrial production index hit a record low in the last five to six years. This constituted an important agenda item for economists during this period, which was characterized by rising oil and energy prices.

Against this global background, our country experienced a significant contraction in the foreign trade deficit and the export-import ratio reached its highest level since 2002. Our companies focused on boosting their export earnings. The real sector conducted an effective marketing and promotion strategy, helping our country expand its global trade footprint.

The public sector took similar steps in the remainder of the year and implemented many practices to financially support SMEs. The banking sector played a major role in the implementation of our Government's practices, which did not neglect the needs of the private sector throughout the election period.

Behind the banking sector's strong and confident stance during this critical process stands the experienced staff of state-owned banks. Our managers devoted themselves to their tasks for the first three months of the remaining part of the year, reaffirming their commitment to their country. The trust and appreciation of our customers carried us through this tough schedule.

Our sector will maintain the performance it showed in the first quarter of the year and continue adding value to the national economy by meeting the real sector's demand for loans under favorable terms. Our efforts to preserve our balance sheet have helped the finance markets regain their balance to become permanent in the medium and long term. Our main priority is to contribute to Halkbank's mission of being The People's Bank and to increase the service quality of our Bank with the loans we provide, the number of active customers and our domestic market share.

<sup>(\*)</sup> Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.



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

**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**Assessment of Chairman of the Board of Directors (continued)**

Esteemed Stakeholders,

As the protector of Halkbank's valuable heritage, we have embraced our duty to support all kinds of activities that will encourage interest in science, technology and education among the youth. We are proud to serve our nation with the cooperation of all our public institutions. We embrace the great responsibility we have as one of our country's most valuable institutions. We have always been the strongest supporter of artisans, tradespeople, and SMEs, and we will continue to diligently support them. We thank you, our valuable stakeholders, for being with us in this process.

Sincerely,

R. Süleyman Özdil  
Chairman

<sup>(\*)</sup> Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**Assessment of General Manager**

Esteemed Stakeholders,

Turkey's economy has set high yet realistic goals for the medium and long term and has made great progress so far in a very short period of time. This is thanks to the hard work of our employees. Our economic management developed an action plan after stabilizing the financial markets in the second half of the last year stabilized. This plan enabled all institutions, especially the banking sector, to operate more effectively.

During this period, we maintained the vitality of the domestic market while our growing tourism and export revenues gave confidence to all market actors. The decline in risk and interest rates and the performance of our economy in the first quarter helped us plan out the rest of the year.

After the completion of the local polls, Turkey will enter a four-and-a-half year no election period. Turkey will utilize this period to implement all of the planned reforms. After the frantic period of elections, our economy will get up a full head of steam with the introduction of structural reforms postponed to a later time after the first quarter.

The Turkish banking sector is making great efforts to provide companies with loans that best match their needs. The strong coordination by the Ministry of Treasury and Finance has improved the harmony and dialogue among banks, letting us conduct a better joint risk management. The "SME Value Loan-1" package provided nearly 80,000 SMEs with 25 billion Turkish lira. A total of 14 banks took part in the package, which was launched with the backing of the Kredi Garanti Fonu (KGF). The participation of 17 banks in the package of "SME Value Loan-2" at the level of 25 billion Turkish lira reflects the trust they have placed in us.

Halkbank is performing strongly in SME Value Loans, just as it does in KGF-backed loans and Breather loans. In addition to this product, we are developing new loan packages through special efforts to expand our financial opportunities to a wider customer base. While creating the contents of these packages, we listened to the real sector through a participatory working model. We want to be there for our customers whenever they need us, learn about their expectations and find solutions to their requests.

We spent most of the first quarter of the year in the field meeting with our customers across the country. A total of nearly 3,000 industrialists, tradespeople and artisans participated in the Productive Turkey Meetings held in Eskişehir, Gaziantep, Denizli and Adana. Here, we noted the demands of the enterprises that brought us together with representatives of many companies operating in different fields. These notes will guide us in our efforts for the rest of the year.

We continued to expand our service network by launching new branches, allowing us to get closer to our customers. We also invested in our next-generation digital platforms, which allow our customers to do all their banking transactions whenever and wherever they want.

In the first quarter of the year, the loans we developed for the Artisans and Tradespeople Credit and Surety Cooperative attracted great interest. Our tradespeople have benefited from our loan options, which begin at zero interest and feature terms suitable for all types of needs. At the end of the first quarter, 120,000 artisans and tradespeople utilized 11.6 billion Turkish lira loans to meet their business and investment financing needs.

<sup>(\*)</sup> Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**Assessment of General Manager (continued)**

Esteemed Stakeholders,

We attribute our financial results to the close relationships we have maintained with our customers throughout this period. In this period, our total loans, including cash and non-cash loans, reached 369.6 billion Turkish lira, up by 8 percent compared to year-end 2018. Likewise, our commercial loans, including SME loans, reached 236.4 billion Turkish lira, up by 10.7 percent. Furthermore, loans to tradespeople reached 40 billion Turkish lira this quarter. Our bank's asset size reached 407 billion Turkish lira at the end of the first quarter, up by 7.6 percent compared to year-end 2018. Additionally, shareholders' equity increased by 0.5 percent.

As in every moment of our deep-rooted history, the biggest profit for us in the first quarter of the year was the happiness of serving our nation, the pride of adding value to our country and the satisfaction of having enhanced Halkbank's prestige. The Halkbank family of 19,000 will raise this bar with more than 1,000 branches in Turkey and reach our financial targets.

Sincerely,

Osman Arslan  
General Manager

<sup>(\*)</sup> Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.

**TÜRKİYE HALK BANKASI AŞ**

**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019**

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**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**Major Unconsolidated Financial Information**

<b>Summary Balance Sheet (Million TRY)</b>	<b>March 2018</b>	<b>December 2018</b>	<b>Change (%)</b>
Total Assets	407.034	378.422	7,6
Loans	281.982	259.074	8,8
<i>TRY</i>	192.769	174.100	10,7
<i>FC</i>	89.213	84.974	5,0
Marketable Securities	83.895	74.557	12,5
Deposit	269.655	248.855	8,4
<i>TRY</i>	134.360	140.018	(4,0)
<i>FC</i>	135.295	108.837	24,3
Total Equity	29.168	29.021	0,5

<b>Summary Statement of Profit or Loss (Million TRY)</b>	<b>March 2018</b>	<b>March 2018</b>	<b>Change (%)</b>
Interest Income	10.743	6.926	55,1
<i>On Loan</i>	8.440	5.730	47,3
<i>On Securities</i>	2.127	1.056	101,4
Interest Expense	9.015	4.957	81,9
<i>On Deposit</i>	6.268	3.790	65,4
Net Interest Income	1.728	1.969	(12,3)
Net Fee and Commission	616	406	51,7
Net Profit	305	790	(61,4)

<b>Ratio (%)</b>	<b>March 2018</b>	<b>December 2018</b>
Cash Loans/Total Asset	69,3	68,5
Non-Performing Loans/Total Cash Loans (Gross)	3,3	3,3
Demand Deposit/Total Deposit	19,8	21,1
Loan/Deposit Ratio	104,6	104,1
Average Return on Asset (ROA)	0,3	0,7
Average Return on Equity (ROE)	4,3	9,3
Capital Adequacy Ratio	13,0	13,8

<sup>(\*)</sup> Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
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**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**2019 First Quarter Interim Developments**

**Significant Developments**

- Our Bank has issued bonds with a par value of 2,236,000,000 Turkish lira to the qualified investors throughout this period.

**New Products and Campaigns**

- Halkbank created the KGF-backed SME Value Loans to add value to micro and small-sized SMEs, and to facilitate affordable access to financing and liquidity.
- A retail finance loan campaign was organized for healthcare professionals in recognition of Doctor’s Day on March 14.

**Social Responsibility Projects and Activities**

- Halkbank purchased musical instruments, including a piano and 25 bağlamas (Turkish folks’ instrument), for 12 schools, thanks to the Sanat Hayattır (Art is Life) Association.
- Our Bank organized Halkın Yıldızları (the People’s Stars) event at the Haliç Congress Center. The event ran for 15 days between 18 January and 1 February, and featured two theater performances and a total of 20 performing artists.
- Halkbank was one of the sponsors of Turkey Tradespeople Meeting, an event that brings together 10,000 tradespeople in Ankara to listen and offer solutions to the problems experienced by artisans and tradespeople. Here, they promoted access to loans and financing, and identified expectations.
- Our Bank supports the Common Mind Meetings held in organized industrial zones, as a solution partner.
- We came together with nearly 2,000 customers in Eskişehir, Denizli, Gaziantep and Adana for the “Productive Turkey” meetings, which aim to promote the products and services we offer to tradespeople and SMEs.

<sup>(\*)</sup> Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated