

2014 ANNUAL REPORT



 **HALKBANK**

> Productive Turkey's Bank

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FINANCIAL INFORMATION AND ASSESSMENT ON RISK MANAGEMENT

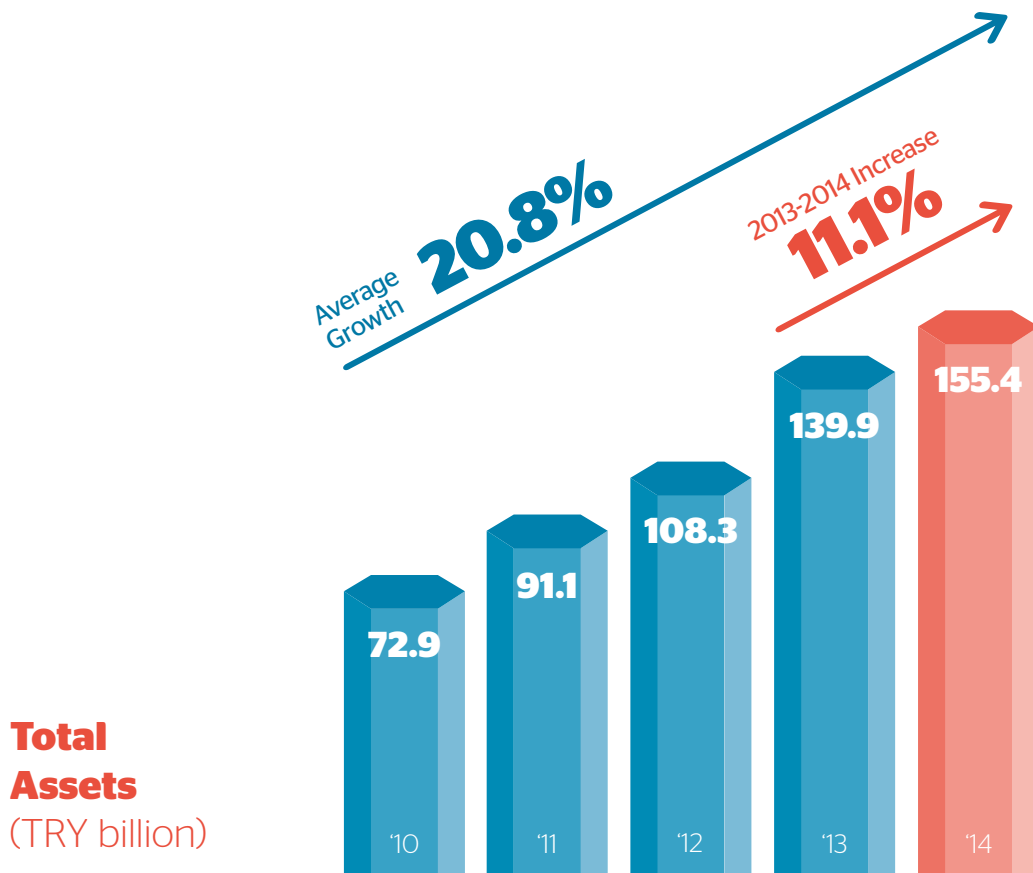
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We see every productive person in this country as one of our own. We develop different types of solutions that help them move forward. We know we mean a lot to them.

THE STRONG BANK OF PRODUCTIVE TURKEY



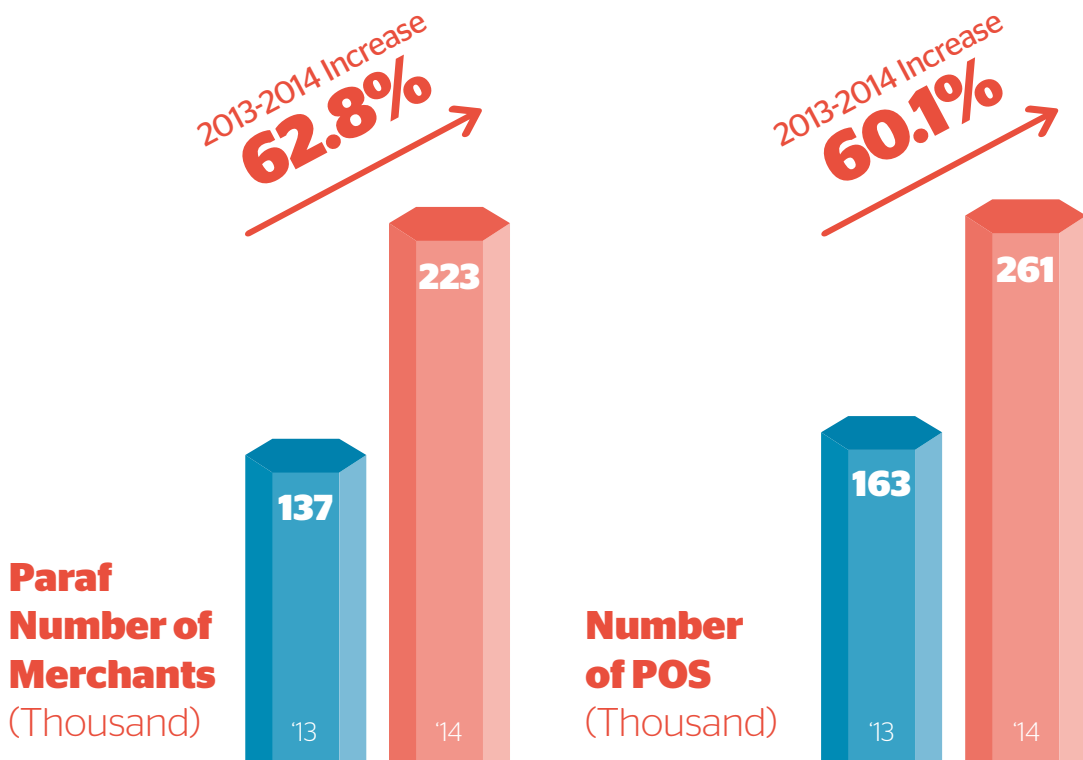
Widely recognized as the driving force of Turkey's real economy, Halkbank increased total assets by 11.1%, to TRY 155.4 billion, thanks to further expansion of its loan portfolio.



THE LEADING BANK OF PRODUCTIVE TURKEY



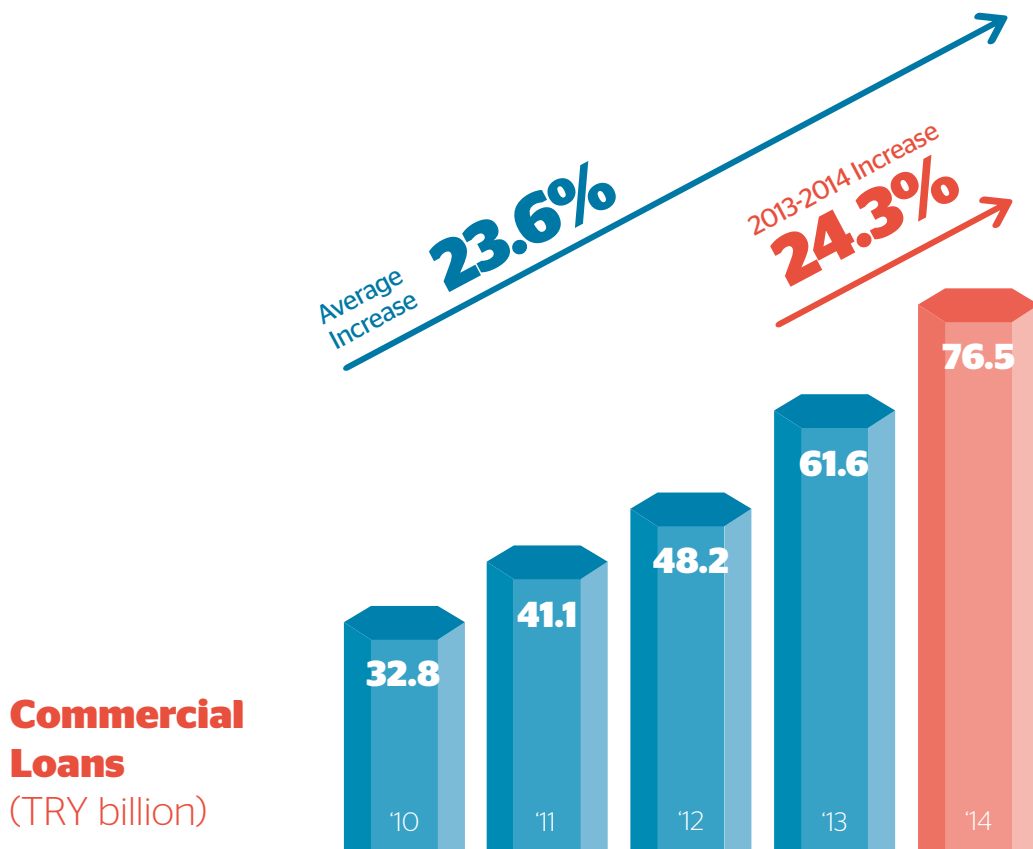
Launched in late 2012 with the slogan “Paraf: Home of Benefits,” the Paraf credit card boasted 3.4 million cardholders as of year-end 2014. Paraf’s contracted merchant network has also expanded rapidly with the participation of high-profile national businesses.



THE EFFICIENT BANK OF PRODUCTIVE TURKEY



Thanks to efficiency related initiatives, Halkbank's commercial loan portfolio, including SME loans, increased 24.3%, to TRY 76.5 billion.



CORPORATE PROFILE

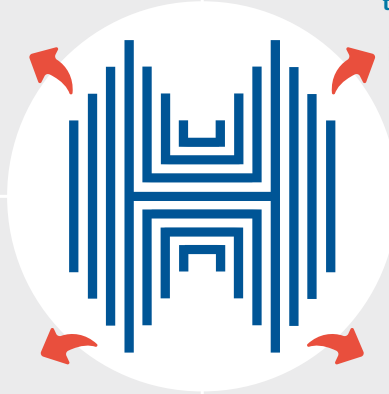
WE CONTINUE TO ADD VALUE TO THE SAVINGS OF OUR CUSTOMERS.



Believing that the social conditions and prosperity of Turkey can best improve in a robust, productive environment, **Halkbank has operated with the mission of providing support to the producers of the economy since its founding.**



We see our clients as the most important players in the real economy; **we conduct our operations understanding that they are the drivers of the economic growth that has increased national income and raised living standards in Turkey in recent years.**



Our activities are based on the principle of standing by our clients and providing support at all times and under all circumstances. The best proof of this commitment is our steadily increased lending and new branch openings, even during the economic crisis.



SMEs in Turkey are producing, growing and looking to the future with hope, thanks to the support of Halkbank. Their success is our success... **Halkbank's success is the success of growing and developing Turkey.**

HALKBANK IN BRIEF

WE GIVE OUR SUPPORT TO THE REAL ECONOMY IN LINE WITH OUR FOUNDING MISSION.

Halkbank was founded in 1938 to support craftsmen and tradesmen and to accelerate the country's economic development. The Bank's core business strategy has not changed during its 76-year history. Halkbank sees every craftsman, farmer and small, medium or large size enterprise owner that creates value and generates employment as a business partner. The Bank firmly believes that it has the responsibility to support these economic producers with its entire financing capability, both in good days and bad. Allocating 39.5% of the Bank's total loan portfolio to SMEs, Halkbank continues to be their primary supporter in Turkey.

As of year's end 2014, Halkbank operates with a global approach, through 895 domestic and 5 overseas branches, 2 overseas representative offices, 3,388 ATMs, telephone and internet banking platforms and mobile banking applications. The Bank's innovative products and services provide customers with an unparalleled banking experience. Halkbank ranks among the sector's most efficient banks in terms of return on equity. Some 48.9% of Halkbank's outstanding shares are publicly held.

Halkbank today is a steadily growing, 76-year-old institution that ranks among the longest established, pioneering and most respected brands in progressing Turkey.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION IN 2014

There were no changes to the Articles of Associations during 2014.

SHAREHOLDING STRUCTURE

Türkiye Halk Bankası A.Ş.'s total paid-in capital is TRY 1,250,000,000.

99.999996207% of the Bank's share capital, originally held by the Undersecretariat of Treasury of the Prime Ministry of the Republic of Turkey, was transferred to the ownership of the Privatization Administration of Turkey. Pursuant to Resolution No. 2007/08 of the Privatization High Council dated February 5, 2007; the Resolution of the Bank's General Assembly dated April 19, 2007; and Resolution No. 16/471 of the Capital Markets Board of Turkey dated April 26, 2007, 24.98% of these shares were publicly listed on May 10, 2007.

As part of the secondary public offering of the Bank's shares pursuant to Resolution No. 2012/150 of the Privatization High Council dated October 4, 2012, shares owned by the Privatization Administration of Turkey, representing 23.92% of the Bank's capital, were successfully floated on November 21, 2012.

The Bank's controlling shareholder is the Privatization Administration of Turkey with an equity stake of 51.10604% (Address: Ziya Gökalp Cad. No: 80 Kurtuluş/Ankara). Neither the Chairman, Vice Chairman, General Manager nor the Members of the Board of Directors hold shares in the Bank.

Shareholder	Paid-in Capital (TRY)	Shareholding (%)
Privatization Administration*	638,825,500	51.1060400
Free Float*	610,729,400	48.8583520
Other**	445,100	0.0356080
Total	1,250,000,000	100.0000000

* TRY 549,932 shares out of total shares belonging to Privatization Administration are eligible to be traded at Borsa Istanbul. The free float rate corresponds to 48.90%.

** Since the dematerialization deadline granted to our Bank ended on December 31, 2014, Merkezi Kayıt Kuruluşu (Central Securities Depository Institution) automatically transferred on January 2, 2015, the shares in the amount of TRY (Turkish Lira) 350,894 to the Investor Compensation Center, pursuant to Article 13, Section 4 of the Capital Markets Law. These shares belong to our shareholders who have not dematerialized in their accounts, their shares Merkezi Kayıt Kuruluşu monitors in the DESA - Dematerialized Unknown Shareholder Account (KAYDBOH). In this respect, the shares in the amount of TRY 350,894 under the "Other" group belong to the Investor Compensation Center, and TRY 91,562 of which belong to our shareholders whose shares do not trade on the Exchange (though these shareholders have been dematerialized them in their own accounts); TRY 2,644 of which still belong to our shareholders whose shares are monitored under the DESA due to the ongoing legal action. Nevertheless, pursuant to the said Article, the shares transferred to the Investor Compensation Center shall be sold on the Stock Exchange within the next three months.

Pursuant to Law No. 6327 dated June 13, 2012, as well as Provision 3 of Article 2 that was added to Law No. 4603, until their sale is finalized, these public sector-owned shares in the Bank shall be governed and represented by the Minister that the Bank reports to in accordance with the Turkish Commercial Code.

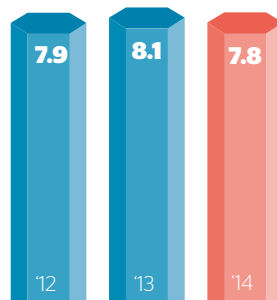
KEY FINANCIAL INDICATORS AND RATIOS

HALKBANK'S POSITION IN THE SECTOR

Market Share (%)	2014	2013
Total Assets	7.8	8.1
Loans	8.0	8.0
Securities	8.1	9.4
Deposits	9.8	10.6
Shareholders' Equity	7.1	7.3
Profit	8.9	11.2

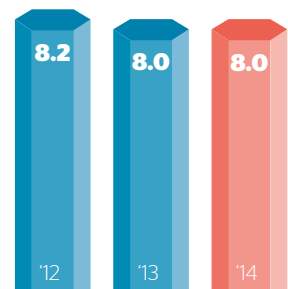
Total Assets Market Share (%)

7.8%
Total assets
market share
of Halkbank



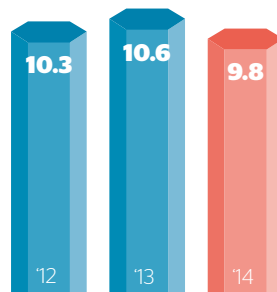
Loans Market Share (%)

8.0%
Loans market
share of
Halkbank



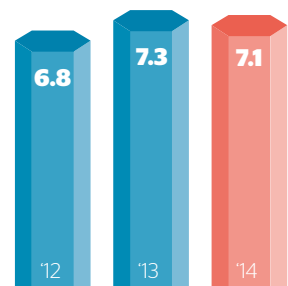
Deposits Market Share (%)

9.8%
Deposits
market share
of Halkbank



Shareholders' Equity Market Share (%)

7.1%
Shareholders'
equity market
share of Halkbank



* The report's banking sector data dated December 31, 2014 was disclosed by BRSA on January 30, 2015.

KEY FINANCIAL INDICATORS AND RATIOS

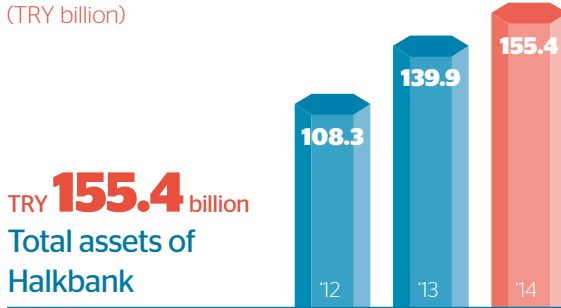
WE MAINTAINED OUR
GROWTH MOMENTUM WITH
SOLID FINANCIAL RESULTS.

KEY FINANCIAL INDICATORS

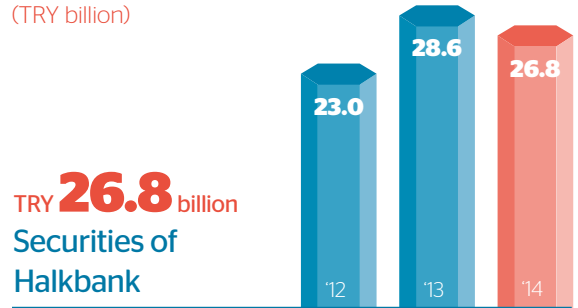
(TRY million)	2014	2013	Change (%)
Total Assets	155,423	139,944	11.1
Liquid Assets	21,560	21,825	-1.2
Loans	101,767	84,848	19.9
Securities	26,844	28,559	-6.0
Total Deposits	103,708	100,756	2.9
Shareholders' Equity	16,536	14,146	16.9
Net Interest Income	5,112	4,829	5.9
Net Fee and Commission Income	1,023	930	10.0
Gross Profit	2,727	3,365	-18.9
Net Profit	2,206	2,751	-19.8
Key Ratios (%)			
Interest Bearing Assets/Total Assets	82.5	81.4	
Loans/Total Assets	65.5	60.6	
Non-performing Loans/Total Loans (Gross)	3.55	2.59	
Demand Deposits/Total Deposits	20.8	18.6	
Loans/Deposits	98.1	84.2	
Average Return on Assets	1.5	2.2	
Average Return on Equity	14.4	20.8	-
Capital Adequacy Ratio	13.6	13.9	

Total Assets

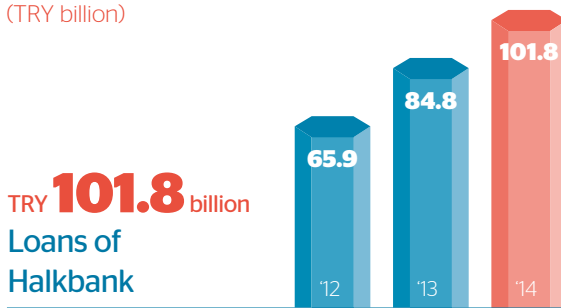
(TRY billion)

**Securities**

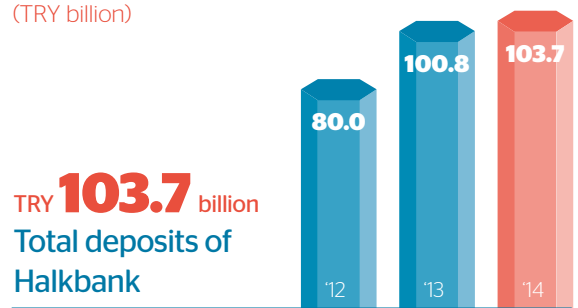
(TRY billion)

**Loans**

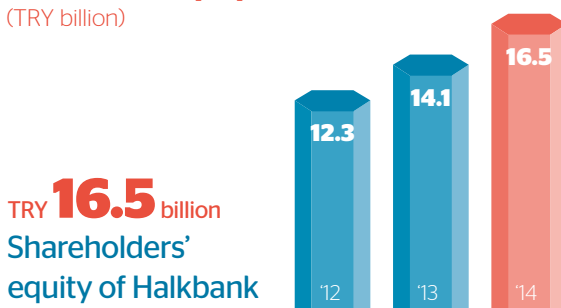
(TRY billion)

**Total Deposits**

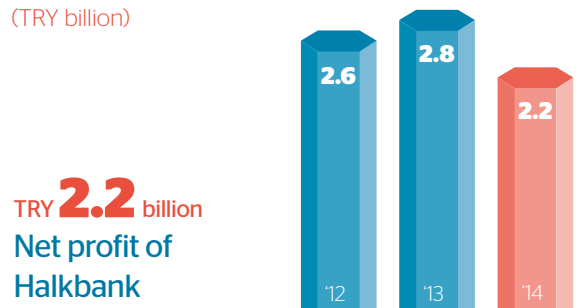
(TRY billion)

**Shareholders' Equity**

(TRY billion)

**Net Profit**

(TRY billion)



HALKBANK'S HISTORICAL DEVELOPMENT

WE CONTINUE ALONG OUR JOURNEY OF SUCCESS BY TAKING CONFIDENT STEPS.

During the early years of the Republic of Turkey, economic difficulties resulted from the lack of capital, scarcity of production facilities and an under-developed private sector. These factors prevented the emergence of institutions that were able to lend to small enterprises, artisans and tradesmen.

The Great Depression of 1929 led to a very challenging economic environment in Turkey. During this period, the commercial activities of artisans and tradesmen contracted across the country.

Banks and other state enterprises that started operations in the years after the founding of the Turkish Republic were unable to address the unique problems facing small scale artisans and tradesmen, which made up the largest segment of the economy. As a result, Halkbank was established to lend specifically to artisans, tradesmen and small businesses at favorable terms in order to achieve lasting economic development, social stability and peace.

Mustafa Kemal Atatürk, who stated, "It is extremely essential to create an organization that will provide small business owners and large industrial enterprises with the loans they so desperately need, easily obtainable and inexpensively priced, and to lower the cost of credit under normal circumstances," paved the way for the inception of Halkbank.

Subsequently, Atatürk provided guidance for the newly founded Bank's future objectives by proclaiming, "My bliss will rise to the highest level when I see the small shops of tradesmen replaced with glorious factories."

Halkbank's Founding

Halkbank was founded pursuant to the Halkbank and Public Funds Law enacted in 1933.

This legislation promoted development of a hybrid system with a dual structure that included an occupation-based microcredit facility that Turkey lacked at the time. Under this system, Halkbank would manage micro-lending centrally while public funds would be set up to assume the principal function in the areas deemed

appropriate by the Bank. However, it took five years to implement this hybrid system.

Halkbank provided credit services through the Public Funds channel, from which it received financing, from 1938 to 1950. In 1964, the Bank increased its capital and started working actively to expand both the deposit base and lending.

Halkbank acquired Türkiye Öğretmenler Bankası T.A.Ş. (Töbank) in 1992, Sümerbank in 1993, and Etibank in 1998. Growing more diversified and stronger with each merger, Halkbank reorganized in 2000 to operate more effectively in the current, internationally competitive banking environment while readying itself for privatization. In 2001, the Bank acquired Emlak Bankası and its 96 branches, personnel and balance sheet.

Pamukbank was merged into Halkbank in the second half of 2004. Finalized in only half the time of the originally estimated nine months, this integration went down in world banking history as a bank merger that was successfully completed in a very short period of time.

The first bank to establish an Entrepreneur Information Center in 1995 and the first bank in Turkey to offer a Women's Entrepreneur Loan in 2007, Halkbank has always been a pioneer in the industry. It was also the first state-owned bank to use TV banking and to open an offshore branch abroad.

Successful Public Offerings

Halkbank's share flotation in 2007 generated record demand as the largest ever public offering in Turkey at that time. Some 24.98% of the Bank's outstanding shares were sold for US\$ 1.8 billion. Bids placed by domestic and international investors for the Bank's floated shares totaled TRY 17.3 billion (US\$ 12.9 billion), eight times the size of the offering. Halkbank's successful flotation received the "Best Public Offering" award for the year from Sweden-based East Capital, a leading independent European investment company.

In 2012, Halkbank carried out a secondary public offering of its shares that increased its free-float ratio to 48.9%. The highly successful transaction raised TRY 4.5 billion for the Bank. Of the total offering, 80% of the shares were sold to foreign investors while domestic institutional investors and domestic retail investors were each allocated 10%. Halkbank completed its secondary offering, recorded as the largest public offering on the Borsa İstanbul A.Ş. and the third-largest in Europe, with the smallest discount to date, marking yet another notable achievement for the Bank.

Professional Approach to SME Banking

Since its establishment, Halkbank has always prioritized those investments that contribute to both Turkey's economic and social development. Thanks to major strides taken in recent years, the Bank continues to strengthen its well-respected position in the banking industry attained through a countrywide branch network, high quality products and services, and a professional approach to SME banking.

48.9%

Halkbank's
free-float ratio
increased to
48.9% in 2012.

895

Halkbank's domestic
branch network
expanded to 895.

HALKBANK'S HISTORICAL DEVELOPMENT

WE AIM TO ADD VALUE TO TURKEY BY PROVIDING FUNDS TO EVERYONE WHO PRODUCES.

Striving to extend resources to productive enterprises and to create value for Turkey, Halkbank meets all funding demand with competitive interest rates thanks to its diversified range of loan products for investment, production, domestic and foreign trade, and retail financing. In addition to its domestic funding sources, the Bank also cooperates with international financial institutions including the European Investment Bank, the Council of Europe Development Bank and the French Development Agency. Furthermore, Halkbank offers a wide range of conveniences to SMEs including special loans and products tailored to their unique requirements, local and regional needs through credit agreements with chambers of commerce and industry throughout Turkey.

Halkbank works to increase cooperation with regional development agencies; increase the loans extended through KOSGEB (Small and Medium Enterprises Development Organization); and bolster the amount and variety of funding sources secured from international financial institutions.

Additionally, Halkbank is constantly evolving and implements organizational change strategies to better serve SMEs and meet their unique needs with fast, effective, high-quality solutions ultimately aim to contribute to the country's economic development by strengthening SMEs, the foundation of Productive Turkey.

Rich Retail Banking Portfolio

Upon the leap taken into the retail banking segment, Halkbank enriched its consumer loan portfolio with offerings that meet every type of need with attractive terms. In addition to general purpose loans for education, healthcare and vacations, the Bank added retail loans with convenient repayment options for target occupational groups to its existing product portfolio.

Thanks to a partnership agreement between Halkbank and HSBC in 2007, Halkbank credit cards were enhanced with Advantage features. As a result, Halkbank cardholders could benefit from the installment and CashPoint features of the Advantage card.

Europe's first prepaid contactless debit card launched thanks to a partnership between Halkbank and Visa. Bank24 Jet combines many functions including a contactless payment card for small-sum purchases, a public transit card, KGS, a self-service payment card and a pass card.

With its initiative that shortened the process of receiving and evaluating credit card applications and delivering cards to customers, Halkbank became the first bank in Turkey to receive ISO 9001 Quality Management Systems Certification in 2008.

In December 2012, Halkbank terminated its Advantage card partnership with HSBC and launched a new credit card brand, Paraf, with the slogan, "Paraf: Home of Benefits." With Paraf, which is not only a credit card product but also a platform that enables partnerships with other banks, Halkbank plans to offer services customized to the personal preferences and needs of customers.

Strong Technological Infrastructure

Halkbank's use of advanced technology serves as a powerful competitive advantage. Thanks to a revamped technological infrastructure, centralized database and automated operations facilities, the Bank significantly reduced the operational task workload performed by the branches for settlement and reconciliation purposes. Halkbank has launched a wide variety of technology related initiatives, including data warehousing, data mining and customer relationship management; these projects help facilitate the Bank's business strategy development and decision-making processes, identification of customer profiles and needs, and product and service offerings.

Halkbank implemented the Identity Management System (IdM), developed in cooperation with Koç Sistem, at the Bank's headquarters and branch locations in 2008. The Identity Management System allows employees to conduct all banking transactions as well as to receive healthcare and social security services using a single ID number or card.

Halkbank uses technology to facilitate customer banking transactions across all platforms as required of the financial services industry today.

A Strong Regional Bank

Halkbank is striving to extend its robust domestic performance to overseas markets and to become a strong regional bank in Turkey's surrounding geography. In 2011, Halkbank acquired the shares of Export and Credit Bank Inc., the SME bank of Macedonia. Aiming to be one of Macedonia's top three banks, Halkbank operates in the country as Halk Banka A.D., Skopje. In 2012, Halk Banka A.D., Skopje acquired Ziraat Banka A.D., Skopje along with all of its assets, liabilities, branches and personnel.

Halkbank Headquarters Moves to Istanbul

At Halkbank's Ordinary General Assembly Meeting held on March 29, 2013, the Bank's headquarters was relocated from Ankara to Istanbul, with the approved amendments made to the Articles of Association.

Halkbank's Human Resources

Under a reorganization initiative, Halkbank upgraded its employee profile as well as the Bank's organizational structure. As of year-end 2014, the Bank's head count totaled 17,314.

Standing out
with high-quality
products, Halkbank
increased the
number of
Paraf credit cards
issued up to
3.4 million.

Halkbank
Employees
17,314

HALKBANK MILESTONES

1933

Founded pursuant to the Halkbank and Public Funds Law, Halkbank carried out credit services through the Public Funds channel for which it provided financing from 1938 to 1950.

1940

Halkbank extended its first SME loans to small and medium-size enterprises.

1950

Having conducted credit services through the Public Funds channel since 1938, Halkbank was authorized to open branches and lend directly in 1950.

1964

Halkbank created the first fund for the construction of small industrial parks and marketplaces. That same year, the Bank started working actively to expand the deposit base and lending volume.

1975

Halkbank became the bank of larger industrial enterprises as well with the launch of industrial investment and working capital loans.

1992

Halkbank grew with the acquisition of a number of banks starting in 1992. As part of this process, Türkiye Öğretmenler Bankası (Töbank) was merged into Halkbank during the year with all of its personnel, branches, assets and liabilities.

1993

Halkbank acquired Sümerbank's assets and liabilities in 1993.

1995

The first Entrepreneur Information Center was established.

1998

Etibank was merged into Halkbank in 1998, with only the acquisition target's assets and liabilities.

2000

Halkbank launched restructuring initiatives pursuant to Law No. 4603 on the restructuring of state-owned banks to operate in accordance with the requirements of the current globally competitive banking environment and to prepare for privatization.

2001

Halkbank acquired Türkiye Emlak Bankası, which was then in the process of being liquidated, with the target company's 96 branches, personnel and balance sheet.

2004

In the second half of 2004, Pamukbank was successfully merged into Halkbank with all the target company's assets, liabilities, branches and employees.

2007

Halkbank's public offering in 2007, which met with record demand, was registered in the history of the Borsa İstanbul A.Ş. as the largest public offering carried out in Turkey at that time. 24.98% of Halkbank shares were floated. Thanks to this successful public offering, Halkbank received the annual "Best Public Offering" award from East Capital, a leading European investment company. Under an agreement between Halkbank and HSBC that year, Halkbank credit cards were enhanced with Advantage features.

2008

Halkbank credit cards were redesigned to offer all benefits of Advantage and launched under the Halkbank Advantage brand.

With an initiative that shortened the process of receiving and evaluating credit card applications and delivering cards to customers, Halkbank became the first bank in Turkey to receive ISO 9001 Quality Management Systems Certification in 2008.

In addition, Europe's first prepaid contactless debit card launched thanks to a partnership between Halkbank and Visa; Bank24 Jet combined a large number of diverse functions in one single card.

In 2008, Halkbank launched the SME Transformation Project to help SMEs comply with domestic and international regulatory requirements and practices with regard to corporate social responsibility, environment, occupational health and safety and energy efficiency.

2009

Entering into cooperation agreements with development agencies, Halkbank became the first bank to establish solution partnerships with these entities; the objective of which was to contribute to regional economic development and social advancement.

2011

Halk Academy, an in-house banking school, was restructured to provide the highest quality training for Halkbank employees. The Academy administered programs that generally related to banking, personal development and social responsibility.

Halkbank Operations Center was established as part of the Operational Transformation Project that was initiated to increase the Bank's efficiency and accelerate growth.

Striving to extend its successful domestic performance to overseas markets and become a powerful regional bank, Halkbank acquired the shares of Export and Credit Bank Inc./ Skopje, the SME bank of Macedonia in 2011. Aiming to be one of Macedonia's top three banks, Halkbank operates in the country under the name Halk Banka A.D., Skopje.

2012

Halkbank launched the credit card brand Paraf with the slogan, "Paraf: Home of Benefits" in 2012. Showcasing its ambitions in the retail banking segment with Paraf's launch, Halkbank aimed to raise its credit card market share to 6%.

Halkbank shares were floated in 2012 through a secondary public offering, raising the Bank's free-float percentage to 48.9%.

In 2012, Halkbank secured a syndicated loan amounting to € 558 million and US\$ 207.5 million with the participation of 46 banks from 23 countries and successfully completed a US\$ 750 million Eurobond issue, confirming the Bank's strong reputation in the eyes of international investors. The Bank also issued TRY 1.5 billion in bank bonds.

2013

At Halkbank's Ordinary General Assembly Meeting on March 29, 2013, the Bank's official headquarters was relocated from Ankara to Istanbul, with the approved amendments made to the Articles of Association.

Halkbank expanded the Paraf card product portfolio in 2013 and introduced Parafly, a credit card designed specifically for travel spending. Reaching its year-end target after just six months, the Bank issued some 3.2 million Paraf cards to customers in 2013.

Halkbank rolled over its syndicated loan of € 562 million and US\$ 259 million with the participation of 41 banks from 19 countries and placed the Bank's second Eurobond issue which amounted to US\$ 750 million. The Bank also issued TRY 2.5 billion in bank bonds.

2014

Halkbank revolved its € 511.5 million and US\$ 112 million syndicated loan through a consortium comprising 34 banks from 17 countries in 2014. It also carried out a third Eurobond issue with a nominal value of US\$ 500 million. Additionally, the Bank issued TRY 2.75 billion in corporate bonds.

In order to benefit from the bancassurance experience of world-renowned insurance providers, and to provide higher quality insurance services, Halkbank decided to sell its shares in the Bank's current insurance companies via the Privatization Administration.

Halkbank administered an exam in 2014 to recruit 2 thousand new personnel.

HALKBANK'S VISION, MISSION, OBJECTIVES AND CORPORATE VALUES

WE CONTINUE OUR ASCENT
UNDER THE GUIDANCE OF
OUR CORPORATE GOALS.

OUR VISION

To be the region's leading bank for SMEs, to have universal banking capabilities and to establish a strong market presence in retail services.

OUR MISSION

To continuously create value for customers, shareholders and employees by providing all banking services efficiently with an awareness and understanding of corporate social responsibilities and duties; to contribute to the development of the banking sector and capital markets; to establish a well-respected market position in the region and in the global banking industry.

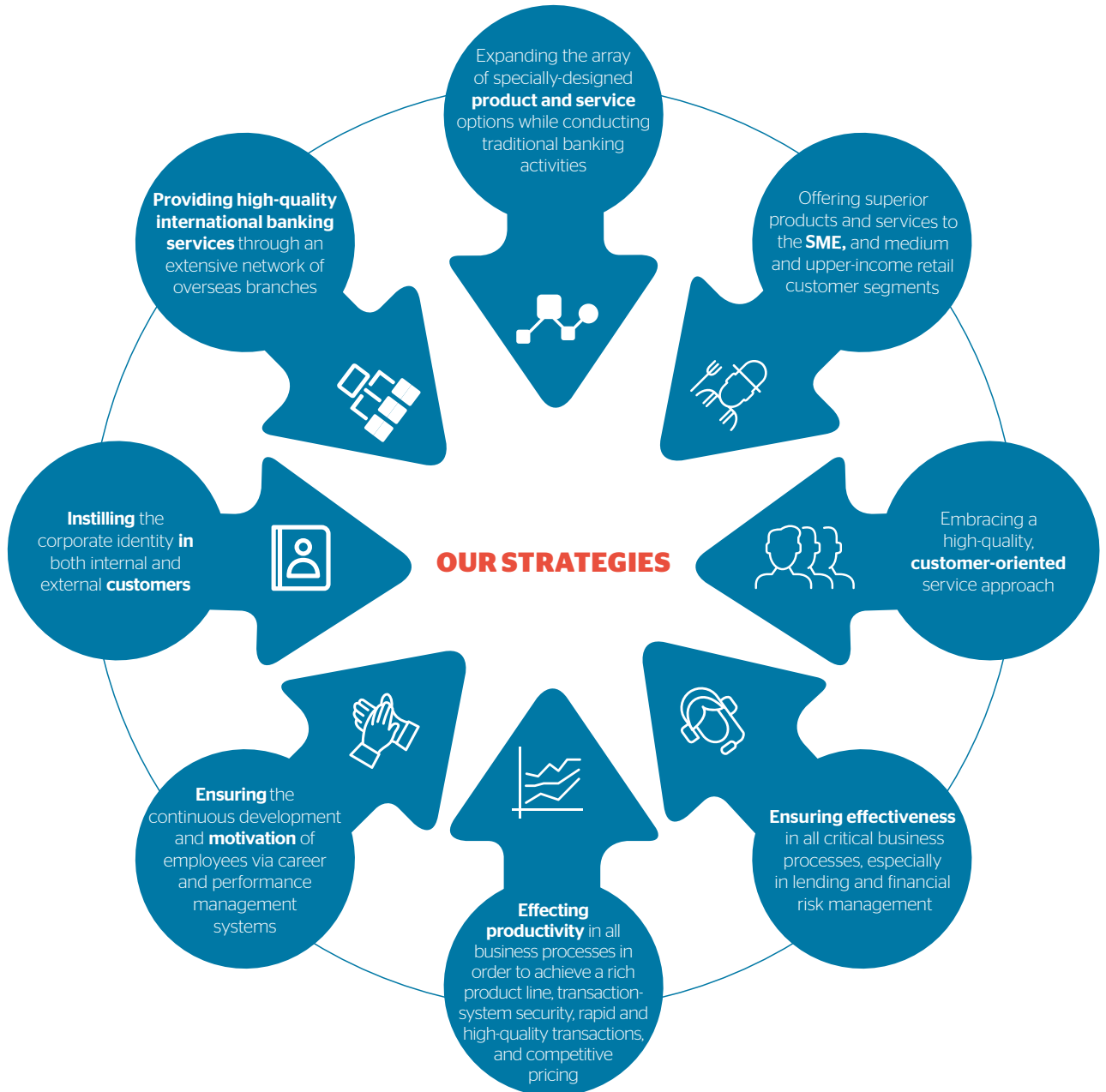
OUR OBJECTIVES

- To be the leading bank for SMEs in the region,
- To be the first choice of SMEs and retail customers,
- To be the preferred bank of employment for the most skilled personnel in the banking industry,
- To ensure customer satisfaction with the fastest and highest quality services in the industry in all business processes,
- To grow steadily while sustaining profitability.

OUR CORPORATE VALUES

- Customer focus
- Reliability
- Integrity
- Creativity
- Dynamism
- Rationalism
- Teamwork
- Productivity
- Transparency
- Sensitivity
- Self-confidence
- Openness to change
- Social responsibility awareness
- Sharing of knowledge and experience

HALKBANK'S STRATEGIES



CHAIRMAN'S ASSESSMENT

WE CONTINUED TO SUPPORT THE TURKISH ECONOMY WITH OUR ROBUST BALANCE SHEET.



As the leading bank of 'Productive Turkey,' Halkbank continued to operate with the goal of supporting the real economy in 2014.

Dear Stakeholders,

Having started the year with fluctuations in global economic indicators, 2014 was generally characterized by sluggish growth. While advanced economies finally shook off the effects of the crisis and embarked on a path of normalization, emerging markets posted a relatively solid performance. Despite a drop in the growth rate in the third quarter, Turkey's economy continued its uninterrupted expansion throughout the year. We believe that the measures adopted in the fourth quarter will yield positive results in line with the country's growth target for the year.

One of the key developments in 2014 was the start of the recovery process of the US economy, the driving force of the world's economy, and correspondingly the Federal Reserve's decision to taper its bond purchasing program. This signaled the beginning of a return to normality in global economic indicators. Meanwhile, the Euro zone economy remained weak. This environment in the industrialized world had a negative

impact on developing economies, and Turkish growth also lost steam. However, we see this slowdown as merely a short-term development, and expect growth to resume as a result of the government's consistent application of economic policies and implementation of structural reform measures. In 2015, Turkey will assume the chair of the Group of Twenty, and we hope that the policies pursued by the G20 to boost economic expansion in both developed countries and emerging markets will spur growth.

Having expanded 1.7% in the third quarter, Turkey posted economic growth of 2.8% for the first nine months of 2014. Taking into account the uptick in the final quarter, we anticipate that the 3.3% growth target in the Medium Term Plan will be reached. The fact that International credit rating agency Fitch indicated Turkey's economy is gaining pace and thus revised their 2014 growth expectation supports our argument. We also believe that with the successful results of 2014 we will have a vigorous start to 2015.

Foreign trade also plays a key role in achieving the country's economic growth targets. Especially the fall in domestic demand makes exports volume became increasingly important throughout the year. In 2014, Turkey's total exports climbed 3.8% to US\$ 157.6 billion. With the economic recovery and growth in European economies, we expect Turkish exports volume will increase even further in the coming period. Additionally, the sharp decline in oil prices will help Turkey's current account deficit to lower. Against this backdrop, we anticipate even stronger foreign trade figures in 2015.

With successful banking activities and operations in the international arena, Halkbank strives to add to Turkey's many achievements. The Bank's five-year bond offering in US dollars, issued in May 2014, was oversubscribed nine times. The bond issuance was heavily subscribed by US- and Europe-based investors as well as investors from the Middle East and Asia, demonstrating the strength of the Turkish banking sector and the

trust inspired by the Halkbank brand. In June, Halkbank secured a one-year syndicated loan amounting to € 511.5 million and US\$ 112 million through a consortium in which 34 banks from 17 countries from a vast geography like America, Europe and Asia participated. We are extremely pleased to improve our collaboration opportunities with financial institutions that participated to our syndication loan and to finance the real economy's foreign trade through funds secured via syndication agreements in the last five years.

As the bank of Productive Turkey, in 2014 we operated in line with our goal of boosting the real sector and to this end, we signed new agreements with international financial institutions. By capitalizing on our knowhow in SME banking, we will remain the biggest backer of the real economy while providing ongoing support to the overall economic development of the country.

Dear Stakeholders,

As the global economy experienced fluctuations, Turkey strived to achieve its targets in 2014, a year which highlighted once again the importance of a robust banking system. Halkbank, too, continued to support the Turkish economy with a strong balance sheet.

As a bank that continues to grow both at home and abroad, we are fully confident that we will power ahead and accomplish new achievements in 2015, thanks to our 76 years of knowhow, the commitment of our esteemed shareholders, the trust of our customers and the dedication of our employees.

Sincerely,

Hasan CEBECİ
Chairman

GENERAL MANAGER'S ASSESSMENT

HALKBANK CONTINUES ITS SOLUTION-CENTERED SERVICES FOR REAL ECONOMY.



Halkbank is committed to continue standing by SMEs with its 76-year experience and offering financing opportunities with favorable terms to the real sector.

Dear Stakeholders,

In an environment where growth trend is in an inertia despite the positive developments in the global economy; I believe that our country will reach its growth targets for 2014 with the measures it has taken, and that the strong structure of the banking sector will have significant contribution to the Turkish economy. Before sharing our Bank's 2014 financial results, I'd like to explain the current economic situation of the world and our country.

2014 which started with the Federal Reserve's decision to gradually taper its bond purchase scheme; was a year of economic uncertainty with the expectation that the Fed would raise interest rates. While the economic woes of the Euro zone persisted, the European Central Bank's decision to maintain a quantitative easing stance, had a balancing effect on economic indicators. While these various policies impacted developing economies, following the macro

precautionary measures owing to the slow down in domestic demand and oil prices the current account deficit improved. Thanks to the effective policies implemented in the last decade and the stability achieved in the economy, we believe that rising exports and increasing domestic demand will help Turkey achieve better results in 2015.

Volatility in the world economy and the Central Bank's interest rate related decisions in response to this environment had an impact on banking sector profitability, especially in the first half of the year. However, as uncertainty in leading economic indicators eased, profitability once again began to rise from the third quarter onwards. Given Turkey's ongoing economic growth, moderate lending expansion and the low level of non-performing loans, we expect that the sector will close 2014 with a strong balance sheet. The robust banking sector will remain the biggest supporter of the Turkish economy thanks to the industry's solid financial results.

Continuously stepping up its support to "Productive Turkey" for the last 76 years, Halkbank will continue significantly contributing to the nation's economy and banking industry with a productivity focused strategy and healthy balance sheet. Halkbank will continue to analyze customer needs in all segments accurately and offer innovative products and services in 2015. While, SMEs will continue to be our focus on, we remain to be one of the largest supporters of the Turkish economy in reaching the country's growth targets, by providing needed funds to the real sector.

As the pioneer of SME banking in Turkey, we added to our long list of financial solutions for the country's real economy in 2014. During this process, we accurately analyzed the requirements of the nation and the real sector and designed special products and services to meet those needs. With the credit agreement executed with European Investment Bank, we secured € 200 million in loans for company investments in new plants or expansions, and for their working capital needs. The loan

facility will allow us to provide support to SMEs and large enterprises from a wide range of industries such as manufacturing, agro-industry, trade, tourism, education, healthcare, energy, services and ICT, and help Turkey's real economy expand.

We also continue with our efforts to support entrepreneurs and spread entrepreneurial activity, a key issue for the country. To these ends, our Entrepreneur Loan is offered in four different limits, for young, courageous, skilled and inventive entrepreneurs. We are very pleased to be offering this product, to young individuals with innovative business ideas, to achieve the levels of entrepreneurship, which is a key driver of employment and economic growth.

As Halkbank, we're getting ready to carry our 76 year experience in banking to a new field of banking. We have evaluated that our Bank's widespread branch network and its brand recognition all across Turkey will create an important opportunity for a vast number of customers who wish to receive interest free banking services. We have also considered that our country's demographic



Halkbank's total assets stood at **TRY 155.4 billion** as of year-end 2014.



Halkbank's total loan portfolio expanded **20.3%** in 2014 to **TRY 134.5 billion.**

GENERAL MANAGER'S ASSESSMENT

WE DID NOT COMPROMISE OUR STRONG BALANCE SHEET IN 2014.

structure and socio-cultural background is ready to provide significant opportunities in this field. Thus, we have started the procedures for establishing a participation bank within this scope. We are planning to finance the initial capital of the participation bank with the funds that will be provided from the capital increase of Halkbank.

In order to capitalize on the bancassurance experience of world-renowned insurance providers and provide higher quality insurance services to our clients, Halkbank will dispose of shares in the Bank's current insurance companies through the Privatization Administration, ultimately playing a bigger role in the sector's future.

In line with our corporate social responsibilities, we believe that it is crucial to undertake not only financial but also social and cultural investments in Turkey. As part of our ongoing support to education, we sponsored the construction of Atatürk University Foundation Junior High School. Thus, we made an important contribution to one of the nation's oldest and most-established universities and to the city of Erzurum.

We can proudly state that we closed 2014 in line with our targets, as a result of these focused efforts. Ranking among the sector's most profitable banks in terms of return on equity, Halkbank reported net profit of TRY 2.2 billion for the year. Total assets rose 11.1% year-over-year to TRY 155.4 billion, while total deposits grew 2.9% to TRY 103.7 billion. These results attest to the fact that we never compromise our strong balance sheet structure.

Continuing our lending activities without any interruption, the Bank's total loan portfolio expanded 20.3% in 2014 to TRY 134.5 billion; meanwhile, commercial loans, including SME loans, rose 24.3% to TRY 76.5 billion. We believe that SME loans will gain further importance in 2015 due to government policies in support of production. Halkbank is committed to continue standing by SMEs with its 76 years of experience and offering financing opportunities with favorable terms to the real sector.



As of year's end,
total deposits
have soared to
TRY 103.7 billion.



Halkbank
closed 2014 with
net profit of
TRY 2.2 billion.

Devising innovative solutions in every operating area, Halkbank crowned 2014 with achievements in retail banking, too. The Bank's retail loan portfolio grew 8.5% to TRY 25.2 billion, while the number of Paraf credit cards issued increased significantly. Completing just its second year in December, Paraf has grown to 3.4 million cards, 261 thousand POS devices, and 223 thousand contracted merchants. We will gear up our efforts in this area in 2015, and we believe that we will reach our 6% market share target in a short period of time.

Throughout 2014, we continued efforts to provide solutions-centered, best-in-class services to our customers all across Turkey. By opening 23 new branches, we increased the domestic branch network to 895 locations, and expanded our total workforce to 17,314 employees as of year-end. Together with our new associates who recently joined the Halkbank family, we plan to do our utmost to move the Bank forward even more in 2015.

Dear Stakeholders,

By capitalizing on our well-established corporate structure and 76 years of banking experience, we aim to continue our successful operations in 2015 while providing significant support to the Turkish economy, in line with our founding principles.

We will reach our targets with the support and faith of our customers, investors, employees and business partners.

Sincerely,

Ali Fuat TAŞKESENLIOĞLU
General Manager



The number of
Paraf cards
issued climbed to
3.4 million.



Halkbank's
domestic branch
network is
comprised of
895 locations.

BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



Hasan CEBECİ (1)

Chairman

Süleyman KALKAN (2)

Vice Chairman
Independent Board Member

Ali Fuat TAŞKESENLIOĞLU (3)

Board Member and General Manager

Emin Süha ÇAYKÖYLÜ (4)

Board Member

Dr. Nurzahit KESKİN (5)

Board Member

Dr. Ahmet YARIZ (6)

Board Member

Yunus KARAN (7)

Board Member

İsmail Erol İŞBİLEN (8)

Independent Board Member

Sadık TILTAK (9)

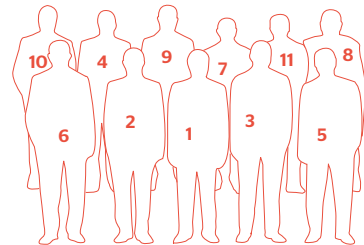
Independent Board Member

Faruk ÖZÇELİK (10)

Member of the Supervisory Board

Ali ARSLAN (11)

Member of the Supervisory Board



EXECUTIVE MANAGEMENT



Ali Fuat TAŞKESENLIOĞLU (1)

General Manager

Murat OKTAY (2)

Deputy General Manager

Mehmet Akif AYDEMİR (3)

Deputy General Manager

Erdal ERDEM (4)

Deputy General Manager

Hasan ÜNAL (5)

Deputy General Manager

Mehmet Sebahattin BULUT (6)

Deputy General Manager

Murat UYSAL (7)

Deputy General Manager

Mehmet Hakan ATILLA (8)

Deputy General Manager

Assoc. Prof. Dr. Şahap KAVCIOĞLU (9)

Deputy General Manager

Selahattin SÜLEYMANOĞLU (10)

Deputy General Manager

Erol GÖNCÜ (11)

Deputy General Manager

Mustafa AYDIN (12)

Deputy General Manager

Mustafa SAVAŞ (13)

Deputy General Manager

Ömer Faruk ŞENEL (14)

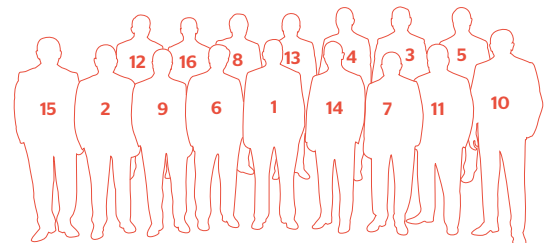
Deputy General Manager

Salim KÖSE (15)

Deputy General Manager

Ali Ulvi SARGON (16)

Chairman of the Board of Inspectors



PIONEERING PRODUCTS

WE CONTINUE TO MAKE A DIFFERENCE IN THE SECTOR WITH OUR PRODUCTS AND SERVICES.



PARAF

Halkbank's credit card brand Paraf holds "My Paraf Day" a special shopping day to you once a month to introduce innovative products .



PARAFLY

Placed under the umbrella of Halkbank's special credit card for travel expenses, Parafly is one of the products designed to target the fuel oil sector.



SME EXPORT SUPPORT PACKAGE

The Bank has created the SME Export Support Package to meet the requirements of export-oriented SMEs. The package offers Loan with Exchange Rate Advantage to those firms seeking attractive exchange rates, Loan with Zero Interest to enterprises demanding no-interest loans, and Export Loan with Commission in Advance and Exchange Rate Advantage for those who seek both of these advantages.



EIB INNOVATIVE COMPANY LOAN

Pursuant to a loan agreement signed by the European Investment Bank and Halkbank, the EIB Innovative Company Loan has launched. This product creates financing opportunities for creative firms that focus on R&D and innovation.



PEOPLE'S DAY LOAN

Launched in celebration of Halkbank's 76th anniversary, the People's Day Loan is a promotional credit product with special interest rate and repayment terms.



EARLY HOLIDAY LOANS

The now-traditional Early Holiday Loan was launched to meet the seasonal cash needs of customers. The loan is offered in two versions: zero interest rate and zero allocation fee.



HALKBANK, TİM, KGF AND SME EXPORT BOOST

The Turkish Exporters Assembly (TİM), Credit Guarantee Fund of Turkey (KGF) and Halkbank signed the KOBİ Export Boost Agreement to offer special training and funding facilities to SMEs starting to export, expanding into overseas markets and sharpening one's competitive edge in these markets.



LOANS FOR PAID MILITARY SERVICE

The Bank rolled out loans for those clients who seek to take advantage of the government's paid military service scheme. The loans are offered at very low interest rates and in a wide array of repayment plans.



BAĞ-KUR RETIREMENT LOAN

The Bağ-Kur Retirement Loan was introduced to assist those Bağ-Kur policyholders who cannot gain pensioner status due to their outstanding insurance premium debts.



ÇINAR RETIREMENT LOAN

Pensioners whose pension payment accounts are at Halkbank or those who promise to transfer their pension account to Halkbank are offered the Çınar Retirement Loan, which features low interest rates or zero allocation fees.

REVIEW OF OPERATIONS IN 2014

HALKBANK HAS EXPANDED
ITS CORPORATE AND
COMMERCIAL CUSTOMER
BASE.

CORPORATE AND COMMERCIAL BANKING



TRY **39** billion
Corporate and
Commercial
Cash Loans

Customer Oriented Approach and Continued Customer Satisfaction

At the core of Halkbank's marketing strategy lies a customer-oriented approach and a focus on customer satisfaction. The first step in the Bank's relationship with clients is identification of customer needs. Halkbank prioritizes customer satisfaction by offering the right products based on client needs and providing customers with appropriate service. Having conducted its Corporate and Commercial Banking operations in line with this approach in 2014, Halkbank also evaluated and finalized large-scale project finance options for the Bank's clients.

In addition to corporate and commercial branches, the Bank's SME and COMPOSITE branches affiliated with regional offices continued to deliver high quality services with their highly skilled personnel and specialized product range tailored for client profiles in their respective locale.

20.5% Growth in Corporate and Commercial Cash Lending

Halkbank's rapid growth in corporate and commercial banking continued in 2014; the Bank's loan base expanded as new borrowers were added to the customer portfolio. During the year, Halkbank extended total cash loans of TRY 39 billion to corporate and commercial segment clients, up 20.5% from 2013.

Long-term Relationships with International Financial Institutions

In 2014, Halkbank maintained business relationships with international financial institutions including the European Investment Bank, the World Bank and the French Development Agency, from which it has obtained long-term, low-cost funding for many years. As a result, the Bank was able to provide financing for the investments of many clients.

Successful Project Finance Initiatives

Halkbank continued to perform marketing and feasibility studies as well as technical and fiscal analyses for a wide range of client projects. These included energy production, transmission and distribution projects (e.g. natural gas transmission and distribution; electricity transmission and distribution; hydroelectric, solar and wind power plants; geothermal power plants; thermal power stations); port, airport, toll road, highway and railway, rail system and metro transportation projects; hospital, shopping center, convention center, hotel with more than 400 beds, holiday resort, exhibition center construction projects; and build-operate-transfer, build-lease and operating right transfer projects.

Structured Finance Loan Portfolio: US\$ 4.5 billion

Within the Bank's project finance business, which serves the merger, acquisition, takeover, and other corporate finance needs of clients, Halkbank continued to be an active player in the structured finance market in 2014 through direct lending relationships with individual companies and participation in bank consortiums. As of year-end, the Bank originated a total of US\$ 1.5 billion in structured finance loans for 12 projects that passed feasibility and creditworthiness assessments. Halkbank's structured finance loan portfolio totaled US\$ 4.5 billion at end-of-year 2014.

High Quality Banking Services

Targeting customer satisfaction and profitability, Halkbank continued to deliver high quality banking services to business customers with six corporate and 37 commercial branches in 2014.



REVIEW OF OPERATIONS IN 2014

HALKBANK OFFERS SOLUTIONS AND OPPORTUNITIES TO SME CUSTOMERS.

ARTISANS-SME BANKING



In 2014, SME loans accounted for **39.5%** of the Bank's total cash loan portfolio.

Halkbank, the pioneering SME bank of Turkey, has provided support to artisans, craftsmen and SMEs on an upward trend and in line with a customer-oriented banking approach for 76 years.

With its experience of 76 years, Halkbank offers products and services to meet both the financial and non-financial needs of SMEs.

Loans extended to SMEs in 2014 accounted for 39.5%^(*) of the Bank's total cash loans. Halkbank's total SME client base consists of around 1.2 million customers.

Halkbank SME Banking offers solutions that will boost the competitive edge of SMEs and support their sustainable growth. The Bank secures funds from international financial institutions and collaborates with Regional Development Agencies, Organized Industrial Zones, Chambers of Commerce and Industry and Export Unions.

Halkbank offers dedicated services to SMEs with its extensive branch network and nearly two thousand SME customer relationship managers. Thanks to its SME Banking Portfolio Management System, the Bank carries out customer-specific needs analyses and offers customized products and services.

With a customer-oriented approach, the Bank implemented an organizational and structural transition strategy in 2014. The number of SME Marketing



Departments at the Head Office was increased to three. Thus, Halkbank aims to deliver fast, efficient, and high quality services and solutions to SMEs.

Halkbank also serves its SME clients on a 24/7 basis via www.halkbankkobi.com.tr and KOBİ Dialog which are specially designed for SMEs.

NEW PRODUCTS AND SERVICES

Halkbank continued its support to SMEs in 2014 at an increasing pace. The Bank developed new products and services and revised the existing ones in line with SME needs, sector-specific attributes and market conditions.

SME Export Support Package

Halkbank introduced the SME Export Support Package to enable exporting SMEs to adapt themselves to global competition environment, enter and survive in foreign markets with the

aim of supporting SMEs at every stage of their business, ranging from manufacturing to marketing. With a different approach in comparison with the standard export loan packages, customized loan solutions are offered to those clients who are sensitive to interest rates and/or foreign exchange rates. A Discount Foreign Trade Transactions Set is included in the package, and covers insurance services and complimentary English Language Education Program under the same umbrella. As a result, SMEs can secure loans that meet their specific needs and access products that support their export activities.

Complimentary English Language Education for Exporting SMEs

In addition to delivering financial solutions to exporting SMEs, Halkbank aims that such clients find new markets abroad and better communicate with foreign companies

^(*) Calculations based on the definition of small- and medium-sized enterprises provided by the relevant regulation of the Ministry of Science, Industry and Technology.

REVIEW OF OPERATIONS IN 2014

LENDING LOANS TO SMES IS TO INVEST IN TURKEY'S FUTURE.



by developing their English language knowledge. The website www.halkbankkobi.com.tr offers the "Live Learning English for SMEs" educational service free-of-charge.

"A Breath for SMEs" Loan

Halkbank developed the loan product "A Breath for SMEs," which provides grace periods and extended maturities for current SME lending products, as well as extending new loans under attractive conditions. This product allows customers to use resources more effectively, purchase products with longer maturities and lower prices and satisfy their working capital requirements that could arise due to maturity mismatch from product sales and purchases.

SME customers can choose among loans such as A Breath for Installments, A Breath for Maturities and Life Line Support in accordance with their individual needs.

SME CARD

Halkbank focuses on managing cash flow among producers, distributors/wholesalers and dealers/corporate buyers with the SME CARD which features flexible installments, flexible maturities and flexible payments for contracted merchants. In 2014, the Bank continued to introduce new features to the SME CARD, which now has "supply card" functionality.

Guaranteed SME Payment System

The Guaranteed SME Payment System is a financial product designed for use in forward purchases that helps the buyer to make the payment and the seller to collect the payment under the Bank's guarantee. Thanks to this product, the buyer's debt is paid on the due date automatically from its limit even if its account balance is not sufficient and the seller can have its receivables discounted in case such a need arises.

SME Economical Banking Tariffs

Halkbank designed the SME Economical Banking Tariffs service package for SMEs that want to save on their banking fees and expenses. The package offers exemption from fees on money transfers transacted through branches, electronic fund transfers, clearing cheques of other banks, cheque books, as well as account maintenance fees. Depending on their specific needs, SMEs can choose among three versions: SME Mini, SME Maxi and SME Super.

Micro Loans for Micro SMEs

Under the Portfolio Guarantee System, Halkbank and Credit Guarantee Fund of Turkey (KGF) signed an agreement to develop the Micro Loans for Micro SMEs product which meets the borrowing needs of those SMEs that cannot present collaterals, against KGF surety.

SME Tourism Drive Campaign

The SME Tourism Drive Campaign has been introduced in order to help SMEs' preparations and renovations before the tourism season. Through this campaign, the Bank extended low-interest loans under favorable conditions to firms active in the tourism sector.

Halkbank-BTSO Support Loan and Global Fair Agency Support Loan

- **BTSO Support Loan**

Halkbank makes available the resources of Turkey's Chambers of Commerce and Industry as loans to chamber members under very attractive terms and conditions. The Bank signed an agreement with Bursa Chamber of Commerce and Industry (BTSO) to extend loans to firms registered with the chamber. The Halkbank-BTSO Support Loan helps BTSO members meet their working capital, non-cash loan and export loan needs.

- **Global Fair Agency Support Loan**

Halkbank and BTSO also executed the BTSO Global Fair Agency Support agreement, under which the Bank extends loans to BTSO members who receive grants to participate in overseas fairs and business trips.

Loan to Finance SME Tax Liabilities

Halkbank extends loans under favorable terms to finance restructured tax liabilities. Only taxpayers who fall within the scope of the "Law for Amending the Labor Code and Certain Laws and Executive orders, and for Restructuring Certain Liabilities" are eligible for such loans.



1.2 million
Halkbank's
SME Customer
Base

Halkbank makes available the resources of Chambers of Commerce and Industry as loans to chamber members under attractive terms.

REVIEW OF OPERATIONS IN 2014

SMES ARE SUPPORTED WITH CONSULTANCY AND TRAINING SERVICES.

KOSGEB Operating Capital Loan Interest Support

Halkbank entered into an agreement related to working capital loan interest support with the Small and Medium Enterprise Development and Support Administration (KOSGEB). The objective of the cooperation is boosting economic activity in the districts of Soma and Kirkağaç in Manisa province, Ceylanpınar and Akçakale districts in Şanlıurfa, as well as Kınık district in İzmir. KOSGEB will cover the total amount of the interest due.

Entrepreneur Loan

Already providing support to female entrepreneurs with the First Step Loan, Halkbank works to reach out to a greater part of the population and expand the scope of the Bank's support to Productive Turkey. Thus, Halkbank developed the Entrepreneur Loan product in order to encourage entrepreneurial activity, increase the employment rate and help entrepreneurs start new businesses and join the economic activity. The loan is for those entrepreneur customers who have been in operation for less than a year or who do not yet have their own business but want to start one.

The objective is to support young businesspersons who have entrepreneurial spirit and business ideas, and who want to implement all types of patented inventions/new ideas or technological products/applications such as software, hardware development, mobile technologies and applications.

The limit and tenor of the loan is set according to the educational and experience level of the entrepreneur. The loan is structured into four different amount categories: Young Entrepreneurs, Bold Entrepreneurs, Master Entrepreneurs and Inventive Entrepreneurs.

Applied Entrepreneurship Training for Women Entrepreneurs

In another effort to support Turkey's real sector, Halkbank continued applied entrepreneurship training programs for women entrepreneurs in 2014 under the Applied Entrepreneurship Training Agreement signed with the Small and Medium Enterprise Development Organization (KOSGEB). The financial supports provided by the Bank and KOSGEB to women entrepreneurs who successfully complete the training curriculum, help them to start their own businesses.

Customized Platform for SMEs

The Halkbank website for SMEs (www.halkbankkobi.com.tr) offers special products and services for these enterprises. The website hosts various promotional campaigns that enable members of Halkbank's SME program to benefit from a range of products with more favorable terms and attractive prices. Additionally, SMEs can also purchase the products and services of numerous contracted merchants at a discount on the website.

- **"SME Web Loan"**

A Halkbank loan product that is extended over the SME website, allows small and mid-size enterprise customers to secure loans of up to TRY 50,000 in a fast and easy manner.

- **"Special Training and Experts for SMEs"**

In addition to financial products, Halkbank's SME website provides support to small and medium businesses in the form of consultancy services and training programs. SMEs can access the "Ask an Expert" platform to obtain consulting services on commercial activities, legislation, tax and other pertinent issues. Furthermore, SMEs can also consult with experts for projects on

renewable energy, energy efficiency and hotel investments; learn how to adjust imbalances or problems on their balance sheets; and receive complimentary consultancy on new investments or capacity increases.

SME Academy platform offers training programs that respond to the specific needs of small and medium enterprise clients. The training platform features a wide array of content, including basic foreign trade regulations for entrepreneurs, sales and marketing techniques, legal information for SMEs and financial terms.

Zero Interest Rate AET Loans for SMEs

Halkbank launched Zero Interest Rate AET Loans for SMEs to finance the working capital requirements of these firms.

Loan with Variable Installments

Halkbank designed this flexible lending product in consideration of customer needs. It allows the installment payments to be determined in a flexible way in order to present customers with varying repayment options in line with their cash flow.

Loans from Global Sources

Halkbank continues to support SMEs through loan agreements signed with international financial institutions such as EIB and World Bank. The new loan products created under these agreements are offered for use by SMEs.

EIB Innovative Company Loan

Halkbank has designed a lending product to finance the ongoing operations and/or new investments of growing companies that stand out in their sector in terms of R&D and innovative approaches and, sustainable business practices, thus offering products creating added value and growing. The EIB Innovative Company Loan is extended to firms that operate in manufacturing,

agroindustry, tourism, education, healthcare, environmental protection, infrastructure, energy, trade, services and IT.

Under this general initiative, the Bank held a meeting at Teknokent, located in the Istanbul University campus, to promote the EIB Innovative Company Loan. At the event, SMEs received information on how they can benefit from this loan.

- **World Bank Energy Efficiency Loan**

Being aware of the importance of energy consumption and costs for firms, the Bank develops financial

and technical solutions, which cut the energy bills of companies with high energy consumption and lower the adverse environmental impact of energy consumption.

Halkbank launched the World Bank Energy Efficiency Loan in 2014 in order to help finance energy efficiency investments within the borders of the Republic of Turkey.

**AKLINIZDAKİ
PROJEYİ
GERÇEĞE
DÖNÜŞTÜRÜN**

Yenilikçi firmalar,
Halkbank'ta krediniz hazır!
Ar-Ge ve inovasyon
çalışmaları olan, büyüme
performansı gösteren
firmalara 7,5 milyon
Euro'ya kadar
AYB Yenilikçi Firma Kredisi*
Üstelik 2 yıl ödemesiz ve
7 yıla varan vade
seçenekleriyle!

*Bu finansman, Avrupa Birliği'nin Araştırma ve İnovasyon
Öncelikli Küçük ve Orta Ölçekli İşletmeler için Risk Paylaşım
Araç - Risk Paylaşım Finansman Programı ile
desteğinden faydalanmaktadır.

HALKBANK

REVIEW OF OPERATIONS IN 2014

HALKBANK STANDS BY SME CLIENTS VIA VARIOUS COLLABORATIONS.

COOPERATION WITH INDUSTRY BODIES

Halkbank believes that lending to SMEs constitutes an investment in industrial growth, rising exports, economic development and the future of Turkey. As part of its commitment, the Bank continues to participate in every partnership that serves the interest of small and medium enterprises.

Cooperation with Chambers of Commerce and Industry

Focused on close cooperation with trade unions under its supporting efforts to the real economy, Halkbank makes available the resources of Chambers of Commerce and Industry as loans to chamber members under attractive terms and conditions. As such, the Bank continued to support SMEs via Chamber agreements in 2014.

Cooperation with Development Agencies

Halkbank was the first Turkish bank to cooperate with development agencies in aiding regional economic and social development. The Bank carries out the cash transfers to the owners of the projects that were submitted to the SME Financial Support Program and qualified for financial support under the Bank's agreements with development agencies. The Bank also offers the Development Agency Co-financing Loan to businesses. In 2014, the Bank continued to sign new deals with development agencies.

SME Export Drive Agreement- Target "Productive Turkey, Productive SMEs"

As part of its support to Productive Turkey, Halkbank executed an SME Export Drive Agreement with the Turkish Exporters Assembly (TİM) and Credit Guarantee Fund of Turkey (KGF). Signed to serve the goal of "Productive Turkey, Productive

SMEs," the agreement is designed to enhance financing opportunities for exporting companies while securing also KGF-backed collateral support for SMEs. To meet export-committed TRY or foreign currency cash and non-cash credit needs of SMEs, Halkbank allocates its own resources or funds secured from international financial institutions to SMEs in the form of loans. Under the cooperation, Halkbank provides complimentary consultancy, discounted foreign language instruction as well as other non-financial services via www.halkbankkobi.com.tr to SMEs that make use of the Bank's export loans.

The agreement further stipulates that SMEs are offered products to manage exchange rate risk under very attractive terms. As a result, SMEs can secure their receivables in foreign currency in a rapidly changing and risky market environment, and protect themselves against exchange rate risk.

Energy Efficiency Check-Up Agreement for SMEs in Cooperation with Kocaeli Chamber of Industry and Kocaeli University

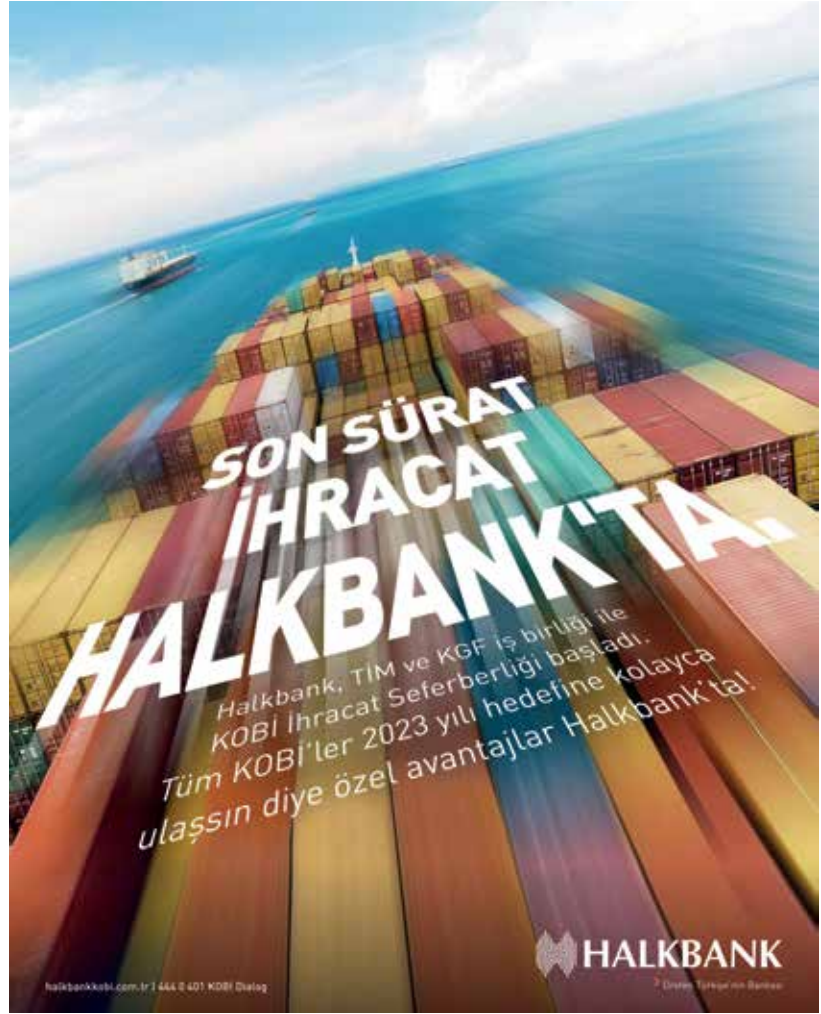
Halkbank entered into an Energy Efficiency Check-Up Agreement for SMEs with Kocaeli Chamber of Industry and Kocaeli University. As part of the agreement that is designed to enable SMEs to benefit from energy efficiency training programs and consultancy services, Halkbank administered complimentary energy study consultancy programs for SMEs. In addition, select firms have undergone the energy efficiency check-up.

Energy Efficiency Check-Up Agreement for SMEs in Cooperation with Erzurum Technical University and Erzurum Chamber of Commerce and Industry

Halkbank executed an Energy Efficiency Check-Up Agreement for SMEs with Erzurum Technical University and Erzurum Chamber of Commerce and Industry. As part of the agreement that is designed to enable SMEs to benefit from energy efficiency training programs and consultancy services, Halkbank administered complimentary energy study consultancy programs for SMEs. In addition, select firms have undergone the energy efficiency check-up.

Organized Industrial Zone Agreements

Loan agreements signed between Halkbank and organized industrial zones, allow companies that operate in these zones to secure the Bank's



energy efficiency and renewable energy loans under favorable terms and conditions. Beside energy loans, eligible firms can also benefit from working capital and investment loans under the Industrial Zones Support Loan package as well as other lending and deposit products with attractive interest rates and commissions.

Halkbank-OSB-KGF Agreement

In order to finance construction on real estate allocated to SMEs within organized industrial zones, Halkbank reached an agreement with Credit Guarantee Fund of Turkey (KGF) to extend loans backed by KGF collateral. In 2014, such agreements were executed with the Karadeniz Ereğli, Ferizli and Bağyurdu organized industrial zones.

REVIEW OF OPERATIONS IN 2014

THE FINANCIAL NEEDS OF TRADESMEN AND CRAFTSMEN ARE MET UNDER THE MOST APPROPRIATE CONDITIONS.



30.2%

Increase in loans
extended to
tradesmen and
artisans

TRY 12.5 billion

Total amount of
Treasury-supported
loans extended to
tradesmen
and artisans

In line with its foundation mission, Halkbank continues to meet the financing needs of tradesmen and artisans, an important segment of society in Turkey, by offering the most favorable terms and providing other banking services with quality and effectiveness.

Support for Artisans and Tradesmen

The Bank aims to continue support for artisans and tradesmen to offer fast and effective solutions for the financial needs of this segment using the most up-to-date technology.

Loans with Treasury-subsidized Interest

Halkbank's Loans with Treasury-subsidized interest for artisans and tradesmen are offered with attractive interest rates and favorable terms. These loans are extended under the guarantee of the 967 Artisans and Tradesmen Loan and Guarantee Cooperatives (ESKKK) or directly by the Bank without a cooperative's guarantee.

Halkbank offers working capital loans with Treasury-subsidized interest to artisans and tradesmen with monthly, quarterly and semi-annual repayment period options up to a five-year term as well as letter of guarantee loan products.

Pursuant to the 2014 Council of Ministers Decree regarding loans with Treasury-subsidized interest extended to artisans and tradesmen by Halkbank, the Treasury subsidy ratio was set at 50% for all loans rolled over to 2014 as well as loans originating between January 1, 2014 and December 31, 2014. The interest rate for tradesmen and craftsmen remained at 8% in loans with a

maximum term of one year, and at 10% for loans with a longer term. The interest rate for tradesmen and craftsmen remained at 4% in loans with a maximum term of one year, and at 5% for loans with a longer term.

In addition, loans with Treasury-subsidized interest for tradesmen and craftsmen are exempt from the banking insurance transaction tax (BSMV)*, stamp duty, and resource utilization support fund tax (KKDF).

Craftsmen and Tradesmen Borrowers Increased to 317,710

Loans with Treasury-subsidized interest to tradesmen and craftsmen rose by 30.2% to TRY 12,520 million as of end-2014, up from TRY 9,617 million a year earlier. Meanwhile, the number of craftsmen and tradesmen Halkbank loan recipients reached 317,710. Halkbank's direct lending without ESKKK loan guarantees totalled TRY 444.2 million as of the end of 2014.

There is a maximum working capital loan amount that can be extended to individuals who are ESKKK partners under the Treasury-sponsored lending program, based on the risk groups of the participating cooperatives. As the working capital needs of craftsmen and tradesmen went up, the lending upper limits for individuals increased from the range of TRY 40-125 thousand to TRY 75-150 thousand in 2014.

The maximum loan amount that can be extended to individuals under the Treasury-sponsored direct lending program, based on the risk group of the customer, was revised to TRY 100,000-150,000 range as of March 26, 2014.

317,710
Tradesman and
artisans loan
customers

As of March 19, 2014, the new insurance product Tradesman Loan Life Insurance was introduced in order to offer life insurance to tradesmen and craftsmen, and collateralize the Treasury-backed tradesman loans allocated/to be allocated by Halkbank.

On June 6, 2014, in an attempt to expand the insurance marketing base and step up cross-selling, the Expanded Tradesman Automobile Insurance product was introduced.

Thanks to a collaboration with the Ministry of Customs and Commerce, the Bank can now monitor online the tradesmen and craftsmen related data stored in ESBIS, the Tradesmen and Craftsmen Information System. As such, current ESBIS data (identification, address, chamber membership) can be viewed online real-time by all Halkbank branches. Additionally, tradesman registry transaction fees can now be collected via the online branch, KOBİ Dialog and ATMs.

As of September 11, 2014, in order to meet the short term cash needs and cheque, bill and other regular payment requirements of tradesmen and craftsmen members of Artisans and Tradesmen Loan and Guarantee Cooperatives (ESKKK), Halkbank launched the Tradesman-Friendly Account Loan backed by ESKKK.

*Only manufacturing companies are exempt from the BSMV in Treasury-sponsored direct loans.

REVIEW OF OPERATIONS IN 2014

HALKBANK DEVELOPS INNOVATIVE SOLUTIONS WITH A CUSTOMER-FOCUSED APPROACH.

RETAIL BANKING



TRY **25.2** billion
Total Retail
Loans



Embracing a customer-based retail banking philosophy, Halkbank aims to deliver optimal solutions to meet the rapidly changing and evolving needs of customers with its regularly renewed technological infrastructure, vast service network and 76 years of banking knowhow.

Going well beyond traditional retail banking functionalities, Halkbank strives to offer a wide range of financial products and services that are designed to meet customer needs. Halkbank's total retail loan portfolio soared to TRY 25.2 billion in 2014, with retail lending making up 24.8% of the Bank's total loan book.

Innovative, Pioneering and Diversified General-purpose Loans

An integral part of retail banking is the process of developing new products in line with ever-changing customer needs, market dynamics and the Bank's goals. One of the top strategic priorities at Halkbank is the continuous improvement of product and service quality, and thus increasing the Bank's market share.

Composed of general-purpose, automobile and mortgage loan products, Halkbank's consumer loan portfolio amounted to TRY 23.1 billion at the end of 2014.



In addition to Halkbank's traditional general-purpose loan promotions including Doctors' Day Loan for the healthcare sector, Loan 155 for law enforcement personnel, Teachers' Day Loan for education sector, Bargain Day General-Purpose Loan and Early Holiday Loan, the Bank introduced featured products and services such as the Paid Military Service Loan.

Retail Banking Products for Pensioners

Halkbank offers exclusive loans to pensioner customers in order to foster

their trust in the Bank and meet their expectations.

Those pensioners whose pension payment accounts are at Halkbank or who promise to transfer their pension account to Halkbank were offered the "Çınar Retirement Loan" which comes with low interest rate or free allocation options. Meanwhile, the Bağ-Kur Retirement Loan was introduced to assist to those Bağ-Kur would-be-pensioners who cannot gain pensioner status due to overdue premium debts.

REVIEW OF OPERATIONS IN 2014

Halkbank's
Paraf brand
maintained
its growth
momentum
in the credit card
market during
2014.



Special Solutions for Salary Payment Clients

For those clients who receive their salary payments through Halkbank, Instant Loan Assessment studies have been made throughout the year. Thus, wage payment customers can quickly have access to loans specially pre-allocated for them, so they do not have to defer their instant needs.

Furthermore, these clients have been offered with customized Instant Package, which includes credit card, overdraft account and loan solutions in a bundled offering.

Financial Solutions in Housing Loans

Halkbank has become one of the most preferred banks in mortgage lending thanks to a broad product range, flexible repayment options customized for each customer, and attractive promotional campaigns.

Halkbank sees housing loans extended to clients as a long-term friendship; as a result, the Bank uses the "My Sweet Home" concept to help them become homeowners.

Halkbank developed differentiated solutions at the request of retail homebuyers as well as residential construction companies and left a brilliant year behind in housing project financing. The Bank participated in nearly 100 branded residential development projects in Istanbul and other large metropolitan areas.

Corporate Salary Payment Services

Halkbank continued to grow the salary payment intermediation business and gained new clients in 2014.

As of year's end, 14 thousand primary companies make salary payments through Halkbank to a total of 1.2 million recipients.

Innovative Insurance Products Respond to Client Needs

Halkbank and its subsidiaries Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. generate a high level of synergy, which allows them to develop and introduce new products that respond to the needs and expectations of clients from different segments.

In addition to Loan Unemployment Insurance, a first in Turkey, Halkbank also continued to market Salary Differential Insurance, which is a groundbreaking innovation in the Turkish market. Sales of products such as Individual Annual Death Insurance, Life Insurance with Paraf and Halk Life Insurance gained momentum. With a customer-oriented service perception, again being a first in the country, Bank offered for sale by adding Unemployment, Bankruptcy and Urgent Healthcare coverage to its Home Package and Automobile Insurance policies.



In order for tradesmen and merchants to continue with their Treasury-sponsored loans they obtain from the Bank, the following products were introduced: "Loan Life Insurance to Tradesmen," which covers death and disability risks; "Emergency Support Insurance to Tradesmen;" which covers job loss, personal accident, emergency health, and workplace assistance; and "Extended Tradesmen Casco Insurance."

In order to help clients invest in participation accounts based on capital markets instruments in line with the principles of interest-free banking, Halk Hayat ve Emeklilik A.Ş. developed and launched the Lucid Plan.

The online integration process between the Bank and affiliated insurance companies, designed to reduce the operational workload at the branch level, was completed.

Paraf Era in Credit Cards

At the expiration of the HSBC program partnership cooperation in December 2012, Halkbank launched a new in-house credit card brand Paraf with the slogan, "Paraf: Home of Benefits" in order to boost the Bank's credit card business.

Beginning to carve out a distinct niche in the market with the "Paraf: Home of Benefits" concept, Paraf aimed to offer customers innovative and competitive products worthy of its tagline while capturing more market share in 2014.

Paraf is the first credit card brand in Turkey to allow cardholders to pick a specific day of the month as their own personal promotional campaign day. On the selected day, customers can take advantage of one or more of the options on offer, such as additional discount, installment, rewards points or deferred payment.

As part of the Increasing ParafPara (ParafMoney) feature, Paraf Klasik, Gold and Platinum cardholders can earn

rewards points equivalent to 50% of their total monthly card spend.

Halkbank added to Paraf's long list of "firsts" and partnered with ISPARK, a subsidiary company of the Istanbul Metropolitan Municipality, to offer a free car parking benefit. Paraf cardholders can now also use ISPARK's parking lots, multistory parking garages and ISPARK parking at Sabiha Gökçen Airport free of charge during the month.

After introducing Paraf, Halkbank launched Parafly, a credit card brand designed specifically for travel charges, with the slogan "Fly All You Can" in June 2013.

The ParafPara (ParafCash) balances of Parafly cardholders can be used for a multiple of the face value, where the amount of the multiple applied depends on the type of service, for those charges made through the dedicated Travel Line, which was set up for the exclusive use of cardholders. Avans ParafPara (Advance ParafCash) is also available

REVIEW OF OPERATIONS IN 2014

87% OF BANKING TRANSACTIONS ARE PERFORMED VIA ADCS.

when a customer's ParafPara balance is insufficient for the desired service.

Introducing a significant number of trailblazing practices in the credit cards sector, Parafly offers many unique benefits to cardholders. The Lounge Everywhere product, introduced to the sector by Halkbank, gives Paraf Platinum and Parafly Platinum customers a TRY 50 discount on their dining expenses at both domestic and overseas airports on days they have a flight.

Parafly users also have access to a wide variety of privileged travel related benefits such as Lounge Everywhere, My Paraf Day, and Early Payment Discount. Other benefits include complimentary and International Travel and Personal Accident Insurance, Discounted Shuttle, Travel Assistance and Concierge services.

Cardholders can also avail themselves of complimentary lounge service at the International Terminals of Istanbul Atatürk Airport and Domestic and International Terminals of Ankara Esenboğa Airport as well as installment payments and to gain five times more ParafPara for their overseas spending.



Bank customers can make automatic payments to their HGS (Fast Pass System) stickers with an auto-pay order on their Halkbank credit cards. This allows customers to make payments until the payment due date indicated on the statement without incurring any interest charges or fees.

During the year, all Halkbank branches started to process retail loan, credit card and overdraft account applications via the NBSM Retail Loan Decision Module.

This change was implemented to

increase Halkbank's market share and ultimately improve profitability by making swift and accurate decisions, in line with the Bank's growth targets for retail loans and the current market and competitive environment.

The NBSM Retail Loan Decision Module allows the Bank to standardize its retail loan allocation strategies for all loan applicants or existing lending clients in a given channel; the module analyzes the loan applicant by using the most comprehensive information available in

line with Halkbank's lending policies. As a result, the Bank can communicate loan decisions to customers within minutes.

87% of Banking Transactions Performed via ADCs

Halkbank used non-branch delivery channels intensively in 2014 in order to increase customer satisfaction, reduce the operational workload at the branch level, deepen customer relationships and acquire new clients. During the reporting year, 87% of Halkbank's banking transactions were performed through alternative delivery channel (ADCs). Halkbank continually undertakes efforts to improve and expand its alternative delivery channels, which save time and reduce costs for both customers and the Bank alike. In 2015, Halkbank plans to further increase the percentage of transactions performed through ADCs while launching new services to improve Halkbank's service quality, accelerate new customer acquisition, and increase the loyalty of existing customers.

Intensive ADC Sales and Marketing Efforts Continue

Halkbank also made extensive use of ADCs in the Bank's sales and client activation initiatives. During the reporting year, the Bank's activities in these areas included welcome calls for new salary direct-deposit customers; activations for inactive ADC clients; in addition to activations of credit card recovery, returned card, credit card and overdraft account limit monitoring; contact information updating; pre-approved loan/card product offers; automatic bill payment instruction offers; deposit-related information; channel activities; and insurance sales.

Halkbank used the ATM channel frequently in product marketing and

activation related work. As part of channel membership and activation efforts, the Bank extended offers via ATMs rather than through outgoing calls. Only those clients accepting the offers at ATMs were phoned, which helped cut costs. The Bank also collected customer mobile telephone information through the ATM channel and thus updated the client contact database efficiently.

In 2014, Halkbank started refreshing the Loan Life Insurance product line and also continued to renew Home Insurance products. The Bank undertook new product sales by actively marketing the Life Insurance with Paraf and Halk Life Insurance offerings. Efforts are ongoing to market other insurance products in 2015.

The Bank centralized and automated its monitoring activities, which include outgoing calls and SMS campaigns for credit cards, overdraft deposit accounts and retail loans. Customer payment promises logged during outgoing calls can now be viewed on the Bank's relevant monitors and thus customer background information can be monitored through all channels.

During the year, Halkbank placed outgoing calls to customers whose email contact information was missing in the database and updated their email address details. The Bank also started to receive e-bank statement orders from credit card holders to reduce bank statement delivery costs.

In 2014, Halkbank placed more focus on aligning ADCs with new legislation. The Bank also initiated work on permission marketing, which will have a significant impact on the Bank the first permission offers were extended via ATMs. Other

communications channels will be included in this initiative by May 2015; as a result, the Bank will be able to reach out to all customers with permission-based offers.

Additionally, Halkbank made extensive use of SMS and e-mail channels for mass promotional campaign announcements.

The Number of Active Customers Using the Call Center Rose 26% in 2014

The Call Center's inbound call volume rose 25% in 2014 over the previous year while the number of transactions handled by the Department was up 28%. Some 2.9 million outbound calls were placed through the Automated Outbound Calling Platform, which was launched to provide proactive customer service and increase the Bank's outbound calling capability. Additionally, nearly 11.2 million outbound calls were placed on behalf of Halkbank to inform customers as well as to sell and market the Bank's products and services, using both in-house and external resources.

In keeping with the rising inbound and outbound call volume, Halkbank Call Center expanded its workforce by 7% in 2014.

In January 2014, the Call Center's infrastructure was upgraded to become more stable, improvable, scalable, and equipped with the latest technologies. As part of the systems upgrade, services such as incoming calls, e-mail and fax were redesigned to support a variety of new features, and went operational within the new infrastructure.

After the new systems infrastructure was commissioned, the second phase of the advanced IVR-based credit card

REVIEW OF OPERATIONS IN 2014

HALKBANK'S ATM NETWORK HAS EXPANDED TO 3,388 ATMs.

payment service was initiated. At the same time, the Voice Response System started to recognize customers by their phone numbers and to address them with their names. Voice Response system menus continue to be upgraded in order to reduce customer effort.

The outbound call systems also continued to be developed and eight new promotional campaigns were launched in 2014. In addition, measures were taken to complete the new campaign processes within the Bank.

Halkbank carried out integration efforts with outsourcing companies to offer holistic services and implement integrated communication and marketing strategies. Work on an upgrade that will allow multi-channel campaign management is ongoing.

Processes were developed in order for the Call Center to manage the collection of late payments, and within this scope, services were provided in the integration points of external resources, and in the automated voice response system used for making calls and answering incoming calls.



As of fourth quarter of 2014, Halkbank started work to set up an advanced technology voice system to assess the content and quality of the dialogue between customer representatives and customers who phone the Call Center.

In addition, over 150 upgrades were implemented to increase security, marketing capabilities and productivity.

Active Internet Banking Customer Base Expanded to 844 thousand.

Halkbank continued to focus on Internet Banking operations in 2014. As of year-end, the Bank's active Internet Banking customer base had grown 14% over the prior year to 844 thousand.

In 2014, Halkbank also focused on upgrading the Bank's websites. Halkbank launched the micro website www.bagkuremeklilikkredisi.com in order to collect applications for the Bağ-Kur Retirement Loan in which includes a loan calculator module and provides support to the customers with the "Let Us Call You" feature.

On the Internet Banking side in 2014, the Bank continued efforts to widen the product range in line with its customer-centered service philosophy. Internet Banking improvements during the year included the following:

- The Internet Branch started to accept credit card payments for mobile phone bills.
- The English version of the Internet Branch began offering Gold Transactions.
- Bulk money transfer receipts from the Bank can now be downloaded from the Internet Branch.
- Customers can now pay their taxes online via the Internet Branch.
- The menus of our Internet Branch have been revamped and the project is planned to be complete in first quarter 2015.
- A preliminary study was initiated to refresh the Internet Banking interface and offer a user optimized experience.

SMS Banking services available only via the Internet Branch were positioned as a separate channel. Customers can now apply for SMS Banking services and place orders via the Internet Branch and Dialog.

Efforts to expand the Bank's social media footprint also continued in 2014. Currently, feedback received via the Bank's social media channels is collected and reported. In addition to this, the Twitter account @halkbanksizinle launched to facilitate customer communication with the Bank and the Bank has started to respond to customer inquiries via this account.

ATM Network Expansion Continued in 2014.

With the addition of 427 new ATMs, the Bank's ATM network grew 14% and to the total number of ATM reached 3,388 in 2014.

In 2014, the annual transaction volume performed on the Bank's ATMs increased 9%, to 274 million transactions; in addition, the network's total annual transaction turnover was up 7%, to TRY 59 billion. With the newly installed and replaced automated teller machines, the number of Cash-Deposit ATMs rose to 2,498, up 21%.

In order to enhance urban landscape aesthetics while expanding the ATM network, Halkbank upgraded 40 taxi stands with ATMs while working in conjunction with local municipalities. The Bank's Mobile Collection and Payment Desks in the form of buses and minibuses also continue their activities. Additionally, the Bank expanded its handicapped-friendly ATM network to 210 ATMs in 2014.



A MORE COMPETITIVE BALANCE BETWEEN RISK AND COLLATERAL HAS BEEN GAINED.

LOAN POLICY AND RISK MANAGEMENT

In addition to the changes implemented to comply with legal and regulatory requirements, Halkbank updated directives and other internal regulations related to its loan policies in accordance with the Bank's goals, strategies, risk appetite and prevailing economic conditions in 2014. The Bank also revised its standardized processes to be followed in evaluating loan applications in accordance with the segmentation criteria as well as loan assessment and evaluation. In order to improve and simplify the Bank's loan allocation processes and better contribute to the growth and profitability targets, efforts to update implementation directives and instructions have reached the final stage.

Regarding the criteria set for determining the limits of the loan authorization to be delegated to the branches, by using measurable data Halkbank regularly monitored and updated the limits as necessary based on quarterly data in accordance with the Bank's risk appetite and strategies. Additionally, the methodology for setting the loan allocation limits of Halkbank branches was enhanced and loan allocation limit tests were implemented. Data thus collected was used to carry out the final modifications of the process.

Halkbank modified and improved the Bank's product-based collateralization structure. As a result, Halkbank now conducts an objective assessment of the creditworthiness of customers and strikes a more effective and competitive balance between risk and collateral. Comprehensive analyses and development efforts of assessment and rating modules are also ongoing.

In order to enhance the efficiency of Halkbank's loan allocation procedures, respond more quickly to loan demands, and better evaluate firms in the SME segment, the Bank developed and implemented a new version of the current rating model.

The Bank integrated the scorecards to be used in the assessment of retail loan applications with the New Business Strategy Manager (NBSM).

As a result of the new accounting standards and the alignment of the methods and implementations which will be used in the analysis of the financial statements prepared according to TFRS in full compliance with IFRS, Halkbank created new tables of accounts in line with the expected modification to Bank rating systems.

Analyses to align financial data entry in loan assessment modules with International Accounting Standards have been completed and will be put into practice following approval.



The Bank completed efforts to provide online access to land registry cadastral data and the system went online.

At Halk Banka A.D, Skopje tests within the Skopje Assessment Module Studies were modified to be more functional, and the necessary training programs were continued. Halk Banka A.D, Skopje assisted in the upgrading of the Skopje Loan Policies.

Halkbank's loan portfolio management activities include:

- Conducting loan pricing to facilitate a return commensurate with the risk assumed;
- Ensuring adequate collateralization in accordance with the risk assumed;
- Attaining the target regional and global market shares;
- Achieving a more effective management of credit products, in order to increase the Bank's competitiveness;
- Continuing to develop the targets of credit and non-credit products and services that meet the needs of different customer segments in the most effective manner.

Modifications and upgrades were made to the Bank's credit assessment and rating modules.

REVIEW OF OPERATIONS IN 2014

HALKBANK REMAINS TURKEY'S GDS MARKET MAKER.

TREASURY MANAGEMENT

Global Developments

Despite improvements in the global economic environment, 2014 was a year in which stable growth was seen, initially oil and other commodity prices fell and in parallel, inflation rates slowed. While the US economy demonstrated a strong recovery trend, the growth rate differentiation between the USA and other developed economies was reported. Even if the Euro zone shifts to positive growth in 2014, the overall economic outlook in the region remains weak. The Japanese economy has struggled to embark on a clear path of recovery despite the incentive packages implemented, while emerging markets, including China, have seen their formerly robust growth lose steam.

The increased economic decoupling between the USA and other countries also reflect the monetary policies they respectively pursue. Having ended its bond purchase program in October, the Federal Reserve is expected to start raising interest rates in 2015. Meanwhile, the European Central Bank and the Bank of Japan have continued their quantitative easing policies through various means and seem poised to take further measures to bolster growth.

Due to expectations that the Fed will finally normalize its monetary policy, the US dollar gained value relative to other major world currencies in 2014. In line with this, in order to stop the loss in value of their respective currencies, the central banks of many developing countries increased interest rates. Due to plunging oil prices and the sharp fall of the ruble as a result of Western countries' sanctions, Russia raised its interest rates by the largest margin.

Turkey's Economy

After growing 4.1% in 2013, the Turkish economy lost steam in 2014 due to the macroprudential measures adopted. Meanwhile, net exports had a positive impact on economic activity and became the main driver of growth. A sector-by-sector analysis of contribution to GDP reveals that the drought that hit the agricultural industry led to a significant contraction of that sector, which in turn pulled down the Turkey's overall growth rate. Leading indicators as of fourth quarter 2014 point to a moderate rebound in economic activity, and the general expectation is that Turkish growth will pick up in 2015.

As the above-mentioned macroprudential measures put a brake on domestic demand, the current account deficit started to shrink in 2014. Additionally,

European economies began to exit recession and Turkish exports to the region picked up and that improved the current account deficit. On the other hand, because of the geopolitical developments in Turkey's key markets Russia and Iraq, Turkish exports declined to these countries, causing the current account to improve. The sharp drop in oil prices in the second half of the year is also expected to have a favorable impact on the current account gap in the period ahead.

Up from its level of 7.4% in 2013, the inflation rate came in at 8.2% in 2014. The main factors underlying the uptick in inflation were higher than average food prices related to unfavorable weather conditions, and the delayed effects of the cumulative loss in the value of the Turkish lira. In 2015, unless the TRY plunges in value, inflation is expected to edge downward due to the base effect and the normalization of food prices.

In order to control the deterioration in inflation expectations and pricing behavior, and to preserve macroeconomic and financial stability, the Central Bank of Turkey decided to implement a strong, front-loaded monetary tightening policy at its Interim Monetary Policy Committee meeting. During the rest of the year, as the global



risk appetite started to recover and consumer loan growth reached levels considered acceptable, the Central Bank gradually lowered its policy interest rate by 175 basis points, to 8.25%.

In 2014, tax revenues missed the target set in the government's Medium Term Program (MTP) due to the slowdown in economic activity; however, fiscal discipline was nevertheless maintained thanks to other non tax revenue. The MTP targets suggest that the improvement in budget performance will continue in the coming period.

Dynamic Treasury Management Strategies

Under its risk/income oriented management approach, Halkbank determined specific treasury management strategies by closely monitoring domestic and international macroeconomic developments throughout 2014. Capable of adapting itself to the changing economic conditions with the support of a strong capital and financial structure, the Bank maintains its profitability and growth momentum as a consequence of the dynamic policies it pursues.

Having successfully maintained the title "Turkish GDS Market Maker" since 2003, Halkbank remains an active player in

primary and secondary capital markets. With a well-balanced securities portfolio strategy, the Bank continued to eliminate the impact of market risks on its balance sheet and improved profitability.

In order to create alternative resources and extend the maturity of existing funds, Halkbank focused on issuing securities in 2014, issuing foreign currency bonds in overseas markets and carrying out equity offerings in the domestic market. The increased demand for bond issues brought up the issuance volume from its 2013 level. Due to the decline in the borrowing requirements imposed by the Undersecretariat of Treasury, demand for bank bills and private sector bonds is expected to rise. As a result, Halkbank plans to expand and diversify its bonds issue program in the coming period.

Efficient Liquidity Management

Halkbank performs balance sheet management in light of the Assets & Liabilities Committee's strategy decisions, which take into consideration macroeconomic analyses, stress tests and risk management reports. As a result of these market analyses, the Bank effectively provided short term funding via money market transactions, efficiently utilized funds surpluses, while TRY and FX liquidity management was performed

in the most efficient way possible by using various derivatives and other debt instruments.

Customer-oriented Service in FX and Commodity Markets

Halkbank continued to improve its operations in terms of products and technology in parallel with customer needs. The Bank offers both fixed income and hedging products rapidly developing derivatives markets in Turkey. Expanding its offering of products that will meet the need of import/export companies to defend themselves against FX and interest rate risk in this period, Halkbank continued to provide support to clients especially in hedging transactions related to project finance.

During the year, the Bank increased its transaction volume and profitability especially in the FX and commodity markets by means of a widespread branch network throughout Turkey, an extensive customer portfolio composed primarily of SMEs and a significant corporate client base. With marketing strategies targeting the Bank's customer base, Halkbank continued to be a highly capable player in the FX and commodity markets.

REVIEW OF OPERATIONS IN 2014

HALKBANK CONTINUED TO DIVERSIFY ITS LONG-TERM INTERNATIONAL FUNDING SOURCES.

INTERNATIONAL BANKING

Vast Correspondent Bank Network

Thanks to its expanding correspondent banking network and deep rooted knowhow, Halkbank, offers the best quality international banking service to clients. In line with a customer-centered approach, the Bank continued to develop new products, expand operations into diversified markets and supply funds under the most favorable terms.

Taking advantage of an extensive network of more than 2,000 correspondent banks in 144 countries, Halkbank provided support to customers via structured finance products, alternative finance means and traditional Foreign Trade Instruments, effectively managing its correspondent banking relationships. The factors underlying this success include sound relationship management, deep knowhow, the sustainable work load provided to correspondent banks, and a high level of customer satisfaction due to improved service quality in overseas operations.

In joint operations with correspondent banks, Halkbank carefully analyzed country risks and financial indicators and considered the results in all international transactions. The Bank updated limits regularly and efficiently managed country and correspondent bank risks. Halkbank also closely monitored geopolitical developments and the global economic environment to avoid country or bank related risks.

In the coming period, Halkbank aims to offer the best solutions that meet customer financing needs and expectations, and to establish new and long-term collaborations opportunities in order to develop products that make a difference in the market.

The Bank cooperated with a significant number of correspondent banks to offer medium- and long-term financing to clients that import capital goods from abroad, provided with insurance and guarantees from Export Credit Agencies. In addition, the Türk Eximbank Buyer Loan Program, which was designed to support the export of products made in Turkey, was put into practice with Halkbank as the intermediary. These

loans will be extended to the customers of the Turkish Republic of Northern Cyprus branches and clients of the subsidiary Halk Banka A.D., Skopje.

Halkbank boasts one of the largest credit lines within the GSM-102 Program of the US Department of Agriculture and continued to make this facility available to customers that import agricultural products from the United States.

Halkbank took out loans as part of the limit allocated to the Bank through the agreement signed with the Saudi export loan agency, Saudi Fund for Development (SEP).

Halkbank participated in SIBOS (SWIFT International Banking Operations Seminar) organized by SWIFT and held in Boston September 29 to October 2. Numerous banks and prospective customers received information on the Bank's operations at its booth.

Halkbank also sponsored the Bond, Loans & Sukuk conferences, held in Dubai on May 13-14, 2014 and in Istanbul November 11-12, 2014. At Halkbank's booth set up at these two events, bond investors and issuers were informed about the Bank's operations and services.



Efficient, Consistent and Reliable Disclosures

In 2014, Halkbank continued to keep all business partners, existing and potential investors in equities and in fixed income securities informed and up-to-date, in order to increase the Bank's value over the long run. The disclosures were carried out in an efficient, consistent and reliable manner.

Halkbank met with investors, analysts and asset managers in individual and group meetings. The Bank also attended a large number of conferences and meetings in Turkey as well as overseas, especially in financial centers where international institutional investors are based.

During investor meetings, Halkbank discussed its financial and corporate governance structure, market position within the domestic banking industry and internationally, corporate strategies, and expectations for the upcoming period.

Halkbank prepared quarterly presentations related to its capital structure based on the Bank's financial results disclosed to the public, published these on the corporate web site and

simultaneously presented them to domestic and overseas investors via teleconferences. The Bank addressed questions related to the financial results in detail as promptly as possible. In addition, Halkbank maintained open communications channels with investors throughout the year; evaluated all questions, comments and requests conveyed to the Bank; and regularly made disclosures regarding material issues and significant developments in areas that could affect investment decisions.

Thanks to strong relationships with the foreign institutional investment community, Halkbank maintained its top position among publicly traded banks in terms of the Bank's share of international institutional investors, as in previous years.

Borrowings from International Financial Institutions

A bank well known and demanded by institutional equity investors, Halkbank also began to be followed very closely by international bond investors after its third Eurobond issue in May 2014. The Halkbank bond issue was nine times oversubscribed due to the great level of

interest it attracted. The Bank reached out to a large number of international bond investors and continued to expand the investor base. By means of issuing overseas bonds, the Bank not only secured new financing but also raised long term funding facilities for large-scale project finance.

In order to further diversify its long term foreign sources, Halkbank placed a Eurobond issue denominated in US Dollars. At US\$ 500 million with an interest rate of 4.765% and with an annual coupon rate of 4.750%, the five-year term, fixed interest rate bond offered the lowest borrowing rate at that time, and Halkbank became one of the banks with the lowest borrowing costs in Turkey.

As part of efforts to offer alternative funding facilities to customers in 2014, the Bank rolled over a syndicated loan of € 511.5 million and US\$ 112 million with the participation of 34 banks from 17 countries from Europe, America as well as the Middle East.

REVIEW OF OPERATIONS IN 2014



In line with its historical mission, Halkbank establishes business partnerships in the international arena to offer more support in SME Banking. Halkbank continued to secure long-term funding facilities under dual agreements with international financial institutions (e.g. European Investment Bank, World Bank, French Development Agency, Council of Europe Development Bank, among others) to finance the investment and working capital needs of SMEs. The long-term nature of the overseas-sourced loans had a positive impact on the maturity composition of the Bank's balance sheet.

Halkbank and the European Investment Bank signed the EIB Loan for SMEs and Large-Scale Companies-II amounting to € 200 million, to be used in financing the business and investment loan requirements of SME and large-scale corporate customers. Some € 100 million of the total facility was transferred to the Bank's subsidiary Halk Finansal Kiralama A.Ş. to be deployed for this purpose. Furthermore, as part of a US\$ 67 million loan program created by World Bank and Halkbank to finance the energy efficiency investments of clients, the Bank commenced extending loans as of end-2014. Within these various

lending initiatives, Halkbank offers clients general-purpose business and investment loans, as well as special purpose funds in support of energy efficiency and innovation.

The Bank also offered refinancing and post-financing facilities for the foreign trade transactions of customers.

Overseas Branches

Halkbank's current overseas organization consists of four branches in the Turkish Republic of Northern Cyprus (TRNC), one branch in Bahrain, and liaison offices in London and Iran.

Halkbank operates branches in the Turkish Republic of Northern Cyprus (TRNC) and in Bahrain. The Bank conducts operations in TRNC via a four-branch network located in Lefkoşa (Nicosia), Gazimağusa (Famagusta), three branches in Girne (Kyrenia) and a satellite office in Paşaköy (Assia). The Bank's Northern Cyprus branches provide all banking services that are offered at Halkbank branches in Turkey. Halkbank plans to increase its market share in TRNC by expanding the existing branch network and developing a product portfolio suitable for that market.

Halkbank's Bahrain Branch, which commenced operations in 1994, is located in Bahrain where the financial center of the Gulf Region. Through the Bahrain Branch, the Bank aims to make Gulf Region funds available, both to Halkbank clients and to Turkey in general, as financing facilities; enter into strategic partnerships with the major banks in the region; fund foreign trade transactions that take place as a result of the increasing business volume between the Gulf Region and Turkey; and finance the projects planned for the region.

Türkiye Halk Bankası A.Ş. London Representative Office started operations on April 14, 2014.

The Bank's Board of Directors has authorized the General Director to set up a liaison office in Singapore in order to improve cooperation with both international institutional investors in the Asia-Pacific Region and correspondent banks, and to receive the necessary permits from regulatory authorities.

HALKBANK CONTINUES TO DELIVER TOP QUALITY BANKING SERVICES.

HUMAN RESOURCES AND ORGANIZATION

Human Resources

Halkbank provides employees with continuous training, expansive career opportunities and modern work spaces while taking heed of employee satisfaction. To that end, the Bank has revised its human resources policies and has begun using systematic HR implementation processes.

Number of Halkbank Employees

Some 3,325 new employees joined the Halkbank family in 2014, resulting in the Bank's personnel climbing to 17,314. As of year's end, the average job tenure of Halkbank employees stood at 9.2 years and the average age of the staff was 33.5 years. Of the Bank's personnel, 82.2% have university undergraduate or post-graduate degrees while the remaining 17.8% are high school graduates.

Career and Self-Improvement Days

Halkbank continued to engage in active dialogue with university students in 2014 with the dual objective of promoting the Bank to potential candidates for recruiting purposes and undertaking corporate social responsibility activities. As part of these efforts, the Bank participated in the Career and Self-Improvement Day events held at select universities during 2014.

Halk Academy

As of September 2009, Halkbank began administering all training activities under the umbrella of Halk Academy.

Halk Academy conducted 2,119 days of in-class training, 1,713 training sessions across 10 programs, for the Bank's employees in 2014; of these trainings, 50.7% were taught by in-house instructors while the remaining 49.3% were administered by external training firms/instructors. In order to support in-class training in 2014, Halk Academy made an extensive e-learning catalogue available to employees; the catalogue consists of 1,400 e-learning programs, training videos, articles, book summaries and podcasts on the topics of technical banking, bank applications, personal and professional development, IT trainings, and quality standards.

In addition to e-learning activities, the Bank also organizes online exams and surveys at the end of training programs, as well as preparatory tests on legally required topics such as Private Pension System (BES), Capital Markets Board (SPK) and Insurance Training Center (SEGEM), thanks to its vast question bank. The e-library houses published lecture notes while the Halk Academy library contains 10,000 books with an online catalogue and order system.

Halk Academy also organizes training activities for the Bank's subsidiaries, affiliates and SME customers in addition to Halkbank employees. The SME Training Platform, which was launched for SME customers with just four training categories in 2010, served some 3,300 members with an e-learning catalogue of 40 training modules as of end-2014.

Halkbank's Vast Branch Network

In 2014, Halkbank continued to operate top quality banking services through the Head Office departments and a vast branch network of domestic and overseas branches

Halkbank's branch network includes 895 branches in Turkey (816 branches, 6 corporate, 37 commercial, 3 free-zone, 32 satellite branches and 1 Special Transaction Center), 25 regional offices, 5 overseas branches and 2 overseas liaison offices.

REVIEW OF OPERATIONS IN 2014

THE OPERATIONS CENTER HAS ACHIEVED A BUSINESS PROCESS CENTRALIZATION RATE OF 71%.

OPERATIONAL TRANSACTIONS

With its efficient organizational structure, specialized workforce and advanced technological support capabilities, Halkbank Operations Center aims to deliver high quality services at low risk to all branches in the Bank's network. In the last two years, upon the start of new areas of centralization, the annual number of transactions (except those performed automatically by the system) carried out by the Operations Center has risen to 12 million. The centralization rate in the business processes covered by the Operations Center has reached 71%. The Operations Center's main fields of activity include:

- Money transfers in TRY or foreign currency,
- Tax and social security insurance payments,
- Pension and other salary payments,
- Sequestration and e-sequestration operations,

- Cheque and promissory note data entry,
- Barter transactions,
- Customer data entry,
- Data entry for credit card applications,
- Dispatching letters of notification/warning,
- Collective customer registration and account openings.

In order to reach the target of work excellence, Halkbank implemented comprehensive improvement programs in 2014 to boost productivity and capacity at the branches and Operations Center. In line with the continuous improvement approach, the Bank reviewed branch back office operations, took actions to improve and centralize business processes that create additional workload, and planned measures to maximize the use of system support. These efforts included the simplification of the transactions undertaken in the Operations Center, minimization of manual actions in the processes, and automation of control points by transferring them onto the system.

The help desk service that is provided to Halkbank branches and which covers operational processes and legal and regulatory issues shifted to a new web platform. The analytical study to transfer the operational processes except basic banking to an integrated web platform was also completed.

In order to accelerate teller transactions and minimize operational risk, the Teller Cash Recycler (TCR) project was implemented and is currently being expanded across the Bank.

The Bank started receiving consultancy services in order to establish business processes in line with the Foreign Account Tax Compliance Act (FATCA) of the US.



In order to transfer different types of customer data to the Bank's system, process these, and present the results to the customer, Halkbank is setting up a new Secure File Transfer system. As a result, the Bank will diversify the cash management products it offers clients.

In order to manage operational processes through advanced technologies while minimizing paper consumption, Halkbank continuously improves its corporate content management solutions, uses character

recognition technologies in branch operations to classify documents, and deploys modules that initiate operations automatically.

The Bank also works to identify other back office or branch processes that have centralization potential. The transactions in these processes will be centralized via the business flow platform and the branch operational workload will be reduced.

Halkbank
continues work
on setting up a
new Secure File
Transfer system.

REVIEW OF OPERATIONS IN 2014

HALKBANK CONTINUES TO CREATE SWIFT, SECURE, RELIABLE AND FLEXIBLE SYSTEMS.

INFORMATION SYSTEMS AND TECHNICAL SERVICES

In 2014, Halkbank continued to make swift, secure, reliable and flexible systems. It took prominent steps in this area, by developing platforms that will increase the efficiency of traditional and digital channels, and recovering experience to internal and external customers using the latest technological trends.

Halkbank is Ready for the Future with Its Advanced Technologies and Products.

In 2014, the Tomurcuk-Halkbank New Data Center was Halkbank's greatest IT investment. Foundation, which will be carried into effect with new building design being suitable for the purpose of green field, will hold the Tier III Constructed Facility of the Uptime Institute for the first time in Turkey.

Also, this foundation have an effect on designing energy efficiency will have Turkey's first Leed Gold for Data

Centers certificate. Additionally, from the point of information security process is designed and planned that moving to foundation, which will also has ISO 27001 and ISO 22301 certificate, is being completed in second quarter 2015 and involving all services of foundation having.

It is started activities of service regularity and performance recovery on the purpose of updating MOPS process management applications which are document scanning/ monitoring and reporting operation delivered on Halkbank institutional content management system and being converted construction which will be developed with in the Bank. Thus it will be enabled recoveries on monitoring documents related to banking business, managing and triggering MOPS process when necessary.

Current Credit Cards' screens have been renewed and added new functions within the scope of efforts on recovering Users Experience which is started for developing screens design and performance.

In accordance with the users' experience, screen designs of ATMs, were reconstructed, shortened their transaction periods and expanded their transaction set with new functions.

As a result of the Integration with the "Other Communication Channels to Make a Difference in the Sector" initiative, the Bank's Call Center was equipped with new generation technologies which respond to modern-day banking needs as well as future expectations.

Halkbank's virtualization rate soared to above 90%, and downtime risks due to hardware failure were largely eliminated in 2014.

In order to benefit from the advantages of the virtual platform in the Bank's external services, the Virtual Platform Security services included in the IT systems infrastructure in 2013 were deployed efficiently. In addition, the Corporate Portals, Corporate Connections, Corporate Data Transfer, Internet Branch and Dialog Call Center

applications were virtualized. As a result, resources are rapidly shifted to these services, especially in peak periods, all demands are met on time and a high level of customer satisfaction is guaranteed.

With the effective usage of the Bank's New Generation Firewall that protect data communications originating from non-bank sources, includes the internet provides a secure environment for communication with other companies and incorporates to the information security platform in 2013 for the network segmentation and access controls, accesses are getting limited with the help of more effective controls by placing servers belongs to critical services in data center in different security area, besides, regeneration of the protective infrastructure of public-facing services with technology.

On the Core Systems platform, it was formed operating system and application server platform in the latest technology infrastructure working with the application of mistral basic banking in an integrated way and enabling cost incomes for applications that need application server. On this platform, running of web services being used within the Bank's Corporate Content Management and Access to All Services from a Single Monitor initiative, as being integrated with mistral basic banking application was ensured.

A solution running with the lower cost and higher performance of complex workload on the data warehouse in Core Systems platform and enabling critical banking inquiry

services such as Omega Intelligence to tap into the resources on the Core Systems platform in a more efficient manner was implemented in the production environment.

The up-to-date backup and data archive in the core banking production environment were also started to be copied to the Emergency Center, and it was ensured the availability of a production environment data on the Core Systems platform emergency.

In order to utilize the Financial Seal and Qualified Electronic Certificate (NES) to be deployed in bulk signing in a secure and swift fashion, there is ongoing work on adding hardware-based modules to the infrastructure. Upon the activation of hardware-based security modules, the Financial Seal and Qualified Electronic Certificates will be kept in a safe environment. Additionally, multiple documents will be signed at the same time.

The automatization of IT management, risk and compliance processes was completed; as such, IT risks and audit findings can be monitored over a centralized platform, compliance with the applicable legislation is checked regularly, and managerial reports are issued.

Halkbank's transformation programs help the Bank operate in more efficient and effective manner.

As part of Banking Interfaces Modernization efforts, an integral desktop application was launched to enable data sharing between



different applications on the desktop, to assist in job follow-up with functional business flow charts, and to facilitate access to guides. Put into use according to specific profiles, the application helps the Bank boost efficiency.

The NAR Application, which has been implemented across the Bank as of January 2014, provides access to all the services via a single monitor. The application has been rendered compatible with Halk Academy, OWA which enables online access to e-mails, the Contracted Merchant Application Assessment System, and New Identification Management. Its instant messaging infrastructure enriches different profiles with features which allow employees to work in different locations.

As part of the technological modernization of the Identification Management System, its infrastructure was integrated with the Bank's systems, enriched according to the latest requirements, and adapted to the Bank's identification life cycle.

REVIEW OF OPERATIONS IN 2014

HALKBANK'S TOTAL DEPOSITS HAVE REACHED TRY 103.7 BILLION.

DEPOSIT MANAGEMENT

Solid and widespread deposit base

Halkbank has adopted a dynamic deposit management strategy based on optimization of cost, market share, liquidity and non-deposit resource facilities. The Bank aims to offer services to the mass market with deposit products developed in line with this strategy.

The Bank's deposit management strategy, which is critically important to maintaining Halkbank's solid funding structure, is based on the key principles of cost, market share and liquidity. Expecting deposits to remain a very important source of funding in the coming year, Halkbank plans to continue to maintain a customer-oriented, stable, and broad-based deposit structure.

Effective deposit management serves to broaden the funding base and ensure continuity while also allowing Halkbank to roll out innovative products to diversify client transactions. The Bank continued to offer Fixed-Rate Productive Deposit Account, Flexible Term Deposit, and Mutual Fund & Deposit Account products in 2014.

Halkbank's primary goals in this segment include growing faster than the industry average in savings deposits and

achieving growth in deposit products in a highly competitive market. Additionally, lengthening the average maturity of deposits continued to be a significant issue for the Bank as the deposit reserve requirements differentiate according to maturities. However, Halkbank sustained its strong and widespread deposit volume as well as the maturity composition of its deposits.

Total deposits climbed to TRY 103.7 billion.

Halkbank's total deposits increased 2.9% and reached TRY 103.7 billion as of end-2014.

Total demand deposits increased 15.3% in comparison to 2013 and amounted to TRY 21.6 billion while the share of demand deposits in total deposits stood at 20.8%.

Technology-aided CRM applications

Placing immense emphasis on the use of technology, Halkbank launched various projects featuring technology-aided customer relationship management applications and completed ongoing infrastructure initiatives in 2014.

Contracted companies in cash management

In cash management, the number of contracted parent companies in the

Corporate Collections and Direct Debit System went up from 893 in 2013 to 919 in 2014. When other cash management products such as payments and tax collections are included, the number of total contracted companies rose from 9,130 in 2013 to 9,695 in 2014, corresponding to an increase of 6.2%. The number of contracted parent companies in the Direct Debit System increased by 31.1%, the number of total contracted dealerships rose by 33.4%, the Direct Debit System's turnover went up by 28.2% and commission fees climbed by 35%.

Retiree customers stands at 1,906 thousand

Under the agreement with the Social Security Institution of Turkey (SGK), the Bank intermediated in the salary payments of 244,691 Emekli Sandığı (Retirement Fund) pensioners in 2014, up from 239,481 in 2013. The number of total retiree customers stands at 1,906 thousand.

20.8%

Share of demand
deposits in total
deposits

SUPPORT SERVICES ARE MANAGED EFFICIENTLY.



Halkbank has preparations to publish a sustainability Report in GRI4 format.

Halkbank also measured its carbon footprint, and drafted a CDP (Carbon Disclosure Project) report.

SUPPORT SERVICES

At Halkbank, the security systems of all locations can now be monitored and followed up round-the-clock through the main network system and a secondary security network running on GPRS. Security risk analyses can be carried out fully in parallel with social and economic changes and developments. The process is monitored regularly and reports are issued, so as to keep it activated at all times.

Sustainable Banking and energy management initiatives were expanded to create an in-house sustainable management system; to this end, work was initiated to prepare a Sustainability Report in the GRI4 format. Halkbank also measured its carbon footprint, and drafted a CDP (Carbon Disclosure Project) report.

The Integrated Service Management platform OFFROAD, which was launched in 2013 to ensure effective management of the Bank's support services, was expanded with additional modules in 2014.

Since the launch of the platform, Halkbank can execute procurement, vehicle/fleet management, personnel shuttle management, technical services, electronic security, physical security, cleaning services, repair/maintenance services, materials/equipment procurement, blue collar personnel performance evaluation processes, and warehouse/material management through the business flow system. The Bank now has key performance indicator (KPI)s for each and every support process in the system as well as a reporting and oversight infrastructure that allows for the monitoring of service level agreement (SLA)s.

REVIEW OF OPERATIONS IN 2014

HALKBANK SPONSORED THE “ANKARA ACCESSIBLE FILM FESTIVAL.”

PUBLICITY AND PUBLIC RELATIONS

Business Idea Competition

Halkbank sponsored the “From Idea to Action - Business Idea Competition,” organized by Gazi University. The competition serves to encourage technological innovation and entrepreneurship among academics and students, and to solidify the university’s commitment to entrepreneurship.

Support for Barış Manço Museum’s Love, Friendship and Peace Festival

The activities organized jointly with the Kadıköy Municipality during the Love, Friendship and Peace Festival running from January 28 to February 15, 2014 were held at the Barış Manço Home, which was transformed into a museum with the support of Halkbank. As part of these events, the Bank sponsored approximately 150 orphans under the custody of Social Services and Child Protection Agency for their participation in the percussion workshop. The Bank also supported the night to commemorate Barış Manço, held on February 1, 2014 with the participation of 500 people.

Reviving Traditional Turkish Crafts in the Balkans

Between April 11, 2012 and April 11, 2014, Yunus Emre Institute and Halkbank jointly organized a series of training seminars with a view to reviving and enhancing the traditional Turkish crafts which are on the verge of extinction in the Balkans. Delivered by experts in their fields, the seminars were designed to create employment opportunities in different arts and crafts disciplines.

Students received training seminars in different disciplines such as calligraphy, marbling, filigree, glassware, illuminated manuscript, hand weaving, engraving, woodworking, tiles, and mother-of-pearl inlaid at Yunus Emre Institutes in Foynitsa, Skopje, Tirana, Shkoder, Bucharest, Sarajevo, Constanza, Pristina and Prizren. The documentary film, commercial and project album for the project were sponsored by Halkbank.

9th International Dadaş Film Festival

Under the sponsorship of Halkbank, “9th International Dadaş Film Festival” ran from May 2-7, 2014. Moviegoers from Erzurum showed much interest in the event.

Ankara Accessible Film Festival

The second edition of the Ankara Accessible Film Festival was organized between May 20-25, 2014 under the main sponsorship of Halkbank. All the films screened during the festival were accompanied with visual description, detailed subtitles and sign language. The talks and workshops held as part of the festival also drew much attention.

25th Ankara International Film Festival

Continuing to support arts and culture events as in previous years, Halkbank provided sponsorship support to the Ankara International Film Festival in 2014, for the fifth time. Held between June 5-15, 2014, the festival drew huge crowds of movie lovers.

27th Kırşehir Ahi Week Celebrations

The Ahi Week celebrations organized in Kırşehir by the Ministry of Customs and Trade, Directorate General for Craftsmen and Tradesmen were sponsored by Halkbank.

Halkbank was the main sponsor of the **Atlantic Council Energy and Economic Summit** which ran on November 20-21, 2014.

Exhibition of Gifts for the 25th Enthronement Anniversary of Sultan Abdülhamid II

The eighteen precious gifts sent by world leaders to Sultan Abdülhamid II, on the 25th anniversary of his coronation were displayed at the “Enthronement Gifts Exhibition” sponsored by Halkbank.

Merter 2014-International Merter Fashion

Organized by the Association of Merter Industrialists and Businessmen in order to turn the district of Merter into a fashion hub, Merter 2014-International Merter Fashion was sponsored by Halkbank.

Support for the Construction of Atatürk University Foundation Junior High School

Halkbank has sponsored the construction of Atatürk University Foundation Junior High School as part of its support to the education system.

Sponsorship for the Disaster Ready Workplace Campaign

Halkbank sponsored the Disaster Ready Workplace Campaign organized by Prime Ministry Disaster & Emergency Management Authority (AFAD) for one year. A component of the Disaster Ready Turkey Project, the campaign strengthened the cooperation between employers and employees to enable their collaboration on workplace security, work accidents and controls. SMEs were also provided with various training programs on how to draw up their workplace disaster plans.

SME and Entrepreneurship Awards

Halkbank has supported KOSGEB's “SME and Entrepreneurship Awards” organized in order to introduce successful SMEs and entrepreneurs to the general public, to showcase their contribution to the national economy, to encourage them and to help them reach their full potential.

Main Sponsorship of Atlantic Council Energy and Economic Summit

Halkbank was the main sponsor of the Atlantic Council Energy and Economic Summit which ran on November 20-21, 2014.

Applied Entrepreneurship Training for Women Entrepreneurs

As part of the agreement reached with KOSGEB (Small and Medium Enterprise Development Organization), Halkbank sponsored Applied Entrepreneurship Training which offers training for women entrepreneurs.

Sponsorship of Halk Yatırım Investor Conference

The annual investor conference by Halk Yatırım Menkul Değerler A.Ş. was organized under the sponsorship of the Bank, with a focus on the recent economic developments in the global and domestic arena. Held on November 27, 2014, the conference drew around 300 investors.

8th International Flamenco Ankara Festival

The 8th International Flamenco Ankara Festival took place between December 9-12, 2014, under the sponsorship of Halkbank.

5th International Mardin Children and Youth Theater Festival

The 5th International Mardin Children and Youth Theater Festival took place between December 6-13, 2014, under the sponsorship of Halkbank.

REVIEW OF OPERATIONS IN 2014

OTHER INFORMATION ON OPERATIONS

There were no major lawsuits filed against Halkbank that can impact the Bank's financial position or operations.

There have not been any administrative or legal sanctions imposed on the Bank for practices in breach of applicable legal or regulatory provisions.

There have not been any administrative or legal sanctions imposed on the members of the Bank's Board of Directors for practices in breach of applicable legal or regulatory provisions.

Total charitable contributions and donations made by Halkbank in 2014 amounted to TRY 24,061.10, while donations including the consolidated subsidiaries amounted to TRY 97,747.32.

HALKBANK'S SUBSIDIARIES AND AFFILIATES

HALKBANK HAS A VAST SUBSIDIARIES PORTFOLIO OF 21 COMPANIES.

Halkbank has an extensive portfolio of subsidiaries and affiliates comprised of 21 companies that provide its customers with advanced banking services, as well as products and services in other areas.

In accordance with Halkbank's policy, its subsidiaries and affiliates strive to:

- Create added-value, enrich the product and service portfolio that Halkbank offers to its retail and corporate clients, and create cross-selling and supplementary product provision and sales opportunities.
- Establish good relations with other enterprises and expand and continue existing relationships.
- Increase operational efficiency and reduce service production costs.
- Ensure the delivery of high-quality services needed by the Bank's clients.

Acting in accordance with this policy, Halkbank provides quick and effective services to its customers, with the synergistic cooperation among its subsidiaries and affiliates.

Sale process of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. shares

Halkbank's Board of Directors has decided to authorize the General Manager's office for the sale of some or all of its direct or indirect stake in its subsidiaries Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. as per the Law on Privatization Practices No. 4046 via the intermediation of the Privatization Administration. The Privatization Administration has made the public tender announcement as regards the block sale of the shares on January 19, 2015 and the process continues.

Establishment Plan of the Participation Bank

We have evaluated that our Bank's widespread branch network and its brand recognition all across Turkey will create an important opportunity for a vast number of customers who wish to receive interest free banking services. We have also considered that our country's demographic structure and socio-cultural background is ready to provide significant opportunities in this field.

The General Directorate was authorized with a decision made by the Bank's Board of Directors regarding the issue of establishing a participation bank as an associate partner and thus getting the legal and administrative permissions and performing other transactions necessary for the establishment and activities of the bank.

The preliminary approval for establishing the participation bank was received from the Banking Regulation and Supervision Agency. Accordingly, we are planning to finance the initial capital of the participation bank with the funds that will be provided from the capital increase of Halkbank.

New opportunities in the region

Halkbank has decided to continue the process ended on December 2, 2014 with regards to the acquisition of a 76.76% stake in Cacanska Banka A.D. of Serbia.

HALKBANK'S SUBSIDIARIES AND AFFILIATES

HALKBANK'S SUBSIDIARIES

HALKSİGORTA



Halk Sigorta A.Ş.

Capital: TRY 94,000,000
Halkbank's shareholding: 8918%

The company was founded in 1958 under the leadership of Halkbank as the first cooperative in Turkey to engage in a full array of insurance activities with the participation of the Artisans and Tradesmen Loan and Guarantee Cooperatives. The company became a subsidiary in early 2006 when Halkbank acquired the shares held by Türkiye Halk Bankası Personnel Provident Fund. The company's business name was changed to Halk Sigorta A.Ş. from Birlik Sigorta A.Ş. at the Extraordinary General Assembly Meeting held on December 27, 2010. For the aim of conducting its activities with a stronger financial structure, the company's paid-in capital was raised from TRY 70 million to TRY 94 million within the new registered capital ceiling of TRY 150 million.

In line with a Board of Directors decision in 2013, Halk Sigorta A.Ş. acquired a 16.6667% stake in Türk P&I Sigorta A.Ş. In 2014, Halkbank decided to acquire this 16.6667% stake of Halk Sigorta A.Ş. in Türk P&I Sigorta A.Ş. and the said share acquisition will be finalized upon the approval of the regulatory authority.

HALKEMEKLİLİK



Halk Hayat ve Emeklilik A.Ş.

Capital: TRY 183,000,000
Halkbank's shareholding: 100%

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

Making preparations in 2009 to operate in the private pension sector, the company acquired the operating license from the Undersecretariat of Treasury to operate in the pension branch in January 2012 and launched initiatives in this segment.

The company's capital was raised from TRY 113 million to TRY 183 million in 2014. Halkbank raised its stake in the company to 100% in 2014, by acquiring the stakes previously held by its subsidiaries.

HALKYATIRIM



Halk Yatırım Menkul Değerler A.Ş.

Capital: TRY 64,000,000
Halkbank's shareholding: 99.96%

Halk Yatırım Menkul Değerler A.Ş. was set up in 1997 to carry out capital markets activities, to purchase and sell capital markets instruments, and to execute stock exchange transactions. The company became a subsidiary in early 2006 when Halkbank bought the shares of Türkiye Halk Bankası Personnel Provident Fund.

The company's capital was raised from TRY 55 million to TRY 64 million in 2014. Halkbank raised its stake in the company to 99.96% in 2014, by acquiring the stakes of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş.

HALKBANK



Halk Banka A.D., Skopje

Capital: MKD 2,893,690,000

(Macedonian denars)

Halkbank's shareholding: 98.78%

Halkbank acquired the majority shares of Izvozna I Kreditna Banka A.D., Skopje, a Macedonian bank that began operating in 1993 to conduct a full range of banking activities, from Demir-Halk Bank (Nederland) N.V. in 2011. Subsequently, the bank became a subsidiary of Halkbank; the name was changed to Halk Banka A.D., Skopje.

Halk Banka A.D., Skopje, the Bank's subsidiary operating in Macedonia, acquired Ziraat Banka A.D., Skopje, another bank operating in Macedonia the controlling shares of which are owned by T.C. Ziraat Bankası A.Ş., with all of its assets, liabilities, branches and personnel as of October 1, 2012. As a result of this takeover, the company's capital increased from MKD 1,884,150,000 to MKD 2,893,690,000 while Halkbank's equity stake went up from 98.12% to 98.78%.

Halk Banka A.D., Skopje has a representative office in Serbia.

HALKGYO



Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

Capital: TRY 697,900,000

Halkbank's shareholding: 71.96%

The company was established under the leadership of Halkbank in 2010 to do business for the objectives and in the matters stipulated by the regulations of the Capital Markets Board of Turkey regarding the Real Estate Investment Trusts and to invest in real estate properties, real estate-backed capital markets instruments, real estate projects and real estate-based rights.

The initial public offering of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. was held in February 2013; the entire shares offered to the public, with a nominal value of TRY 185.5 million, was sold. On February 22, 2013, 28% of the company shares began to be traded on the Borsa Istanbul.

In 2014, the company raised its paid-in capital, all of it from 2013 profit, from TRY 673.6 million to TRY 697.9 million. Halkbank raised its stake in the company to 71.96% in 2014, by acquiring the stakes of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş.

HALKLEASING



Halk Finansal Kiralama A.Ş.

Capital: TRY 272,250,000

Halkbank's shareholding: 99.99%

Commencing operations in 1991, Halk Finansal Kiralama A.Ş. was founded to acquire movable and immovable property, machinery, vehicles and equipment through purchasing, import and other legal means; to use these economic assets in domestic and overseas leasing operations; and to conduct all kinds of leasing transactions. The company, which was a 47.75%-owned affiliate of Halkbank, became a subsidiary after Halkbank acquired the shares of other shareholders in 2011.

In 2014, the company's capital was increased from TRY 259.2 million to TRY 272.3 million. Halkbank raised its stake in the company to 99.99% in 2014, by acquiring the stakes of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş.

HALKBANK'S SUBSIDIARIES AND AFFILIATES

HALKBANK'S SUBSIDIARIES

HALKPORTFÖY



Halk Portföy Yönetimi A.Ş.

Capital: TRY 5,000,000
Halkbank's shareholding: 74.99%

The company was founded on June 24, 2011 to manage portfolios consisting of capital markets instruments through discretionary portfolio management agreements with customers as their authorized agent and to engage in investment advisory and capital markets activities pursuant to the provisions of the Capital Market Law and its related regulations.

Halkbank raised its stake in the company to 74.99% in 2014, by acquiring the stakes of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş.

HALKFAKTÖRİNG



Halk Faktoring A.Ş.

Capital: TRY 40,000,000
Halkbank's shareholding: 97.50%

Halk Faktoring A.Ş. was founded on June 6, 2012 as a Halkbank subsidiary in order to provide all financing, guarantee and collection products needed in domestic and international trade transactions with a focus on trade finance and receivables-backed financing to SMEs, companies with major import or export activities, corporations with extensive supplier and dealer networks, as well as all other clients. Pursuant to the operating license granted by the Banking Regulation and Supervision Agency of Turkey, the company began executing transactions on December 10, 2012. The company increased its capital from TRY 20 million to TRY 40 million in 2013.

Halkbank raised its stake in the company to 97.50% in 2014, by acquiring the stakes of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş.

bileşim

Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.



Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.

Capital: TRY 14,000,000
Halkbank's shareholding: 100%

Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. commenced operations in 1998 to carry out activities in the areas of alternative delivery channels and payment systems. Pursuant to the Turkish Competition Authority's approval for the share transfer transaction, Halkbank's acquisition of Ziraat Group's 76% equity stake (T.C. Ziraat Bankası A.Ş. shareholding: 61%; Ziraat Finansal Kiralama A.Ş. shareholding: 15%) in the Bank's affiliate Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. was finalized on July 22, 2013 and the company became a wholly-owned subsidiary of the Bank. In 2014, the company's capital was increased from TRY 1 million to TRY 14 million.

AFFILIATES



KOBİ Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Capital: TRY 38,000,000
Halkbank's shareholding:
31.47%

KOBİ Girişim Sermayesi Yatırım Ortaklığı A.Ş. was established in 1999. The purpose of the company is to provide support for small and medium-scale enterprises that have high potential for development and are in need of funds. The intention of the company is to contribute to their development by offering them the capital and strategic support they need to grow.

The company was expanded to build and manage an angel investor network and to carry out portfolio management activities. Through this network, the company intends to bring together a group of angel investors and undertake finance matching to meet core and initial capital needs.



Demir-Halk Bank (Nederland) N.V.

Capital: € 113,750,000
Halkbank's shareholding:
30%

Having commenced operations in 1992 and carrying out a full range of banking operations, Demir-Halk Bank (Nederland) N.V. is a company with Turkish capital, operating according to Dutch legislation was established in Rotterdam, Netherlands to offer services particularly to Turkish companies and their partners in Western Europe.



Bankalararası Kart Merkezi A.Ş.

Capital: TRY 14,000,000
Halkbank's shareholding:
18.95%

The company was established in 1990 to generate solutions for common issues related to the card payment system and to develop the rules and standards for debit and credit cards in Turkey.



Kredi Kayıt Bürosu A.Ş.

Capital: TRY 7,425,000
Halkbank's shareholding:
18.18%

The company was founded in 1995 to facilitate information sharing, a prerequisite for monitoring and controlling retail loans, between financial institutions that are engaged primarily in money and capital markets and insurance business lines.

HALKBANK'S SUBSIDIARIES AND AFFILIATES

SECURITIES AVAILABLE FOR SALE

Kredi Garanti Fonu A.Ş.

Capital: TRY 240,000,000
Halkbank's shareholding: 1.75%

Commencing operations in 1991, Kredi Garanti Fonu A.Ş. was established to support small and medium-size enterprises through loan guarantees and to facilitate their access to bank loans to finance their investments and working capital needs.

Sberbank Magyarország Zrt. (Sberbank Hungary)

Capital: HUF 37,268,000,000
(Hungarian Forints)
Halkbank's shareholding: 1.07%

Magyarorszagi Volksbank RT was established in Hungary in 1993 to carry out a full range of banking services.

Volksbank International AG, the controlling shareholder of Magyarorszagi Volksbank RT, sold its 98.60% stake in the Company to Sberbank Europe AG in 2012. At the General Meeting held on May 29, 2013, it was decided to change the Bank's name as Sberbank Magyarorszagi Zrt.

International Joint Stock Bank (Garagum)

Capital: TMM 19,962,289
(Turkmenistan Manats)
Halkbank's shareholding: 1.71%

The International Joint Stock Bank (Garagum) commenced operations in Turkmenistan in 1993 to carry out a full range of banking services.

İstanbul Takas ve Saklama Bankası A.Ş.

Capital: TRY 600,000,000
Halkbank's shareholding: 0.99%

Mesbaş Mersin Serbest Bölge İşleticisi A.Ş.

Capital: TRY 5,402,160
Halkbank's shareholding: 1.37%

Türkiye Cumhuriyet Merkez Bankası

Capital: TRY 25,000
Halkbank's shareholding: 1.11%

Alıdaş Alanya Liman İşletmeleri Denizcilik Tur. Tic. ve San. A.Ş.

Capital: TRY 6,000,000
Halkbank's shareholding: 0.50%

Borsa İstanbul A.Ş.

Capital: TRY 423,234,000
Halkbank's shareholding: 0.00353%

ANNUAL REPORT COMPLIANCE STATEMENT



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
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ANNUAL REPORT Compliance Opinion

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

We have audited the accuracy and the consistency of the financial information in the annual report of Türkiye Halk Bankası A.Ş. ("the Bank") with the audited financial statements as of 31 December 2014. The annual report is the responsibility of the Company management. Our responsibility, as independent auditors, is to express an opinion on the annual report based on our audit report as of 17 February 2015.

Our audit was conducted in accordance with the regulations on preparation and issuance of annual report in (Turkish) Banking Law No 5411 and independent auditing principles, Independent Audit Standards which is a part of Turkish Auditing Standards published by Public Oversight, Accounting and Auditing Standards Association ("Board") and in accordance with article 397 of the 6102 numbered Turkish Commercial Code ("TCC"). Those regulations require that we plan and perform the audit to obtain reasonable assurance regarding whether the consistency of financial information represented in the annual report with the audited financial statements and explanatory notes is free of material misstatement. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial information represented in the accompanying annual report represents fairly, in all material respect, the information regarding the financial position of Türkiye Halk Bankası A.Ş. as of 31 December 2014 in accordance with the effective regulations described in article 40 of (Turkish) Banking Law 5411 and includes Independent Auditors' report issued by us and summary of Board of Directors' Report and is consistent with the audited financial statement and explanatory notes.

Report on Other Regulatory Requirements

In accordance with the third clause of the article 402 of TCC, no material issue has come to our attention that shall be reported about the Company's (Group) ability to continue as a going concern in accordance with Turkish Auditing Standard 570 Going Concern.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Erdal Tıkmak, SMMM
Partner
February 24, 2015
İstanbul, Turkey

BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



Hasan CEBECİ Chairman

Born in 1949 in Çankırı, Hasan Cebeci is a graduate of the Academy of Economics and Commercial Sciences (Department of Economics and Finance). Beginning his career as an assistant inspector at Türkiye Vakıflar Bankası T.A.O., Cebeci went on to become an inspector, branch manager, unit manager and assistant general manager at the same bank. He was appointed as a member of the executive board and put in charge of Loans on March 28, 2003 at T. Halk Bankası A.Ş. where he would later become the general manager and chairman from December 8, 2003 onwards. He became chairman on April 13, 2005. He is also the chairman of Halk Gayrimenkul Yatırım Ortaklığı A.Ş.



Süleyman KALKAN Vice Chairman Independent Board Member

Süleyman Kalkan was born in Kırşehir in 1956. He graduated from the Faculty of Political Science, Department of International Relations at Ankara University. Kalkan began his professional career as an assistant inspector at Türkiye İş Bankası A.Ş. in 1983. He then served as Retail Loans Assistant Manager in 1993, Commercial and Corporate Loans Regional Manager in 1995 and Non-performing Loans Manager from 1997 until the end of 2003 at the same bank, sat on the Disciplinary Committee and served as a branch manager. During this period, Kalkan also sat on the boards of the Industrial Development Bank of Turkey, Anadolu Hayat Emeklilik A.Ş. and İş Faktoring A.Ş. He served as chairman of Güneş Sigorta A.Ş., a subsidiary of Vakıfbank, and chairman of the Board of Auditors of Vakıf International AG (Vienna). Kalkan served as executive member on the Board of Directors of Vakıfbank and general manager of Vakıfbank from March 2010 until March 2013. He has served as vice chairman of the Board of Directors of Halkbank since April 1, 2013 and as independent board member since April 1, 2014. Kalkan also serves as a board member at Demir-Halk Bank (Netherlands) N.V.



Ali Fuat TAŞKESENLİOĞLU Board Member and General Manager

Ali Fuat Taşkesenlioğlu was born in Erzurum in 1964. He graduated from Atatürk University, Faculty of Economics and Administrative Sciences, Business Administration Department. He completed a post graduate degree in the Social Sciences Institute at Beykent University and is currently working on a PhD in Business Administration at the same university. He began his professional career in 1988 at Yenidoğan Yayın Dağıtım. After serving as chief specialist at the Faisal Finance Institution from 1988 to 1996, he started at Asya Participation Bank on October 1996 and served as assistant manager of project marketing. He later continued as manager of the Merter and Sultanhamam branches, followed by positions as division manager and deputy general manager of the Head Office Loan Allocation Department. Taşkesenlioğlu was elected to the Board of Directors of T. Vakıflar Bankası T.A.O on March 30, 2012 and served as an associate member on the Board of Auditors and the Board of Loans of T. Vakıflar Bankası T.A.O. He later served as chairman of Vakıf Portföy Yönetimi A.Ş., vice chairman of Vakıf Finans Faktoring Hizmetleri A.Ş., and as vice chairman of Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş. from April 20, 2012 until February 7, 2014. Taşkesenlioğlu has served as board member and general manager of Türkiye Halk Bankası A.Ş. since February 7, 2014. He also serves as chairman of Halk Hayat ve Emeklilik A.Ş.



Emin Süha ÇAYKÖYLÜ
Board Member

Emin Süha Çayköylü was born in Istanbul in 1948. After graduating from Middle East Technical University (Department of Mechanical Engineering, Faculty of Engineering), he went on to receive two master's degrees from the Syracuse University Business School and the University of Manchester Institute of Science and Technology (UMIST), as well as a PhD from Washington International University. He launched his professional career at a privately-owned company as a project engineer and project manager, going on to become a unit manager at the Development Bank of Turkey and a section chief at the Islamic Development Bank. He has also worked as a general manager, project coordinator and manager for various private companies and has been a board member of T. Halk Bankası A.Ş. since March 28, 2003.



Dr. Nurzahit KESKİN
Board Member

Born in 1962 in Istanbul, Dr. Nurzahit Keskin is a graduate of Anadolu University (Faculty of Economics and Administrative Sciences) and holds a master's degree from the Marmara University Institute of Banking and Insurance (Department of International Banking). Keskin, who has a doctorate from Sakarya University, began his career as a lecturer at Marmara University, after which he entered the private sector and worked as an independent auditor and management consultant for an international company. He also worked as a senior-level human resources manager in various national and multinational firms and executive board member responsible for Human Resources, Operations and Support Services at T.C. Ziraat Bank A.Ş. in 2003. In addition, he was a board member of Ziraat Bank International AG, Germany; Turkish Ziraat Bank Bosnia DD, Bosnia-Herzegovina; Ziraat Banka AD, Macedonia; Türkmen Türk Ticaret Bankası, Turkmenistan; and Azer Türk Bank ASC, Azerbaijan. Keskin has been a board member of Türkiye Halk Bankası A.Ş. since 2005. He is also a board member of Demir-Halk Bank (Netherlands) N.V. Keskin speaks English and German.



Dr. Ahmet YARIZ
Board Member

Ahmet Yarız was born in Elazığ in 1966. He graduated from the Faculty of Business Administration at Istanbul University and received his master's and doctorate degrees from the Institute of Banking and Insurance at Marmara University. Yarız began his banking career at the Industrial Development Bank of Turkey and worked at various industrial and financial organizations. He later worked in various industrial enterprises and financial institutions and served as a board member of Vakıfbank responsible for Risk Management and Internal Audit and a board member of the Savings Deposit Insurance Fund. Yarız served as an independent board member of Halkbank from April 9, 2008 until May 23, 2010; board member from May 24, 2010 until March 28, 2013; independent board member from March 29, 2013 until March 31, 2014. Yarız serves as board member since April 1, 2014. He is also the vice chairman of Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



Yunus KARAN
Board Member

Yunus Karan was born in Giresun in 1940. He received his bachelor's degree in finance and accounting from the Istanbul University Faculty of Economics and Administrative Sciences in 1964. Karan began his professional career at T.C. Ziraat Bankası A.Ş. in 1965 and served as Branch Manager in various branches of the bank until 1996. He then served as the Fatih Branch Manager of İhlas Finans Kurumu A.Ş. between 1996 and 1999. Karan was a Board Member at the Ziraat Leasing Finansal Kiralama A.Ş. from 2002 until May 2012 and an Independent Board Member at Halk Gayrimenkul Yatırım Ortaklığı A.Ş. between May 14, 2012 and March 31, 2014. He has been serving as a Board Member at Türkiye Halk Bankası A.Ş. since April 1, 2014. He is also a board member at Halk Gayrimenkul Yatırım Ortaklığı A.Ş.



İsmail Erol İŞBİLEN
Independent Board Member

İsmail Erol İşbilen was born in Çankırı in 1959. He graduated from the Faculty of Political Science, Department of Economics and Finance at Ankara University. İşbilen began his professional career as an assistant inspector at T. Garanti Bankası A.Ş. in 1983. He served as an inspector and in various executive positions at the same bank. He joined Asya Katılım Bankası A.Ş. as a branch manager in December 1997 and served as loans manager at the same bank from 2000 until 2004. İşbilen served as head of the Financial Analysis and Intelligence Division at T.C. Ziraat Bankası A.Ş. from June 2005 until February 2010 and sat on the Board of Directors and Audit Committee of Asya Katılım Bankası A.Ş. from February 2010 until March 2012. He has served as a member of the Board of Directors of Halkbank since April 1, 2013, and as an independent board member since April 18, 2013. İşbilen also serves as vice chairman of Halk Hayat ve Emeklilik A.Ş.



Sadık TILTAK
Independent Board Member

Sadık Tiltak received his bachelor's degree in finance from the Ankara University Faculty of Political Science. He began his professional career as an Assistant Inspector at T. Garanti Bankası A.Ş. in 1988 and moved on to serve as a Branch Manager before becoming a General Manager at the company's headquarters. After his appointment as a Board Member at the T. Vakıflar Bankası T.A.O. on March 30, 2012, Tiltak served as a member on the company's Board of Loans, its Corporate Governance and Appointment Board and its Audit Board. He also took on the position of Chairman of the Board at Vakıf Finans Factoring Hizmetleri A.Ş. and Deputy Chairman of the Board at Vakıf Gayrimenkul Değerleme A.Ş., Vakıf Pazarlama ve Ticaret A.Ş. and Vakıf Portföy Yönetimi A.Ş. He has been serving as an Independent Board Member at Türkiye Halk Bankası A.Ş. since April 1, 2014. He is also a board member at Halk Hayat ve Emeklilik A.Ş.



Faruk ÖZÇELİK

Member of the Supervisory Board

Faruk Özçelik was born in Hadim, Konya in 1968. He is a graduate of the Banking and Insurance Academy of Ankara University and holds a master's degree in International Relations (from Institute of Social Sciences, Selçuk University) and a bachelor's degree in Business Administration (from the Faculty of Political Sciences, Ankara University). Özçelik began his career as Assistant Auditor at the Republic of Turkey Prime Ministry, General Directorate of Foundations, later serving as Auditor and Chief Auditor in the same institution and the Ministry of Public Works and Settlements. Between 2004 and 2009, Özçelik worked as Deputy General Manager at the Prime Ministry, General Directorate of Personnel and Principals, and later served as the General Manager of the same institution until 2014. He has also served as a director on the boards of Natural Disasters Insurances Authority and the Institute of Public Administration for Turkey and the Middle East (TODAIE), and as a member of the Supervisory Board of Turkish Maritime Operations (Türkiye Denizcilik İşletmeleri A.Ş.). Özçelik was appointed as the Undersecretary of Ministry of Youth and Sports on January 26, 2014. Currently, he serves as a member of the Supervisory Board of Türkiye Halk Bankası A.Ş., and on the Istanbul Olympic Games Presentation and Organization Committee. Özçelik is married with two children. His interests include football, volleyball, and athletics. Özçelik speaks French, Arabic and English.



Ali ARSLAN

Member of the Supervisory Board

He was born in Besni, Adıyaman in 1963. He graduated from the Faculty of Economics and Administrative Sciences, Department of Management at Çukurova University and received his MBA degree from Cleveland State University. He began his professional career as an assistant specialist at the Treasury and Foreign Trade Department of the General Directorate of Public Finance, the Undersecretariat of Treasury in 1987 and later served as a Treasury Specialist at the same General Directorate. Arslan held the positions of Treasury Specialist and Department Manager at the General Directorate of Economic Research and the Foreign Capital Directorate; Energy Specialist at Energy Market Regulatory Authority between October 2002 and October 2004; Department Manager at the now defunct General Directorate of Banking and Foreign Exchange, the Undersecretariat of Treasury, between October 2004 and January 2005, and Head of the Personnel Department at the same General Directorate between January 2005 and May 2010; and Head of the now defunct General Directorate of Banking and Foreign Exchange between May 2010 and November 2011. He serves as Head of the General Directorate of Foreign Exchange and Money Markets since November 2, 2011. He served as a member of the Supervisory Board at Halkbank from April 18, 2012.

EXECUTIVE MANAGEMENT



Ali Fuat TAŞKESENLIOĞLU
General Manager

Please see page 76 for Mr. Ali Fuat Taşkesenlioğlu's background.



Murat OKTAY
Deputy General Manager:
Corporate and Commercial
Marketing

Murat Oktay was born in 1970 in Ankara. He graduated from TED Ankara College and the Department of Economics of the Faculty of Economics and Administrative Sciences at the Middle East Technical University. He began his career as Assistant Inspector at Eskişehir Bankası T.A.Ş. in 1991. He worked as Auditor in Demirbank A.Ş., as Branch Manager in Finansbank A.Ş., Egsbank A.Ş., Denizbank, Asya Katılım Bankası A.Ş. and Turklandbank A.Ş., and then as Corporate Branch Manager and Regional Director in Albaraka Türk Katılım Bankası A.Ş. Oktay has been serving as Deputy General Manager responsible for Corporate and Commercial Marketing at Halkbank since July 10, 2014.



Mehmet Akif AYDEMİR
Deputy General Manager:
Loan Allocation and Management

Mehmet Akif Aydemir, born in 1963 in Ankara, is a graduate of Ankara University (Department of Economics, Faculty of Political Science). He began his career on October 20, 1986 at Pamukbank as an assistant inspector and went on to become an inspector, branch manager and division manager at the bank. Aydemir was the head of the Corporate Loans Department between December 10, 2004 and March 3, 2010 and was the assistant general manager in charge of Corporate and Commercial Loans from March 4, 2010 to July 21, 2011. He has since been working as an assistant general manager responsible for Loan Allocation and Management at Halkbank, which he began on July 22, 2011.



Erdal ERDEM
Deputy General Manager:
Artisans-SME Banking

Erdal Erdem was born in Çankırı in 1971. After receiving his bachelor's degree in finance from Afyon Kocatepe University's Faculty of Economics and Administrative Sciences he began his professional career at Türkiye Finans Kurumu A.Ş. in 1995. He joined Asya Katılım Bankası A.Ş. in 1996, serving as Assistant Specialist, Specialist, Second Manager, Assistant Manager and Manager. Between March 2010 and January 2012 he held the position of Deputy General Manager in charge of Loans Monitoring, Financial Analysis and Intelligence, Non-Performing Loans, Construction-Real Estate, and Legal Counsel. Erdem was a Board Member at T.C. Ziraat Bankası A.Ş. from April 2012 to March 2014. He served as the Deputy General Manager in charge of Financial Management and Planning between March 27, 2014 and July 3, 2014. He has been performing his duties as the Deputy General Manager in charge of Artisans and SME Banking at the Bank since July 4, 2014.



Hasan ÜNAL
Deputy General Manager:
Retail Banking

Hasan Ünal was born in Karabük in 1968. After receiving his Bachelor's Degree in Engineering Management from Istanbul Technical University, he began his banking career at Garanti Bank in 1988. He performed in executive positions as Deputy General Manager and General Manager in charge of diverse areas such as card payment systems, alternative distribution channels and retail banking at various banks and private companies. At his last job before joining our ranks, he worked as General Manager at Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. which is a subsidiary of Halkbank. He has been performing his duties as Deputy Manager in charge of retail banking at Halkbank since July 10, 2014.



Mehmet Sebahattin BULUT
Deputy General Manager:
Loan Policies and Risk Monitoring

Mehmet Sebahattin Bulut was born in Erzurum in 1965. After receiving his Bachelor's Degree in Econometrics at the Faculty of Economics and Administrative Sciences from Uludağ University, he began his professional career as Assistant Financial Analysis Specialist at T. Vakıflar Bankası T.A.O. in 1994. He later performed as Inspector as well as Manager at various levels and as Head of Department at the same bank. Mr. Bulut served as Board and Audit Committee Member at various subsidiaries of T.Vakıflar Bankası T.A.O. He has been performing his duties as Deputy General Manager in charge of Loan Policies and Risk Monitoring at Halkbank since July 10, 2014.

EXECUTIVE MANAGEMENT



Murat UYSAL
Deputy General Manager:
Treasury Management

Murat Uysal was born in 1971 in Istanbul. He attended Galatasaray High School and later graduated from Department of Economics in English, Faculty of Economics at Istanbul University. After obtaining his Masters degree from Marmara University's Institute of Banking and Insurance (Department of Banking), he commenced work with Tekstilbank in 1998 as a specialist assistant. He also served as manager and specialist in the Foreign Exchange - Money Market, and Securities Departments. Uysal was head of Halkbank's Money and Capital Markets department between September 07, 2007 and September 11, 2011 and is currently Deputy General Manager in charge of Treasury Management since November 11, 2011.



Mehmet Hakan ATILLA
Deputy General Manager:
International Banking

Mehmet Hakan Atilla was born in 1970 in Ankara. He graduated from Department of Economics, Faculty of Economics and Administrative Sciences at Gazi University. He joined Halkbank in 1995 as a specialist assistant at the Research Development and Planning Department and proceeded to work as a specialist at the Commercial Credit Cards, and Cash Management Departments. He then held the title of supervisor and department manager at the Strategic Planning Department. Atilla was head of the Financial Institutions and Investor Relations Department between June 22, 2007 and November 11, 2011, before being appointed as the current deputy general manager responsible for International Banking.



Assoc. Prof. Dr. Şahap KAVCIOĞLU
Deputy General Manager:
Human Resources and Organization

Assoc. Prof. Dr. Kavcıoğlu was born in Bayburt in 1967. He received his Bachelor's Degree in Business Administration from the Faculty of Economics and Administrative Sciences at Dokuz Eylül University. After graduating as an Audit Specialist from Istanbul University Institute of Accounting, he went on to study Business Administration at Hastings College in the UK. Kavcıoğlu received his Master's Degree from Marmara University Banking and Insurance Institute in 1993 and completed his Doctorate in 2003 before earning an Associate Professor title in Financial Economics in 2014. He began his professional career as an assistant inspector at Esbank T.A.Ş. in 1990. He continued on to work as Inspector, Branch Manager and Assistant General Manager respectively at the same bank. After working at several banks, he took on the position of Istanbul District Coordinator at Türkiye Halk Bankası A.Ş. on June 30, 2003. Kavcıoğlu performed as the Deputy General Manager in charge of Retail Banking from June 17, 2005 to June 7, 2007, in charge of Artisans and SME banking from June 8, 2007 to September 23, 2010, and in charge of Loan Policies from September 24, 2014 to July 3, 2014. He has been serving as the Deputy General Manager in charge of Human Resources and Organization since July 4, 2014. In addition to a number of articles, Kavcıoğlu has two published books, namely "Management, Solutions and Monitoring in Non-Performing Loans at Commercial Banks" and "Evaluation of Investment Projects in the Energy Industry."



Selahattin SÜLEYMANOĞLU
Deputy General Manager:
Banking Operations

Selahattin Süleymanoğlu was born in Alucra, Giresun in 1962. He received his Bachelor's Degree in Business Administration at the Faculty of Economics and Administrative Sciences from Gazi University in 1987. After receiving his Master's Degree in International Relations at the Institute of Social Sciences, from Selçuk University, he began his career as an Assistant Inspector at Adabank in 1990. He served as an Inspector, Manager and Head Manager at T. Emlak Bankası A.Ş. between 1991-2001. He joined Türkiye Halk Bankası A.Ş. in 2001, working as a Branch Manager in different branches and at the Ankara Corporate Branch. He served as the Deputy Manager in charge of Risk Collection and Liquidity between July 1, 2007 and January 12, 2009, in charge of Banking Operations between January 13, 2009 and September 26, 2010, and in charge of Risk Management and Internal Control between September 27, 2010 and July 3, 2014 respectively before being appointed as the Deputy General Manager in charge of Banking Operations as of July 4, 2014.



Erol GÖNCÜ
Deputy General Manager:
Information Systems and
Technical Services

Born in Siirt in 1964, Erol Göncü is a graduate of the Middle East Technical University (Department of Mathematics). He began his career at Pamukbank on October 3, 1988 as a systems analyst and went on to hold the positions of service manager and department manager. He has been working as a deputy General Manager in charge of Information Systems and Technical Services at Halkbank since June 9, 2005.



Mustafa AYDIN
Deputy General Manager:
Financial Management and Planning

Mustafa Aydın was born in Ürgüp, Nevşehir in 1965. He graduated from the Department of Public Administration of the Faculty of Economics and Administrative Sciences at the Middle East Technical University. He began his professional career at Türkiye Öğretmenler Bankası and went on to work as General Manager at Nahçıvan Türk Bankası, as Inspector and Branch Manager at Albaraka Türk Katılım Bankası A.Ş. and at Asya Katılım Bankası A.Ş.. He later served as CFO and Board Member at Bosnia Herzegovina Airlines, as Head of Finance at Turkish Airlines, as Affiliates Financial Coordinator at THY Teknik A.Ş. and as CFO at Negmar Shipping Ltd. Aydın has been serving as Deputy General Manager in charge of Financial Management and Planning at Halkbank since July 10, 2014.

EXECUTIVE MANAGEMENT



Mustafa SAVAŞ
Deputy General Manager:
Deposit Management

Mustafa Savaş was born in Çine, Aydın in 1965. After receiving his Master's Degree in Political Science from Ankara University, he began his career as an Assistant Inspector at Halkbank on March 1, 1991. He has worked as an Inspector and Branch Manager in the Lefkoşa, Cyprus and Yukarı Ayrancı, Ankara branches and as the head of the Internal Control Department. Savaş served as the Deputy General Manager in charge of Risk Management and Internal Control between July 18, 2002 and January 12, 2009, in charge of Risk Collection and Liquidity between September 24, 2010 and July 21, 2011, and in charge of Financial Management and Planning between July 22, 2011 and March 27, 2014 respectively before being appointed as the Deputy General Manager in charge of Deposit Management as of July 4, 2014.



Ömer Faruk ŞENEL
Deputy General Manager:
Support Services

Ömer Faruk Şenel was born in Konya in 1969. He is originally from Denizli. He received his Bachelor's Degree from the Faculty of Economics at Middle East Technical University and his Master's Degree in Business Administration from the Institute of Social Sciences at Fatih University. After beginning his professional career as Assistant Specialist at T.C. Ziraat Bankası A.Ş. in 1991, he went on to serve as Inspector, Branch Manager, Department Manager and Deputy General Manager at Esbank T.A.Ş., Etibank T.A.Ş. and Asya Katılım Bankası A.Ş., respectively. Mr. Şenel then became Deputy General Manager at Birleşik Fon Bankası A.Ş. (B.F.B.). He has been serving as Deputy General Manager in charge of Support Services at Halkbank since July 10, 2014.



Salim KÖSE

Deputy General Manager: Legal Affairs and Proceedings

Salim Köse was born in Afyonkarahisar in 1966. He began working at T. Emlak Bankası A.Ş. in 1990 while still studying at the Law School at Istanbul University, and went to work as Assistant Legal Counsel at Etibank A.Ş., as Group Director and Deputy Head of Department at the Saving Deposit Insurance Fund (SDIF). In addition, he served as Board Member and Chairman at companies, of which the management and audit have been transferred to the Saving Deposit Insurance Fund. He also took part in drafting the Banking Law No. 5411 as representative of the SDIF. Mr. Köse managed the Group that was made up of Legal Counseling, Non-performing Loans Department and Risk Monitoring Department from 2007 until 2011 when he began practicing law as a Self-employed Lawyer. He has been performing his duties as Deputy General Manager in charge of Legal Affairs and Proceedings at Halkbank since July 10, 2014.

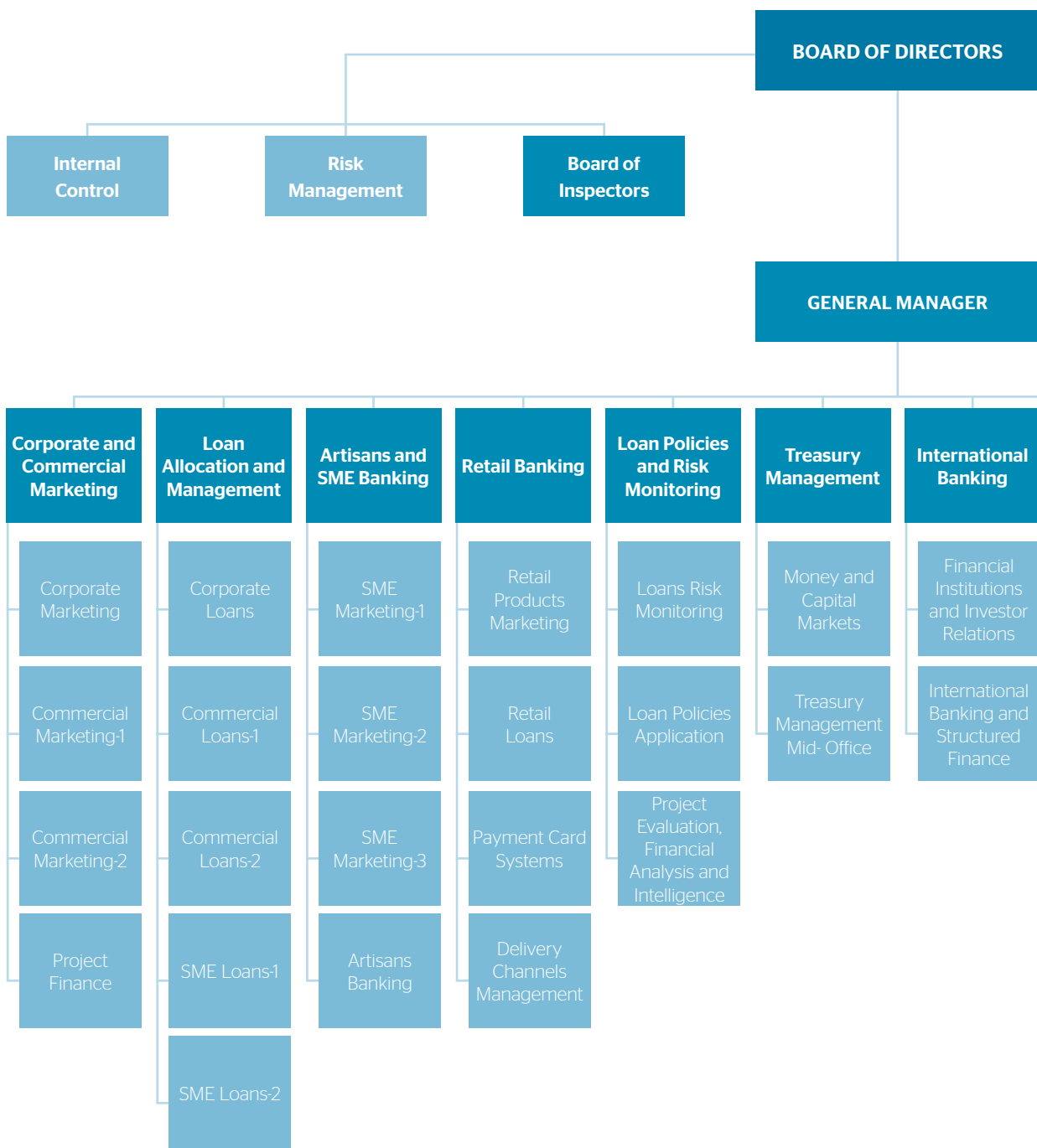


Ali Ulvi SARGON

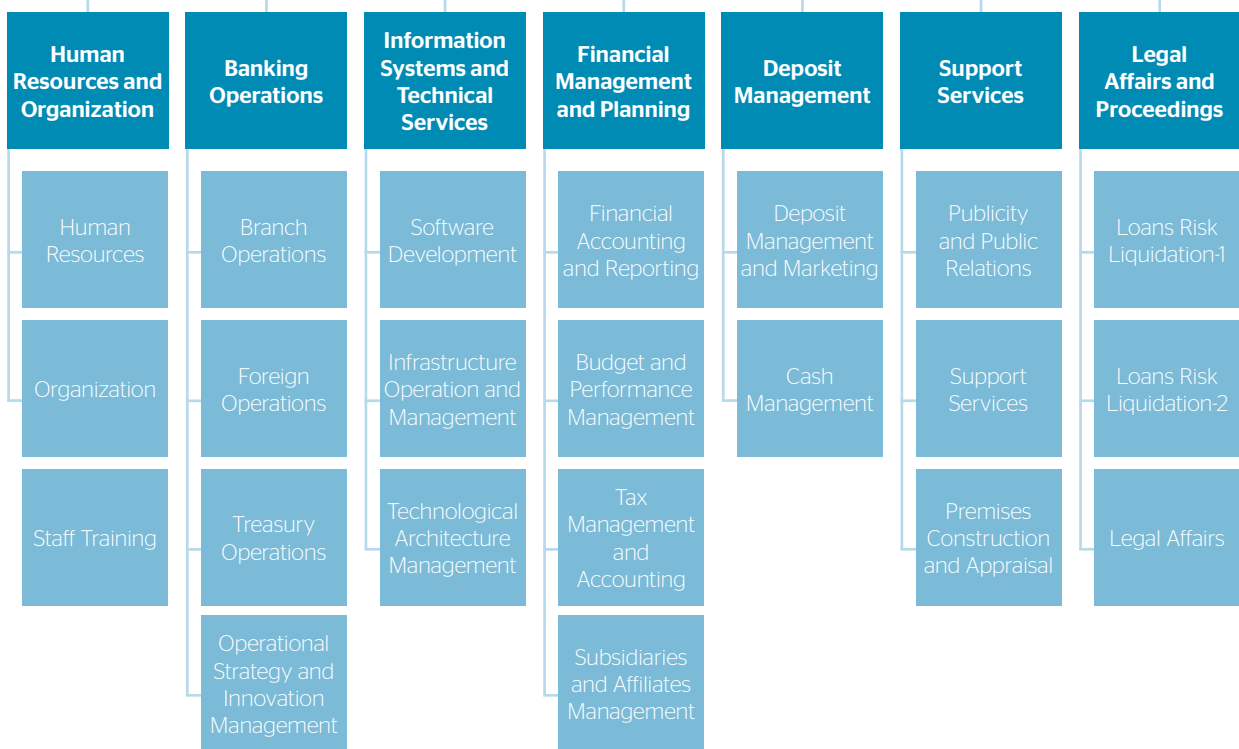
Chairman of the Board of Inspectors

Ali Ulvi Sargon was born in Ankara in 1966. After receiving his Bachelor's Degree in Business Administration at the Faculty of Political Sciences at Ankara University, he began his professional career as Assistant Inspector at T.İş Bankası A.Ş. in 1989. He went to serve as Branch Manager at Garanti Bank and as Head of Insurance Fund Asset Management at the Saving Deposit Insurance Fund. Mr. Sargon joined Halkbank as Head of Risk Management Department on December 17, 2004, and he has been serving as Chairman of the Board of Inspectors since July 4, 2014.

ORGANIZATIONAL CHART



**Board of Directors
 Office Services**



COMMITTEES

Audit Committee

The Audit Committee of Halkbank, which was formed pursuant to the Board of Directors Resolution No. 34-01 dated October 31, 2006, conducts its activities in accordance with the provisions of the "Regulation on Internal Systems of Banks" published in the Official Gazette No. 29057 dated 11.07.2014 and is in charge of and responsible for, on behalf of the Board of Directors, overseeing the effectiveness and adequacy of the Bank's internal systems, functioning of these systems along with the accounting and reporting systems in compliance with the Law and related regulations, and the integrity of the information generated by such systems; performing the necessary preliminary assessments in support to the Board of Directors' selecting independent audit companies as well as credit rating agencies, appraisal firms and support service providers; regularly monitoring the activities of these organizations which are selected by the Board of Directors and contracts signed with; and, in accordance with the regulations that became effective pursuant to the Law, ensuring that the internal audit activities of the subsidiaries and affiliates that are subject to consolidation are performed on a consolidated basis and in coordination. The Audit Committee is in charge of establishing the audit and control process which will provide assurance for the efficiency and accuracy of ISEDES. Within the scope of "Early Detection and Management of Risk" specified in the Turkish Commercial Code The Audit Committee also carries out the duty of early "diagnosis" of the reasons that endanger the existence, development and continuity of the Bank. It counsels the Board of Directors regarding the issues of risk management and implementation of remedies for the detected risks. Carrying out the necessary tasks by means of the relevant units of the Bank in accordance with its duty, the Committee submits the situation analysis and its suggestions (if any) in a report to the Board of Directors.

Duties of the Audit Committee

The Audit Committee is in charge of and authorized for:

- a) Overseeing compliance with the provisions of the Regulation regarding internal control, internal audit and risk management and the Bank's internal policies and implementation procedures that were approved by the Board of Directors as well as making recommendations to the Board of Directors regarding the measures to be taken,
- b) Establishing the channels of communication through which the employees of the internal systems units can contact the Committee directly,
- c) Overseeing that the internal audit system covers the Bank's existing and planned activities as well as the risks arising from these activities, analyzing internal Bank regulations regarding internal audit that will take effect with the approval of the Board of Directors,
- d) Making recommendations to the Board of Directors regarding the election of the heads of the units covered by the internal systems and report directly to the Audit Committee, providing opinion when the Board of Directors considers removing these employees from their related positions,
- e) Soliciting and evaluating senior management's opinions and recommendations regarding internal systems,
- f) Ensuring the establishment of channels of communication through which irregularities and fraud within the Bank can be reported directly to the Audit Committee or to the internal audit unit or to the inspectors,
- g) Overseeing that the inspectors execute their duties independently and impartially,
- h) Analyzing internal audit plans,
- i) Making recommendations to the Board of Directors regarding the qualifications that the personnel to be employed in the internal systems units should possess,
- j) Supervising the measures taken by the senior management and the units reporting to the senior management in response to the matters identified in internal audit reports,
- k) Assessing the professional education levels and qualification of the managers and employees of the internal systems units,
- l) Assessing the existence of methods, tools and implementation procedures necessary for identifying, measuring, monitoring and controlling the risks the Bank is exposed to,

- m) Meeting with the inspectors as well as the independent auditors of the independent audit companies which conduct independent audit process of the Bank within the scope of pre-determined programs and agendas at regular intervals not less than four times a year,
- n) Informing the Board of Directors about the opinions and assessments of the senior management, employees performing risk management, internal control and internal audit functions, and the independent audit company regarding the practices required for the proper execution, ensuring efficiency and improvement of the tasks that are part of their duties and responsibilities,
- o) Reviewing the assessments of the independent audit company with regard to the compliance of the Bank's accounting practices with the Law and other related regulations, soliciting the statement of the senior management regarding the discrepancies identified,
- p) Evaluating the independent audit results, annual and quarterly financial statements and their related documents, and the independent audit report in conjunction with the senior management and the independent auditors and resolving other issues that the independent auditors have reservations about,
- q) Assessing the independence of independent rating agencies, independent audit companies including the ones performing information systems audits, and appraisal firms with which the Bank is considering signing a contract, as well as the independence of the Chairman and Members of their Boards of Directors, auditors, managers and employees in respect of their activities regarding the Bank and the adequacy of the resources assigned to them, presenting a report to the Board of Directors regarding such assessment, repeating these steps at regular intervals not exceeding three months as long as the contract is in effect should the Bank resolve to procure service from them,
- r) Conducting a risk assessment for the support service the Bank is considering procuring, presenting the assessments to the Board of Directors in the form of a report, repeating these steps at regular intervals not less than one time a year as long as the contract is in effect should the Bank resolve to procure service from them, and supervising the adequacy of the services rendered by the support service provider,
- s) Overseeing that the Bank's financial reports contain only the facts and all the information which need to be revealed and that these reports comply with the Law and other related regulations; ensuring that the errors and irregularities identified are corrected,
- t) Consulting with the independent auditors whether the financial reports accurately reflect the Bank's financial position, results of its activities and the Bank's cash flows and whether they are prepared in accordance with the procedures and principles stipulated in the Law and other related regulations,
- u) Not exceeding periods of six months, reporting the activities the Audit Committee has performed during the period and the results of such activities to the Board of Directors, including in these reports the Audit Committee's opinions on the measures that need to be taken and practices that need to be initiated within the Bank as well as other matters significant for being able to continue the Bank's operations in a safe manner,
- v) Supervising whether persons with the authority of extending loans, take part in the evaluation and decision-making stages of the credit transactions involving themselves, their spouses, children under their guardianship, or other real or legal persons that form a risk group with the aforementioned, and establishing the channels of communication through which these matters will be conveyed to them.

The Audit Committee convened 12 times during 2014; during these meetings, the potential risks of the bank, stress tests, scenario analyses, and risk management policies and implementation procedures were discussed. The members of the Committee attended the meetings regularly.

Members of the Audit Committee	Position	Primary Position
Süleyman KALKAN	Chairman	Vice Chairman Independent Board Member
Sadık TILTAK	Member	Independent Board Member

COMMITTEES

Operational Risk Working Committee

This Committee is formed for the purpose of identifying the Bank's transactions that create operational losses and preventing operational losses. The Operational Risk Working Committee meets once a month on a regular basis.

Duties of the Operational Risk Working Committee

- Establishing the procedures for creating the database required to measure the Bank's operational risks in coordination with the related units,
- Ensuring collaboration between units to be able to record, through a standardized coding system, the errors and deficiencies identified by the Board of Inspectors and other control units,
- Undertaking the technical and administrative efforts required to build a database of the operational losses incurred in the previous periods,
- Forming an opinion on the evaluation and rating of operational risks related to the functional activities that are part of the Risk Assessment Matrix,
- Performing all functions regarding tracking, monitoring and preventing all operational risks incurred by the Bank,
- Performing the duties that may arise as a result of developments in the banking laws and regulations.

The Operational Risk Working Committee convened 12 times during 2014. At these meetings, decisions were made regarding the identification of operations that cause operational losses and the prevention of operational losses. The members of the Committee attended the meetings regularly.

Members of the Operational Risk Working Committee	Position	Primary Position
Erdem ÖZDEMİR	Chairman	Head of Risk Management Department (Deputy)
Ali CEBECİ	Member	Head of Internal Control Department
Ergin KAYA	Member	Head of Branch Operations Department
Hakan AYDOĞAN	Member	Head of Foreign Operations Department (Left the Bank on 31.12.2014)
Okan Hasan GÖR	Member	Head of Budget and Performance Management Department
Dursun Ali ALEV	Member	Head of Treasury Operations Department
Kadir YAYLAK	Member	Head of Tax Management and Accounting Department
Ayşegül SAYIN	Member	Head of Technological Architecture Management Department
İ. Öngen AKIN	Member	Head of Delivery Channels Management Department
Barış YETİM	Member	Deputy Head of the Board of Inspectors
Serap Bilge ÇELİK	Member	Department Manager of the Head of Human Resources

Credit Committee

Operating within the authority delegated to it by the Board of Directors, the Credit Committee makes decisions related to new loan allocations and on loan restructuring matters such as maturity extension, increase, change in covenant, and lowering the interest rate for loans. The Committee sets the mandatory rules and principles governing the Bank's credit decisions. Established to perform the credit-related duties assigned by the Board of Directors, the Credit Committee consists of the Bank's General Manager and a minimum of two members elected from among the members of the Board of Directors who possess all of the qualifications required of a General Manager except for the tenure requirement. Two associate members, who also possess all of the qualifications required of a General Manager except for the tenure requirement, are elected from among the members of the Board of Directors to replace any members of the Credit Committee who are unable to attend a meeting.

An affirmative vote of at least three-quarters of the members of the Board of Directors is required to elect the members and associate members of the Credit Committee. The General Manager serves as the Chairman of the Credit Committee. In the absence of the General Manager, a permanent member presides over the Credit Committee. The Chairman of the Credit Committee is responsible for the coordination of the effective and healthy functioning of the Credit Committee's activities.

Duties of the Credit Committee

- a) Enforcing the policies approved by the Board of Directors related to the Bank's lending policy, size of its placement portfolio, and its breakdown by sector, region and loan type,
- b) Making recommendations to the Board of Directors to determine the procedures and principles pertaining to the Bank's lending policies and its lending activities on the basis of the portfolio and real/legal persons,
- c) Ensuring that the loan portfolio is managed in accordance with generally accepted credit risk management principles,
- d) Delegating some of its duties and authorities as needed provided that the limit and scope are expressly set out; however, the Committee may not delegate its authority with regard to open credit transactions, except for retail loans, and it shall oversee and supervise the actions of the bodies to which it delegated its authority,
- e) Carrying out the authorities and duties delegated by the Board of Directors.

The Credit Committee convened 48 times and made 1,126 decisions in 2014. The members of the Committee attended the meetings regularly.

Members of the Credit Committee	Position	Primary Position
Ali Fuat TAŞKESENLIOĞLU	Chairman	Board Member and General Manager
Dr. Ahmet YARIZ	Member	Board Member
İsmail Erol İŞBİLEN	Member	Independent Board Member

Assets and Liabilities Committee (ALCO)

The Committee was formed to set the policies regarding the management of the Bank's assets and liabilities and the movement of funds within that scope, and to take and implement the decisions regarding the management of the Bank's balance sheet to be executed by the related units.

Duties of the Assets and Liabilities Committee

Deliberating and evaluating the financial structure, portfolio, budget, loan and deposit interest rates of the Bank; developments in the money and capital markets; and the developments taking place in the Bank itself and in other banks.

ALCO meets regularly once a week, but at minimum once a month, on the date and at the place determined by the Chairman of the Committee. ALCO meetings begin with the discussion of the agenda items put together by the Committee Chairman. Upon invitation by the Committee, Deputy General Managers and other officials may attend these meetings to obtain information and/or offer opinions. The decisions and practices adopted in previous meetings are evaluated at these meetings, after which the decisions to be made and the practices to be adopted are identified. The decisions made and practices to be adopted are submitted to the General Manager for approval to be transmitted to the related Deputy General Manager.

COMMITTEES

The Assets and Liabilities Committee convened 52 times in 2014. The members of the Committee attended the meetings regularly.

Members of the Assets and Liabilities Committee	Position	Primary Position
Ali Fuat TAŞKESEN LİOĞLU	Chairman	Board Member and General Manager
Murat OKTAY	Member	Deputy General Manager of Corporate and Commercial Marketing
Mehmet Akif AYDEMİR	Member	Deputy General Manager of Loan Allocation and Management
Erdal ERDEM	Member	Deputy General Manager of Artisans-SME Banking
Hasan ÜNAL	Member	Deputy General Manager of Retail Banking
Mehmet Sebahattin BULUT	Member	Deputy General Manager of Loan Policies and Risk Monitoring
Mehmet Hakan ATILLA	Member	Deputy General Manager of International Banking
Murat UYSAL	Member	Deputy General Manager of Treasury Management
Salim KÖSE	Member	Deputy General Manager of Legal Affairs and Proceedings
Mustafa AYDIN	Member	Deputy General Manager of Financial Management and Planning
Mustafa SAVAŞ	Member	Deputy General Manager of Deposit Management

Corporate Governance Committee

The Corporate Governance Committee oversees the Bank's compliance with the Corporate Governance Principles, identifies conflicts of interest that may arise in this matter, and undertakes improvement efforts. The Chairman of the Corporate Governance Committee is appointed by the Board of Directors from among its independent and non-executive members. The date and location of the Corporate Governance Committee meetings are determined by the Committee Chairman. Upon invitation by the Committee Chairman, other officials may attend these meetings to obtain information and/or offer opinions.

Duties of the Corporate Governance Committee

Overseeing the Bank's compliance with corporate governance principles, carrying out activities to make improvements in this area and presenting opinions to the Board of Directors in accordance with the "Regulation on the Corporate Governance Principles for Banks" published by the Banking Regulation and Supervision Agency and the "Corporate Governance Principles" published by the Capital Markets Board. It also oversees the activities of the Investor Relations Department. The Corporate Governance Committee also fulfills the functions of the Nomination Committee as outlined in the Corporate Governance Communiqué.

The Corporate Governance Committee convened four times during 2014.

Members of the Corporate Governance Committee	Position	Primary Position
Sadık TILTAK	Chairman	Independent Board Member
Dr. Nurzahit KESKIN	Member	Board Member
Yunus KARAN	Member	Board Member
Mustafa AYDIN	Member	Deputy General Manager of Financial Management and Planning
Mehmet Hakan ATILLA	Member	Deputy General Manager of International Banking
Assoc. Prof. Dr. Şahap KAVCIOĞLU	Member	Deputy General Manager of Human Resources and Organization
Erdal ÇELİK	Member	Head of the Human Resources Department
Yusuf Duran OCAK	Member	Head of Financial Accounting and Reporting Department

Compensation Committee

The Compensation Committee was established pursuant to the Board of Directors Resolution No. 41-32 dated December 27, 2011 for the purpose of supervising and overseeing the Bank's compensation policies on behalf of the Board of Directors. The Committee is comprised of at least two non-executive Members of the Board of Directors.

The Compensation Committee convened once during 2014. The members of the Committee attended the meetings regularly.

Members of the Compensation Committee	Position	Primary Position
İsmail Erol İŞBİLEN	Chairman	Independent Board Member
Dr. Nurzahit KESKİN	Member	Board Member

Board of Directors

The Bank is governed and represented by the Board of Directors in accordance with the Turkish Commercial Code, Banking Legislation, Capital Market Law, other related laws and regulations, and the Bank's Articles of Association.

The Board of Directors has the ultimate oversight authority over whether individuals with managerial duties comply with the laws, the Bank's Articles of Association, internal by laws, and the written instructions of the Board of Directors.

The Board of Directors is comprised of nine (9) members. The members of the Board of Directors are elected by the General Assembly of shareholders.

At its first meeting following the swearing-in ceremony, the Board of Directors appoints one of its members as the Chairman of the Board of Directors and one as the Vice Chairman. The Chairman presides over the Board of Directors. When the Chairman is not present, the Vice Chairman presides over the Board of Directors.

The independent members who will serve on the Board of Directors are determined in accordance with the provisions of the Capital Market Law and Banking Legislation.

The Board of Directors convenes at the request of the Chairman of the Board of Directors or the Vice Chairman or a Board member. The Board is obligated to convene at least once a month.

As a rule, the Board of Directors meetings are held in the province where the Head Office of the Bank is located. However, it is possible to have the meetings elsewhere if a simple majority of all members agree to do so.

Board of Directors meetings can be conducted in a physical and/or an electronic environment. As per Article numbered 1527 of the Turkish Commercial Code, those who have the right to attend the Bank's Board of Directors meetings may choose to do so electronically. Pursuant to the provisions of the "Communiqué on Board Meetings at Corporations Other Than Joint Stock Company General Assembly Meetings To Be Held in Electronic Environment," the Bank may establish an electronic meeting system that permits the rights holders to attend these meetings and to vote in an electronic environment or it may opt to procure the service from systems that are created for this function. The Bank shall ensure that stakeholders will be able to exercise their rights as stipulated in the relevant laws, rules and regulations under the provisions of the Communiqué at the meetings either through the system established in accordance with the relevant provision of the Articles of Association or through an externally procured system.

COMMITTEES

The agenda of the Board of Directors is set by the Chairman or Vice Chairman calling the meeting at least 24 hours prior to the meeting and it is delivered to the members along with the meeting invitation by the Board of Directors Secretariat Services Department. In the event of an emergency, items may be added to the agenda upon the request of the Chairman of the Board of Directors; members of the Board of Directors may also make a motion on the issues that require a Board resolution to be passed.

The motions that are part of the Board of Directors meeting agenda, as well as all related attachments, shall be transmitted to the Board of Directors Secretariat Services Department by the member making the motion up to the time when the agenda is finalized. The motions that will be taken up as part of the Board of Directors agenda are presented to the Chairman, Vice Chairman and members of the Board of Directors as well as to the General Manager by the Board of Directors Secretariat Services Department.

If the subject of an agenda item is proposed by the Chairman, Vice Chairman and/or a member of the Board of Directors, the subject is converted into a motion by the Board of Directors Secretariat Services Department, signed by the member(s) of the Board of Directors making the motion and presented to the Board of Directors.

A motion that falls within the authority of the Credit Committee but cannot be resolved by the Committee with a unanimous vote is presented to the Board of Directors with all related attachments via the Board of Directors Secretariat Services Department.

The quorum for convening a Board of Directors meeting is a simple majority of the total number of members; the Board passes resolutions with the affirmative votes of a majority of the members in attendance at the meeting.

Unless a member requests a deliberation, Board of Directors resolutions can also be passed by obtaining the written approval of a simple majority of the full membership of the Board of Directors for a motion made by a member, provided that all members of the Board of Directors were notified of the motion.

The Board of Directors convened 53 times and passed 855 resolutions in 2014.

EXECUTIVES OF THE INTERNAL SYSTEMS UNITS

Head of the Board of Inspectors: Ali Ulvi SARGON

Tenure in Current Position	Professional Experience and Position	Education
5 months	25 years - The Head of Audit Committee	Bachelor's Degree from Turkey

Head of Internal Control Department: Ali CEBECİ

Tenure in Current Position	Professional Experience and Position	Education
5 months	19 years - Head of Internal Control Department	Bachelor's Degree from Turkey

Head of Risk Management Department: Erdem ÖZDEMİR (Deputy)

Tenure in Current Position	Professional Experience and Position	Education
5 months (acting viewed times)	14 years - Head of Department at T. Halk Bankası A.Ş.	Bachelor's Degree from Turkey

REPORT OF THE BOARD OF DIRECTORS

2014 was a year in which the global economic growth remained sluggish. Even as the US economy embarked on a path of recovery, the economic fragility of the Euro Zone continued and growth lost steam in developing economies.

The Turkish economy was indeed affected by these global economic developments; however, the stability achieved and measures implemented by the economy management administration ensured an uninterrupted growth performance throughout the year. The banking sector also preserved its robust structure.

As the bank of 'Productive Turkey,' Halkbank continued to offer innovative products and services to customers thanks to 76 years of experience in the industry. Having made significant gains in retail banking with Paraf, Halkbank also signed agreements with international financial corporations to support SMEs and continued to contribute to the real economy in 2014.

In 2014, Halkbank managed to revolve its syndicated loan worth € 511.5 million and US\$ 112 million through a consortium in which 34 banks from 17 countries participated, and carried out its third overseas bond issuance (Eurobond) with a nominal value of US\$ 500 million. Furthermore, the Bank issued bonds with a total nominal value of TRY 2.75 billion.

In 2014, Halkbank, increased its assets from TRY 139.9 billion to TRY 155.4 billion, up 11.1% compared to the same period of the previous year.

As of 2014 year-end, Halkbank redirected the major part of its resources for loans. The portion of the loans in the balance sheet was 65.5%. Commercial loans, including SME loans, which rose to TRY 76.5 billion and retail loans which amounted to TRY 25.2 billion. The volume of cash and non-cash loans increased by 20.3% over the prior year, going up from TRY 111.9 billion to TRY 134.5 billion.

In 2014, the securities portfolio of the Bank totaled TRY 26.8 billion, decreasing by 6.0% compared to the previous year. Meanwhile, the portion of the portfolio in the balance sheet was 17.3%.

Total deposits of the Bank went up from TRY 100.8 billion to TRY 103.7 billion increasing 2.9%. Moreover, the Bank's total amount of demand deposits which was TRY 18.7 billion in 2013, reached TRY 21.6 billion in 2014, increasing 15.3%.

In 2014, the Bank's capital adequacy ratio stood at 13.6%, average return on equity at 14.4% and average return on assets at 1.5%.

2014 year-end profit of Halkbank totaled TRY 2.2 billion and the Bank to maintained its sustainable profitability.

Opening 23 new branches in 2014, Halkbank increased the total number of its domestic branches to 895 and completed the year with its 17,314 employees.

Having evaluated that our Bank's widespread branch network and its brand recognition all across Turkey will create an important opportunity for a vast number of customers who wish to receive interest free banking services, we have started the procedures for establishing a participation bank. We are planning to finance the initial capital of the participation bank with the funds that will be provided from the capital increase of Halkbank.

In order to benefit from the bancassurance experience of world-renowned insurance companies, and to provide higher quality insurance services to our clients, Halkbank decided to sell off shares in its current insurance company via Privatization Administration. In this regard, as per the resolution dated December 29, 2014 of the Supreme Privatization Board (ÖYK), the Privatization Administration has made the public tender announcement as regards the block sale of the shares on January 19, 2015, and the process continues.

With its 76 years of experience and knowhow, Halkbank maintained consistent growth in 2014, having a profitable and productive operating year. For their dedicated work, we would like to thank our employees who accompanied us in reaching these results. We hereby present the Board of Directors' Report, Audit Board Report and the financial reports of Halkbank regarding 2014, for the review of our distinguished shareholders and their representatives.

Best Regards,

Ali Fuat TAŞKESENLIOĞLU
Board Member
General Manager

Hasan CEBECİ
Chairman

HUMAN RESOURCES PRACTICES

Recruitment and Hiring

Taking into account the developments in the sector, developments that affect recruitment, qualitative changes in human resources, and budget opportunities, the Human Resources Department is responsible for planning how and from which resources, internal or external, the Bank's workforce needs will be supplied for the coming year. Candidates to be hired are expected to possess the following general qualifications, although special qualifications may be sought depending on the position for which a candidate applies.

- Being a Turkish citizen or possessing a work permit obtained from the official bodies in accordance with Law No. 4817 on Work Permits for Foreign Nationals,
- Not being devoid of public rights,
- Not having any compulsory service obligations to any company or organization,
- Being at least 18 years of age as of the date of the examination,
- Being no more than 30 years of age at the time of the commencement of employment for the positions of Assistant Inspector, Assistant Specialist, Service Officer and titles below these (this age limit may be changed upon approval of the Board of Directors for special positions),
- Excluding negligent offenses and suspended convictions apart from the offenses listed below, not having been sentenced with heavy imprisonment or imprisonment for more than six months or even if they have been pardoned, in relation to the following offenses: crimes against the state, infamous or disgraceful offenses such as embezzlement, peculation, extortion, bribery, theft, fraud, forgery, abuse of faith, fraudulent bankruptcy or smuggling except for employment or consumption smuggling, rigging of official tenders or auctions, money laundering or disclosing state secrets,
- Not having been banned from working at banks in accordance with the Banking Law,
- Having completed or deferred military service as of the date of the examination or to be exempt from such military service obligation,
- Except for those who will be employed within the scope of the requirement set out by the Labor Law on the mandatory employment of disabled persons, being in good health as required by the position of employment and not having any mental or physical disabilities that may prevent the individual from doing permanent work in any part of Turkey,
- For Assistant Specialist and Service Officer positions, having graduated from a four-year undergraduate program offered by a university or academy or being a graduate of an equivalent accredited school overseas; for lower-rank positions, being a high school graduate or a graduate of a high-school equivalent institution,
- Possessing the basic qualifications stipulated in the related article of the Banking Law.

Job Applications

Vacant positions at the Bank are announced via newspaper and magazine advertisements as well as on human resources web sites and Halkbank's web site. These announcements clearly state the relevant information about the examinations that will be held for the positions. Those who pass the examination are interviewed when necessary to determine whether they possess the knowledge and experience required by the position.

HUMAN RESOURCES PRACTICES

Promotion

There are two types of promotion at Halkbank: promotion in title and/or promotion in position. The minimum requirements to be met by the employees to be promoted to a higher title and/or position from their current title and/or position are as follows:

- The availability of a vacant title and/or position to which the employee will be promoted,
- To have completed the minimum term of office in the current title and/or position, if applicable,
- To have achieved the necessary level of success at the end of the performance review,
- To hold the minimum education level and competencies required by the position and/or title to which the employee will be promoted,
- To have successfully completed the courses and/or seminars to which the employee will attend/attended in relation to the title and/or position to which the employee will be promoted,
- Not to have received a title/position demotion in accordance with a Disciplinary Board decision within the two years prior to the promotion exam/promotion evaluation.

Performance Management

The performance management system that is used actively at the Bank allows Halkbank to link corporate performance to individual performance and to measure it at individual level. Performance management is administered concurrently in two main avenues: numeric rating and competency evaluation. The performance evaluation results are used actively in the bonus system and training planning.

TRANSACTIONS WITH THE RISK GROUP

The details and related notes of the transactions the Bank carried out with its risk group in 2014 are provided in footnote VII of Section Five of the Non-Consolidated Independent Auditor's Report.

INFORMATION ON SUPPORT SERVICES PROVIDERS

Under the "Regulation on Bank's Procurement of Support Services," Halkbank procured the following support services provided by the companies listed below:

- PayGateSearch services provided by Fineksus Bilişim Çözümleri Ticaret A.Ş.,
- Business continuity and disaster recovery services provided by IBM Global Services, İş ve Teknoloji Hizmetleri ve Tic. Ltd. Şti.,
- Software development and maintenance services for internet and telephone banking provided by V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizmetleri Ticaret A.Ş.,
- Call Center Project software development and maintenance services provided by Asseco See Teknoloji A.Ş.,
- Operation, maintenance, technical support and software development services provided by GMG Bilgi Teknolojileri Ltd. Şti.,
- ID Management System Product license purchase, and maintenance and support services from Bilgi Birikim Sistemleri Elektronik and Bilgisayar Endüstrisi Müh. Hiz. San. Tic. Ltd. Şti.,
- Mobile Banking software development and maintenance services provided by Aradiom İletişim Bilgisayar Telekomünikasyon Elektronik Teknolojileri San. ve Tic. Ltd. Şti.,
- Information Technology Service Management Project maintenance and support services provided by Vizyon Bilgi Teknolojileri ve Yayıncılık Ltd. Şti.,
- Demand and SLA management service provided by Signum Teknoloji Tanıtım ve Eğitim Ltd. Şti.,
- Security guard staffing service needed by the Bank's units provided by Başkent Güvenlik Hizmetleri Ltd. Şti.,
- Security guard staffing service needed by the Bank's units provided by KRL Özel Güvenlik Koruma ve Eğitim Hizmetleri Ltd. Şti.,
- Credit card, debit card and member business information systems software service provided by Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.,
- Payment card systems and alternative delivery channels operations service provided by Bilişim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.,
- Call Center and Operations Center staffing service provided by KRM Yönetim Danışmanlık A.Ş.,
- Call Center and marketing operations-related outbound calling service provided by CMC İletişim Bilgisayar Reklam ve Danışmanlık Hizmetleri A.Ş.,
- Call Center and marketing operations-related outbound calling service provided by Global Bilgi Pazarlama Danışmanlık ve Çağrı Servis Hizmetleri A.Ş.,
- Call center and marketing operations-related outbound calling service provided Sonoklik İletişim Hizmetleri ve Ticaret A.Ş.

PROFIT DISTRIBUTION POLICY

During its dividend distribution processes, the Bank complies with the Turkish Commercial Code, Banking Law, Capital Markets Law, other applicable legislation and its Articles of Association.

The profit distribution policy is laid out by the Board of Directors and later submitted for approval to General Assembly, before being disclosed to the public and issued on the corporate web site.

The Bank shall distribute at least 5% of its distributable net profit for the period to shareholders in the form of cash and/or bonus shares. The profit share to be given to those individuals outside the shareholders is disclosed in the Board of Directors' profit distribution proposal.

Halkbank determines the most appropriate profit distribution policy by taking into consideration its capital adequacy ratio, equity capital, lending plans, market developments, and investor requests. The Bank drafts its profit distribution proposal in accordance with the profit distribution policy and in line with the provisions of the Articles of Association and subsequently presents this proposal to the General Assembly for approval.

The profit distribution date is set by the General Assembly upon the suggestion of Board of Directors. The General Assembly may accept the date suggested by the Board of Directors or set another date within the legal deadline.

The Bank does not pay any dividend advance.

REPORT OF THE SUPERVISORY BOARD

SUPERVISORY BOARD REPORT REGARDING 2014 ACTIVITY AND FISCAL YEAR OF TÜRKİYE HALK BANKASI A.Ş.

Our Supervisory Board analyzed the Bank's 2014 activities and discovered the following:

- The Bank has paid-in capital of TRY 1,250 million; The Bank's equity capital was TRY 14,146 million as of 2013 year-end and reached TRY 16,536 million as of 2014 year-end increasing by 16.9%.
- It was understood that; the Bank had decided to increase its paid in capital by TRY 1 billion in order to finance the initial capital of the participation bank, and the preliminary approval for establishing the participation bank had been received from the Banking Regulation and Supervision Agency, and procedures continued to get banking license and to structure the juridical nature of the participation bank.
- The asset size of the banking sector which was TRY 1,732,401 million as of 2013 year-end, totaled TRY 1,994,238 million as of 2014 year-end, increasing 15.1%; The credit volume which was TRY 1,047,410 million as of 2013 year-end totaled TRY 1,240,725 million as of 2014 year-end, increasing 18.5%; Total Securities amounted to TL 302,266 increasing 5.4%. Total deposits which were TRY 945,770 million as of 2013 year-end amounted to TRY 1,052,693 million as of 2014 year-end, increasing 11.3%; The ratio of non-performing loans/total loans was 2.9% decreasing by 10 basis points compared to 2013.
- The asset size of the Bank totaled TRY 155,423 million as of 2014 year-end, increasing 11.1% compared to the previous year; The loans of the Bank totaled TRY 99,209 million, increasing 19.0%; The total securities of the Bank totaled TRY 24,433 million decreasing 9.4%; Total deposits of the Bank amounted to TRY 103,330 million, increasing 2.9% and the ratio of non-performing loans/total loans was 3.6%.
- In 2014, the Bank renewed the syndicated loan of € 511.5 million and US\$ 112 million, with the participation of 34 banks from 17 countries.
- In 2014, the Bank issued bank bond with a total nominal value of TRY 2.75 billion, and issued its third bond (Eurobond) with a nominal value of US\$ 500 million and a maturity of five years with fixed interest rate.
- Total loans/total assets ratio - one of the components that determines the quality of the assets - was 63.8% as of 2014 year-end (as of 2014 year-end sector average was 62.2%) while the deposit to loan ratio in 2014 was about 96.0% (as of 2014 year-end sector average was 117.9%). Furthermore our Bank increased the volume of the loans it has provided for financing the SMEs - the driving power behind our country's growth by 27.7% compared to 2013.
- In 2014, the Bank's capital adequacy ratio was 13.62% - above the legal limits stipulated by the Banking Regulation and Supervision Agency - while the capital adequacy ratio of the sector was 16.3% as of 2014 year-end; in 2014, the Bank's return on equity was 14.4% - above the sector average - while sector average was 12.2% as of 2014 year end. As of the end of 2013, net profit of the bank decreased by 19.8% and it was TRL 2,206 million at 2014 year-end.
- As of 31st of December 2014 and the second slice of the term, the Bank's overall liquidity adequacy ratio which must be minimum 100% was 105.86% and the FX liquidity adequacy ratio which must be minimum 80% was 137.96%; the Bank does not have any problems with regards to its liquidity structure.

REPORT OF THE SUPERVISORY BOARD

- The Board of Directors has decided to authorize the General Manager's office for the sale of some or its entire direct or indirect stake in its subsidiaries Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. via the intermediation of the Privatization Administration. The Privatization Administration has made the public tender announcement as regards the block sale of the shares on January 19, 2015 and the process continues.
- All books and records that the Bank is obliged to keep pursuant to all relevant provisions of legislation were kept in accordance with the legal requirements. Records and certified documents were stored properly, and the accounting and reporting systems were operated appropriately and effectively.
- The resolutions regarding the management of the Bank were recorded in the duly kept minutes book of the Board of Directors.
- The Bank's internal control, risk management and internal audit systems were operated appropriately and effectively through centralized and on-site audits.
- In order to improve the performance, effectiveness and efficiency of the Bank and its employees, an internal stakeholder satisfaction survey was made.
- In 2014, the Bank opened 23 new branches while continuing its activities for growth; it also increased the total number of its service units to 902.
- In 2014, in order to meet the Bank's human resources need, 3,325 new staff members were recruited. The number of retiring staff members was 321 while the number of staff members leaving the Bank for other reasons was 487 (808 in total). In 2014, the total number of employees increased and reached 17,314 as the ratio of personnel expenses in total expenses reached 18.1% in 2014 (15.8% in 2013).
- In 2014, the ratio of employees with a higher education degree in the Bank reached 82.2%, (sector average 82.7%) increasing by 150 base points compared to previous year.
- In 2014, the total employees/day ratio regarding the Bank employees' attendance on-the-job trainings and classroom trainings was 8.95 and 13,023 employees received on-the-job training.

In conclusion; we submit the Supervisory Board Report that we have prepared pursuant to Article N.31 of the Bank's Articles of Association for the information of the General Assembly.

Ankara, February 24, 2015

Best Regards,

Ali ARSLAN
Member of the Supervisory Board

Faruk ÖZÇELİK
Member of the Supervisory Board

*Excluding rediscount.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Statement of Compliance with Corporate Governance Principles

Halkbank has implemented, since its initial public offering in May 2007, the principles set out in the "Corporate Governance Principles" published by the Capital Markets Board of Turkey. Halkbank achieved compliance with the regulations stipulated in the Turkish Commercial Code regarding Corporate Governance. Furthermore, the Bank significantly implements all policies and precautions and progressively continues its activities in this field.

The Bank is subject to the provisions of the corporate governance structures, processes and principles set forth in the "Regulation on Corporate Governance Principles for Banks" published by the Banking Regulation and Supervision Agency of Turkey (BRSA).

Since 2011, Halkbank has been provided with rating services on the issue of Compliance with Corporate Governance by SAHA Corporate Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services Inc. - authorized by the CMB). Concurrently, the Bank has been included in the top ranked stocks of BIST Corporate Governance Index. While the rating grade of the Bank was 8.72 over 10 in 2013, the Bank managed to improve its rating grade up to 9.19 in 2014.

PART I - SHAREHOLDERS

2. Shareholder Relations Unit

Some 24.98% of the Bank's outstanding shares began to be traded on the Borsa Istanbul as of May 10, 2007. Since that date, the Bank has been carrying out its activities in accordance with the provisions of the Corporate Governance Principles published by the Capital Markets Board. Halkbank's free-float ratio rose to 48.90% following the secondary public offering in November 2012.

As announced via Public Disclosure Platform within the scope of the 11th Article of the Corporate Governance Communiqué and as per the provision stipulating that the Director of the Investor Relations Department must have a Level 3 Capital Market Activities License and Corporate Governance Rating License, and must be a full-time working director within the Corporation and must be appointed as a member of the Corporate Governance Committee; As part of this effort, the shareholder relations function of the Bank is executed by the Financial Institutions and Investor Relations Department and the Financial Accounting and Reporting Department as a Head Office function. The Investor Relations Unit which is formed from the Financial Institutions and Investor Relations Department, is responsible for establishing institutional relations with domestic and foreign investors that invest in equities. The other unit responsible for conducting relations with shareholders is the Shareholders Unit that is organized under the Financial Accounting and Reporting Department. Both departments are represented in the Corporate Governance Committee and report all information regarding their activities to this committee. The Bank conducts shareholder relations with a very active organization. Mr. Mehmet Hakan ATILLA is the Assistant General Manager in charge of the Investor Relations Unit and Mr. Yusuf Duran OCAK is the Head of the Department that controls the Shareholders Unit while both are Bank's Corporate Governance Committee Members and Investor Relations Department Directors.

As the Investor Relations Unit continued its efficient communication efforts throughout 2014, participation was achieved in two international promotional organizations (roadshows) and 13 international one-on-one meeting organizations in and outside the country. Some 1,388 investors-analysts were contacted - 299 at the international organizations, 369 at the Bank headquarters, 419 via teleconference and 301 by electronic mail or phone - and 6,649 questions were answered. The questions were mainly about the Bank's financial structure, profitability/productivity situation, sectoral position, growth strategies, administrative structure, future expectations and about the country's economic and political structure.

In 2014, approximately 250 information requests - some of which were sent in writing to the Shareholders Unit under the structure of the Financial Accounting and Reporting Department, and some of which were sent via Halkbank Dialog and electronic mail - were answered. On average, 10 shareholders per day are given information on the phone.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Financial Accounting and Reporting Department:

Name	Position	E-mail	Telephone
Yusuf Duran OCAK	Head of Department	YusufDuran.OCAK@halkbank.com.tr	+90 3122893001
Tuğba ÇETİN ÖZBEN	Director	Tugba.CETINOZBEN@halkbank.com.tr	+90 3122893005
Zafer ERDEM	Senior Specialist	Zafer.ERDEM@halkbank.com.tr	+90 3122893021
Arda EDİRNE	Specialist	Arda.EDİRNE@halkbank.com.tr	+90 3122893041
Sevil Didem GÜVEN	Specialist	SevilDidem.GUVEN@halkbank.com.tr	+90 3122893027

Primary Activities of the Department:

- Facilitating the exercise of shareholder rights and conducting the relationships between the Board of Directors and the shareholders,
- Maintaining and updating shareholder records,
- Responding to written requests from shareholders,
- Carrying out the Bank's capital increase-related tasks,
- Fulfilling the legal and regulatory requirements regarding the General Assembly meetings,
- Publishing the material event disclosures,
- Preparing annual and interim reports.

Financial Institutions and Investor Relations Department:

Name	Position	E-mail	Phone
Mehmet Hakan ATILLA	Deputy General Manager	MehmetHakan.ATILLA@halkbank.com.tr	+90 2165035900
Elvan ÖZTABAK	Head of Department	Elvan.OZTABAK@halkbank.com.tr	+90 2165035950
Lena ÇİTELI	Division Manager	Lena.CITELI@halkbank.com.tr	+90 2165035902
Aslı ERBAY	Specialist	Asli.ERBAY@halkbank.com.tr	+90 2165035910

Primary Activities of the Department:

- Contributing to the positive evaluations about the Bank by organizing meetings in and outside the country with investors and analysts,
- Instructing the related units to make the necessary updates (in English and Turkish) at the Bank's website on the Investor Relations page, and announcing the developments about the Bank,
- Releasing information to investors and analysts about the Bank's quarterly financial results, preparing presentations and documents about the financial results, and having these posted on the website,
- Keeping track of the developments regarding the banking industry and performances of the competitor banks, and informing the top management.
- Closely monitoring the stock performance of the Bank, and informing the top management,
- Keeping track of the daily news on the media about the banking sector, global markets, economic developments, competitor banks and Halkbank,
- Answering the questions coming from the investors and analysts, and classifying the correspondence,
- Organizing teleconference or one-on-one meetings with the investors and analysts,
- Participating to nationwide and foreign roadshows.

3. Exercise of Shareholders' Right to Obtain Information

In order to facilitate the exercise of shareholders' right to obtain information effectively, all changes that may impact the financial and organizational structure of the Bank are announced on the Bank's web site and on the Public Disclosure Platform. In addition, requests for information communicated to the Bank's units via telephone, mail or e-mail are responded to as soon as possible.

Questions received by phone or e-mail about the General Assembly Meetings, capital increases, dividend payments are answered. Furthermore, written answers are given to the shareholders and other third parties who make information requests such as annual report request and etc. The Investor Relations Unit promptly answers the questions received by phone or e-mail from the existing and/or potential investors, bank analysts and rating companies. Furthermore, the unit answers the questions regarding the Bank's administrative and financial structure by organizing one-on-one and/or group meetings.

Bank's website, set up both in Turkish and English (www.halkbank.com.tr), is updated regularly. The corporate profile, Corporate Governance, financial information and annual reports, media announcements, and information regarding the sustainability, and the products and applications that create value in the economy are given on the website.

The Bank's Articles of Associations do not provide for the appointment of special auditors as an individual right; no requests were received to date for the appointment of special auditors.

4. General Assembly Meetings

An Ordinary General Assembly Meeting was held during the fiscal year on March 31, 2014 with a participation rate of 73.23% of the Bank's share capital. The announcements for the meeting were published, 3 weeks earlier according to Capital Market Law No. 6362, in the Trade Registry Gazette of Turkey, two national newspapers, Public Disclosure Platform, the Central Registry Agency (CRA) EGKS and the Bank's web site. The meeting announcements were made in accordance with the provisions of the Laws and the Articles of Association.

The Bank's annual report and informational documents were made available to the shareholders prior to the General Assembly for their information and review. Background information on the members of the Board of Directors was disclosed via the Bank's website after the meeting. In addition, as per the Corporate Governance Communiqué that recently took effect, information on candidates for seats on the Board of Directors could not announce to the shareholders prior to the General Assembly meeting. Besides; information regarding all Members of the Board of Directors was given on the Bank's website after the General Assembly.

Shareholders exercised their right to ask questions during the General Assembly meetings and the Bank's management team responded to these questions. There is no provision in the Articles of Association stipulating that the General Assembly Meetings should be open to public including the stakeholders and media but without giving them right to speak in order to prevent any delays and to finish the meeting on time. Shareholders didn't submit a written agenda item proposal.

Information regarding the charitable contributions and donations made during the year and their beneficiaries was included as a separate agenda item at the General Assembly meeting and it was presented to the General Assembly.

The minutes of the General Assembly Meetings are made available to the shareholders on the Bank's web site and at the Shareholders Unit. In addition, the minutes of the Ordinary General Assembly Meeting of the Bank, that was held on March 31, 2014 have been published on the Bank's web site and the Public Disclosure Platform, the Central Registry Agency (CRA) EGKS and the Bank's web site.

5. Voting Rights and Minority Rights

There are no privileged shares in the shares of the Bank. The Bank does not have any cross-shareholding relationship with any company that has voting rights in the General Assembly. Minority shares are not represented in the Bank's management. There is no provision in the Articles of Association stipulating that the shareholders who own a portion less than one twentieth of the capital should be given minority rights.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

6. Dividend Right

The procedures and principles governing the Bank's profit distribution are stipulated in Article 35 of the Bank's Articles of Association. The Bank's profit distribution policy is announced to the public on the Bank's web site. In previous years, the portion of the distributable profit remaining after setting aside legal reserves has been paid to the shareholders as dividend. After the profit distribution policy is determined by the Bank's Board of Directors, it is presented to the General Assembly for approval and dividend is distributed to the shareholders within the timelines set out in the regulations. A dividend was paid to the Bank's shareholders pursuant to a resolution passed in the Ordinary General Assembly Meeting held on March 31, 2014. The Bank's profit distribution policy for the period ahead will be determined in light of Halkbank's equity position and the economic developments. There is no privilege in participating of the Bank's profit.

7. Transfer of Shares

The Bank's Articles of Association do not contain any restrictions regarding the transfer of shares.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

Pursuant to the "Communiqué on the Principles of Material Event Disclosures" published by the Capital Markets Board of Turkey, the Bank's Disclosure Policy, which was prepared for the purpose of disseminating information to the public within the framework of the Corporate Governance Principles, was drawn up in accordance with the legislation provisions. Within this scope, The Bank's Disclosure Policy is carried out by the following units.

Name	Position	Unit
Yusuf Duran OCAK	Head of Department	Department of Financial Accounting and Reporting
Elvan ÖZTABAK	Head of Department	Department of Financial Institutions and Investor Relations
Yalçın KAYA	Head of Department	Department of Publicity and Public Relations

Halkbank's Information Disclosure Policy, which sets out and defines four principal methods through which all stakeholders including shareholders, potential investors and the public at large are assured of having timely, accurate and complete information about the Bank, has been posted on the Bank's website.

Since the disclosure to be made by the Bank has the potential significance to impact the decision-making process of investors, it is essential for Halkbank that such disclosure reflects the latest, transparent, objective and accurate information. As part of this policy, the independently-audited quarterly financial statements and financial results presentations are announced through press releases as well as in the Investor Relations/Financial Information section of the Bank's web site. Following the earnings announcements, Halkbank holds conference calls to discuss its quarterly financial performance, to provide guidance for its future performance and to inform stakeholders about the realization of the targets and expectations stipulated during the past periods.

9. The Bank's Internet Site and Its Contents

Bank's web address, www.halkbank.com.tr is structured in conformity with the CMB Corporate Governance Principles' "Public Disclosure and Transparency" Section 2.1. Corporate Website provision. Trade Registry information, shareholders' and management structure, the Articles of Association, disclosure of material matters, Annual and interim reports, financial reports, General Assembly meeting agenda, attendance list and meeting minutes, power of attorney, and the Bank's policies and code of ethics are available on this website. Furthermore, a webpage is also available in English for international investors.

10. Annual Report

Halkbank's Annual Report is generated in accordance with the Corporate Governance Principles and disclosed to the public.

PART III - STAKEHOLDERS

11. Informing the Stakeholders

All information that may have an impact on the Bank's financial and organizational structure is published on the Public Disclosure Platform and on the Bank's web site. In addition, in response to individual requests, questions about the Bank are answered through face-to-face meetings, road shows, in-person meeting organizations, phone calls, teleconferences and e-mails. All stakeholders can refer to the related sections of the Public Disclosure Platform or the Bank's web site or other means of communication to reach this information.

Employees are informed about the Bank's activities when deemed necessary using intra-company channels of communication. (i.e. electronic announcements, magazine, website). In addition, meetings are held to assess the Bank's targets and strategies for managers and employees on a periodic basis. Stakeholders can refer the Bank's activities that are in breach of related laws or regulations or rules of ethics to the Corporate Governance Committee and the Audit Committee through intra-company as well as other channels of communication.

12. Stakeholders' Participation in Management

Stakeholders' rights to participate in the Bank's management are safeguarded within the framework of the related laws, regulations and the Articles of Association. The Bank's operating principles and relationships with customers are carried out in accordance with the defined principles of ethics.

Problems, requests, opinions, suggestions and complaints about products and services delivered to customers are communicated to the Bank via phone, fax, mail, branch, and e-mail channels as well as through the Head Office units and official bodies. Using certain procedures, requests, opinions, suggestions and complaints communicated to the Bank are processed, evaluated and as a result feedback is provided as soon as possible.

Halkbank strives to deliver all banking services effectively and efficiently to continuously create value-added for its customers, shareholders and employees. As part of this effort, the Bank has developed a Quality Recommendation System for the purpose of improving the business processes and delivering more efficient and higher quality services. Employees are also encouraged to participate in management within the scope of this system. Employees submit their suggestions through this system and the suggestions that conform to the evaluation criteria are implemented.

13. Human Resources Policy

Halkbank's Human Resources Policy is carried out based on the following core principles:

- Valuing and respecting the personality of the employees, ensuring the safeguarding of their material and non-material rights,
- Providing a safe working environment appropriate for the nature of the work being performed,
- Providing a working environment and opportunities to establish social relations that will increase employee's desire and capacity to work,
- Providing employees with fair and equal work, training and development opportunities commensurate with their talents,
- Informing employees promptly on the issues that are of interest to them and being open to communication in order to allow personnel to convey their opinions and ideas to the management easily,
- Ensuring that employees work with a commitment to the principles of productivity and profitability and in a cost-conscious manner,
- Encouraging employees to think creatively and to produce original ideas that will improve the Bank's services,
- In an effort to maintain and further develop the Bank's corporate culture and identity, embracing the principle of filling job assignments internally whenever possible, giving priority to assigning employees from within the Bank to vacant positions, and promoting the employees based on their skills, accomplishments, education and tenure,
- Evaluating employees fairly in accordance with objective criteria.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

There are two trade unions in the Bank whose membership consists of employees. However, neither of these unions has reached the necessary number of members within the Bank to qualify for collective bargaining rights. The unions have representatives assigned to carry out relations with personnel.

No complaints were received from personnel regarding discrimination. Job descriptions and work distribution of personnel; as the performance evaluation and merit system are announced to employees and maintained in a portal that is accessible by personnel.

14. Code of Ethics and Social Responsibility

The code of ethics consists of the principles and the regulations that Türkiye Halk Bankası A.Ş. employees need to follow when performing their duties. These principles aim at preventing any disputes or conflicts of interest that may arise between employees, clients and the Bank. Attitudes and behavior in violation of these rules are evaluated in accordance with the Discipline Regulation. Halkbank expects its employees to use common sense and the rules of goodwill with regard to the issues and circumstances that fall outside the scope of these rules.

In line with the principles of business ethics, Halkbank employees are expected to act as follows:

- Demonstrate a self-respecting, honorable and honest demeanor in all business relations.
- Avoid all kinds of behavior and attitudes that may damage Halkbank's reputation during the course of performing their duties.
- They should have respect for society and environment at work and in their life outside the work.
- Thoroughly know and adhere to the laws, regulations, rules and legislation with regard to their duties.
- Under no circumstances disclose insider information to parties other than those who need to have such information.
- Study, adhere to and be well-informed about the instructions, regulations, procedures and rules that may be made with regard to organizing the working order and maintaining professional discipline.
- Inform managers or the Human Resources Department of any known or suspected breach of rules before taking any personal precautions.
- Always avoid expressing political, social or religious views in the workplace.
- Always dress in a plain and stylish manner that fits the work environment and strictly avoid casual clothes and evening dresses that would conflict with a serious corporate environment.
- Avoid acting in such a manner as to violate the rules on the equality of sexes, respect, public morality, and generally accepted ethical behavior.
- The Bank has a "Code of Ethics" attached to the Human Resources Regulation. More detailed explanations are given under each main principle heading.

Ethical principles were publicly announced on the Bank's website.

Halkbank's Projects - carried out throughout the year - that are considered as social responsibility regarding their scope are listed below.

Being the leading supporters of SMEs and the real sector throughout its 76 year history, Halkbank continued to provide support to both entrepreneurial and industrial enterprises which will carve out a presence in global markets and contribute to the Turkish economy and employment. In addition to its various activities to generate solutions to meet the financial and non-financial needs of SMEs, with a special focus on women and young entrepreneurs, the Bank also sponsored various social responsibility initiatives in education, culture and other such areas.

The corporate social responsibility projects the Bank undertook during the year include:

Main sponsor of the Ankara International Film Festival for the fifth time,
Main sponsor of the Ankara "Accessible" Films Festival for the second time,
Sponsor of the 9th International Dadaş Film Festival,
Sponsorship of the traditional Ahi Week celebrations,
Main sponsorship, for the third time, of the SME and Entrepreneurship Awards,
Sponsor of the Coronation Gifts Exhibition of Sultan II. Abdülhamid,
Sponsor of the Merter 2014-International Merter Fashion Event,
Sponsor of the Atatürk University Foundation Junior High School construction.
Halkbank sponsorships within the scope of the Applied Entrepreneurship Training program carried out within the framework of the protocol signed with "Small and Medium Industry Development Organization" (KOSGEB), in 2014.
Halkbank's main sponsorship for the "Turn Your Ideas into Reality - Business Ideas Competition" for the second time (initially organized in collaboration with Gazi University in 2013).

Yunus Emre Institute's "Revival of the Traditional Turkish Handicrafts in the Balkans" Project was carried out in collaboration with the Bank while the documentary film, the publicity film, and the project album were all sponsored by the Bank.

The "Workplace Ready for Disaster" campaign organized by "Republic of Turkey Prime Ministry Disaster and Emergency Management Department" within the scope of "Turkey Ready for Disaster Project" was carried out for one year with the support of Halkbank.

In order to draw attention to the issue of energy efficiency, the Bank made an Energy Efficiency Check-Up Protocol with SMEs in Kocaeli and Erzurum. With the support given by the Bank, SMEs are trained and informed about energy efficiency and are given consultancy services within the scope of the collaborative projects carried out by the universities and the Chambers of Commerce and Industry. Free consultancy programs are organized and energy efficiency check-ups are made for SMEs.

Halkbank continued to serve its SME website (www.halkbankkobi.com.tr) in order to provide premium service, comprehensive informational resources and other support to SMEs, and bring them together on a single platform. Providing assistance to all SMEs, whether a Bank customer or not, this platform offers complimentary advisory services to small and medium enterprises on a wide variety of subjects, from foreign trade and financial management to tax and legal issues. The training modules designed specifically for SMEs and created to support the personal and professional development of small enterprise owners contribute to the improved performance and service quality of businesses. All applications of the "Halkbank SME Academy," which offers equal opportunity in training to all small and medium enterprises, are provided free of charge. Free English courses are provided for exporter SMEs in order to help them find new markets abroad and communicate easily with foreign firms as they improve their English.

Halkbank undertook the Accessible Bank24 project to allow customers with disabilities to carry out their banking transactions conveniently on their own. People with physical disabilities can conduct all ATM transactions using Bank24s. Visually-impaired individuals can perform cash withdrawal or balance inquiry transactions via headphones utilizing the text-to-speech technology. Optionally, the customer may select to mask the account information on the ATM screen.

Our Accessible Bank24 ATMs serve visually-impaired customers at 123 locations and customers with physical disabilities at 21 service points throughout the country, At 66 locations 210 ATMs in total for both visually or physically impaired customers whether they are Halkbank customers or not.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART IV - BOARD OF DIRECTORS

15. Structure and Composition of the Board of Directors

Name	Position	Commencement Date of Term*	Date of Becoming Independent Member	Ending Date	Committee Assignment
Hasan CEBECİ	Chairman	March 28, 2003		Continuing	
Süleyman KALKAN	Vice Chairman Independent Board Member	April 1, 2013	April 01, 2014	Continuing	Audit Committee
Ali Fuat TAŞKESENLIOĞLU	Board Member and General Manager	February 7, 2014		Continuing	Credit Committee Asset/ Liability Committee
Emin Süha ÇAYKÖYLÜ	Board Member	March 28, 2003		Continuing	
Dr. Nurzahit KESKİN	Board Member	April 13, 2005		Continuing	Compensation Committee, Corporate Governance Committee
Yunus KARAN	Board Member	April 01, 2014		Continuing	Corporate Governance Committee
Dr. Ahmet YARIZ	Board Member	April 9, 2008		Continuing	Credit Committee
Sadık TILTAK	Independent Board Member	April 01, 2014	April 01, 2014	Continuing	Audit Committee, Corporate Governance Committee
İsmail Erol İŞBİLEN	Independent Board Member	April 1, 2013	April 18, 2013	Continuing	Credit Committee, Compensation Committee
Ali ARSLAN	Member of the Supervisory Board	April 18, 2012		Continuing	
Faruk ÖZÇELİK	Member of the Supervisory Board	May 24, 2010		Continuing	

* The commencement date is the date on which the Members were first elected.

The Members of the Board of Directors are elected for three-year terms and their terms of office have not yet expired. The Members of the Board of Directors are authorized to enter into transactions in accordance with the provisions of the related articles of the Turkish Commercial Code. The backgrounds of the Members of the Board of Directors are presented in the Bank's annual report as well as on the Bank's web site and announced to the public.

All Members of the Bank's Board of Directors possess the minimum qualifications required for Members of the Board of Directors as stipulated in the Capital Markets Board's Corporate Governance Principles.

There are no female members in the Board of Directors. There is no policy specifying a target ratio - that must be no less than twenty five percent - and time for female members to be in the Board of Directors. However, our Bank does not have any regulation that prevents our shareholders from electing a female member to the Board of Directors.

Whether the Members of the Board of Directors are permitted to hold positions outside of the Bank are determined in accordance with the Banking Law as well as the Regulations and Board Resolutions of the Banking Regulation and Supervision Agency of Turkey.

The Members of the Board of Directors can hold positions in representation of the Bank at the subsidiaries that the Bank has the right to be represented.

16. Operating Principles of the Board of Directors

The Board of Directors convenes at the request of the Chairman of the Board of Directors or the Vice Chairman or a Board member. The Board is obliged to convene at least once a month. The agenda of the Board of Directors is set by the Chairman or Vice Chairman calling the meeting at least 24 hours before the meeting and it is delivered to the Members along with the meeting invitation by hand or by the Board of Directors Secretariat Services Department.

Since the Bank's Head Office has locations in both Ankara and Istanbul, the Bank has the technology infrastructure that allows members to attend the Board of Directors meetings remotely. The Board of Directors Secretariat Services Department enters the Board Decisions into the decision book. All discussions and briefings that take place during the meetings are recorded and kept by the Board of Directors Secretariat Services Department.

Neither the Articles of Association of the Bank nor the Regulation on Management Bodies gives any majority voting rights nor affirmative/negative veto rights to any Member of the Board of Directors.

During 2014, 53 Board of Directors meetings were held.

The authorities and the responsibilities of the members of the Board of Directors are primarily set out in the Bank's Articles of Association and also in the "Regulation on Management Bodies" adopted pursuant to Board of Directors Resolution No. 34-33 dated August 12, 2014. This Regulation sets out in detail the Bank's operating principles and the duties and authorities of the Board of Directors, the Credit Committee and the General Manager of the Bank. While the Internal Regulation on Management Bodies includes provisions on the Audit Committee, detailed regulations are stipulated in the Internal Regulation on the Duties, Powers, Operating Principles and Procedures of the Audit Committee adopted pursuant to Board of Directors Resolution No. 34-01 dated October 31, 2006.

The authorities and responsibilities of the Bank's Managers are stipulated in the existing regulations and also determined by the authorities delegated by the Board of Directors particularly in financial matters as well as the authorities delegated to the lower ranks by the General Manager, to whom these authorities were delegated in the first place.

17. Number, Structure and Independence of the Committees Formed by the Board of Directors

The Bank has established committees comprised of the members of the Board of Directors: Credit Committee, Audit Committee, Corporate Governance Committee, and Compensation Committee. In addition to these committees, there are a number of other executive and/or directing boards, committees and commissions in which the Board of Directors members do not take part.

In accordance with the Regulation on Lending Transactions of Banks published by the Banking Regulation and Supervision Agency, the Credit Committee consists of two members of the Board of Directors and the General Manager. The General Manager acts as the Chairman of the Credit Committee. In the absence of the General Manager, the Credit Committee is presided over by a primary member of the Credit Committee. The Chairman of the Credit Committee is responsible for the coordination of the Committee's activities to ensure that they are run in an effective and smooth manner.

The Remuneration Committee is composed of two Members of the Board of Directors. The Committee Chairman is an Independent Member of the Board of Directors while both Members of the Board of Directors are not executive members.

The Corporate Governance Committee is composed of minimum two Members of the Board of Directors and the Assistant General Manager of Human Resources and Organization, the Assistant General Manager of Financial Management and Planning, and the Assistant General Manager of International Banking, the Head of Human Resources and the Head of Financial Accounting and Reporting. The Chairman of Corporate Governance Committee is an Independent Member of the Board of Directors.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The mandatory Article numbered 4.51 of the Corporate Governance Principles exempts banks from the obligation of creating a Risk Assessment Committee. The Bank did not set up a separate Nominating Committee in 2014. As per Article numbered 4.3.2.3 of the Management Internal Regulations dated August 12, 2014, the Bank delegated the functions of this committee to the Corporate Governance Committee in compliance with the regulatory provisions of the Capital Markets Board and Banking Regulation and Supervision Agency.

18. Risk Management and Internal Control Mechanism

Pursuant to Articles 23, 24, 29, 30, 31 and 32 of Banking Law No. 5411, banks are responsible for establishing and operating adequate and effective internal control, risk management and internal audit systems that cover all branches and all subsidiaries and affiliates subject to consolidation and that are compatible with the scope and structure of their activities and compliant with changing conditions in order to monitor and control their risks exposure.

In accordance with this, the Bank's Risk Management, Internal Control and Internal Auditing units carry out their activities in compliance with the above-mentioned articles and the Regulation on Internal Systems of Banks published in Official Gazette (No.29057 dated July 11,204) by the Banking Regulation and Supervision Agency of Turkey. The internal systems units carry out their activities under the Audit Committee, which consists of Board of Directors members with no executive functions. These activities intend to measure and eliminate potential risks.

Of Internal Systems units, the Departments of Internal Control and Risk Management operate under the supervision of the Deputy General Manager responsible for Internal Control and Risk Management while the Board of Inspectors operates under the supervision of the Audit Committee, which is formed to provide support in carrying out the control and supervision on behalf of the Board of Directors.

The Board of Inspectors oversees that the Bank carries out its activities in accordance with the Law and other related regulations as well as internal strategies, policies, principles and objectives; the smooth, adequate and effective functioning of the risk management and internal control systems.

The operations of the internal systems units for the measurement and elimination of risk and their findings regarding the safe operation of the Bank are evaluated by the Audit Committee every six months and are reported to the senior management of the Bank. In addition, the Audit Committee has regular meetings with the internal systems units throughout the year to analyze and evaluate the Bank's risks.

19. Strategic Goals of the Company

The Mission, Vision, Main Goals and Core Strategies of the Bank were adopted pursuant to Board of Directors Resolution No. 41-04 dated December 27, 2006 and disclosed to public on the Bank's web site.

20. Remuneration of the Board of Directors

In accordance with Article 23 of the Bank's Articles of Association, the Bank pays a monthly salary to the Members of the Board of Directors. The amount of such monthly salary is determined by the General Assembly. In 2014, gross TRY 9.7 million payment was made to the Members of the Board of Directors and to the Senior Executive Managers of the Bank. On the other hand, taking the banking sector practices into account; remuneration and all other benefits granted to the Members of the Board of Directors and to the managers who have administrative responsibilities are not announced on individual basis. The Remuneration Policy was created regarding the wage criteria of the Bank employees and published on the Bank's website after being submitted for the approval of the shareholders in the General Assembly. There is no detailed explanation in the Remuneration Policy about how the wage basis of the Members of the Board of Directors will be calculated. The remunerations of the Members of the Board of Directors are determined by the General Assembly. Within the limits in the Banking Law, it has been provided to use credit for the Board of Directors.

AUDIT COMMITTEE'S ASSESSMENT ON THE OPERATION OF THE INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND INFORMATION ABOUT ITS ACTIVITIES IN 2014

Board of Inspectors

The Board of Inspectors of Türkiye Halk Bankası A.Ş. reports to the Board of Directors through the Audit Committee and consists of a Chairman, 5 Vice Chairmen and 242 Auditors. The number of Audit Members who have 0-2 years of experience is 57, members who have 2-4 years of experience is 69 and members who have 4 and more experience is 122. Committee members' seniority average is 3-9 years while the seniority average of the inspectors who are individually authorized to assume tasks and duties is 4-8 years.

Pursuant to the "Regulation on Internal Systems of Banks" of the Banking Regulation and Supervision Agency of Turkey the Board of Inspectors audits, periodically with a risk-based approach without any limitations, all of the Bank's activities and units including the domestic and overseas branches and Head Office departments to provide assurance to the senior management regarding the compliance of the Bank's activities with the Law and other related regulations and the Bank's internal strategies, policies, principles and objectives as well as the effectiveness and adequacy of the internal control and risk management systems; identifies the deficiencies, errors and misconduct; and offers its opinions and recommendations for preventing the recurrence of similar situations and ensuring the effective and efficient use of the Bank's resources.

The Board of Inspectors conducts its activities through three distinct but complementary procedures and methods: On-Site Audit, Centralized Audit and IT Audit. 78% of the Board's inspectors perform On-Site Audit activities, 10% are engaged in Centralized Audit activities, 7% carry out IT Audits and the remaining 5% conduct the inspection/investigation or audit report review/inspection activities and other projects and tasks assigned by the Board.

Audit activities were conducted in (615) branches; (6) regional coordinator's offices; (17) departments; (9) subsidiaries; (1) overseas branch, besides (1) cash operations center audit, four (4) process audit. Within the scope of Information Technologies, 158 control targets were audited in the 24 COBIT processes.

Reporting to the Vice Chairmanship of the MD/IT Audit (Section II), the IT Audit Team works with 1 Vice Chairman and 16 Auditors. In the IT Audit Team, there are 10 Assistant Auditors having 2-4 years seniority, 2 Auditors having 4-6 years seniority and 4 Auditors having more than 6 years seniority. The general framework of the team work was regulated with the internal policy and procedures of the team besides the Audit Board Directive. IT Audit results are reported to the Chairmanship of the Audit Board. The audit reports, containing the results, findings and control recommendations of the auditing activity, are communicated to the related units by the Chairmanship of the Audit Board. High-priority findings are also presented to the Audit Committee by the Chairmanship of the Audit Board.

AUDIT COMMITTEE'S ASSESSMENT ON THE OPERATION OF THE INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND INFORMATION ABOUT ITS ACTIVITIES IN 2014

Making assessments on the efficiency, competency and compliance of the internal controls regarding the information systems applied within the structure of the Bank and its partnerships subject to consolidation, the IT Audit Team performs auditing activities to give assurance regarding the circumstances and the performed activities within this framework. Such auditing activities are collected under the titles of "general controls" and "practice controls".

Within the scope of the general controls,

- Communiqué on "Principles to be taken as basis on the Information Systems Management in the Banks", that was published in the Official Gazette n. 26643, dated 14.09.2007 by the Banking Regulation and Supervision Agency ("BDDK"),
- In cases where there are no provisions in the Communiqué, auditing activities are performed as per the COBIT provisions.

Within the scope of application controls, controls are performed to ensure that the information technology applications in the Bank are used securely, efficiently and effectively.

The Board also conducted Centralized Audits and Information Technology Audits in accordance with the international best practices and under the guidance of independent auditors and the Banking Regulation and Supervision Agency of Turkey with the aim of early detection of irregularities and operational errors by focusing on high-risk transactions; auditing the confidentiality and accuracy of the information generated by the information systems as well as the effectiveness of the internal controls embedded in the processes; and thus preventing potential actions that may harm the interests of depositors and shareholders of the Bank.

The updated risk positions related to the findings identified during the audit and the efforts undertaken by related units in order to eliminate these findings are monitored regularly through the Finding Monitoring System by a designated team charged with this task.

In 2014, Chairmanship of the Audit Board carried out centralized and on-site auditing activities as well as inspection and investigation activities regarding the transactions found out through reports and complaints.

"Auditing Activities, Inspection and Investigation Activities, "Career Planning", Quality Management, Reporting and Findings Monitoring System" are the 6 main processes that can be counted among the activities of the Chairmanship of the Audit Board, The Department's activity processes are administered in accordance with ISO 9001:2008 Quality Management System Standards; it was certified by the related accreditation agency in 2014.

Internal Control

The Bank's Internal Control Department performs the tasks of monitoring and making evaluations through financial, operational and other control points and reporting its findings to the management levels simultaneously, impartially and objectively with the oversight of the Audit Committee within the framework of the provisions of the Banking Law No: 5411 and the Banking Regulation and Supervision Agency of Turkey's Regulation on the Internal Systems of Banks in accordance with generally-accepted professional standards and rules of business ethics with a proactive and preventative approach with the purpose of protecting the Bank's assets; ensuring that the Bank's operations are conducted in an effective and efficient manner in compliance with the Law and other relevant legislation, the Bank's internal policies and rules and banking best practices; and ensuring the reliability and integrity of the accounting and reporting systems and prompt access to the data.

In accordance with a risk-oriented auditing approach, taking into consideration of the their impact on the Bank's balance sheet, the duration and nature of control activities are held to a different standard not only at the branches depicting a high concentration of lending, deposits and non-performing loans, but also at the branches registering large increases in such activities; and the branches with a high risk rating as a result of the centralized inspections and statistical analyses due to the large number of operational errors.

Risk-oriented control activities carried out at the Head Office Units, Regional Coordinator's Offices, all domestic and overseas branches, domestic and overseas subsidiaries, and cash operations centers, supported by reports generated from the central system database and cross checks, create an effective internal control infrastructure.

The risk levels and business volumes of branches are measured using the operational risks detected during control activities and the data extracted from the central system. In addition, business processes are analyzed and opinions and recommendations for increasing efficiency and productivity are communicated to the related departments. Internal Control activities are carried out at the at the Head Office Units, Regional Coordinator's Offices, all domestic and overseas branches, domestic and overseas subsidiaries, and cash operations centers in accordance with the pre-determined inspection schedules; the results of these Internal Control activities are analyzed periodically to measure and assess risk by branch and subject.

Within the scope of the controls made to check the compliance with the legislation, compliance controls are made to see if the Bank's existing and future activities and new transactions and products comply with the Law and other relevant legislation, the internal policies and rules of the Bank, and banking trends. Furthermore, legislation regarding the banking/finance sector and general external legislations are tracked, and the impacts of the legislation changes on the Bank are examined while the personnel members are promptly informed about the changes.

For the quantification of the operational risks Risk Alarm Report are saved in a database with numerical codes given according the type of the faults and defects while such data is periodically analyzed and risk measurements and assessments are made on branch and subject basis.

With the ongoing online reporting project, the aim is to make internal control reporting on a web based system in an electronic environment so that findings are monitored instantaneously and action is taken to eliminate the risks in a shorter amount of time. Findings detected in the controls will be analyzed effectively while the top management and relevant units are informed about the analysis results instantaneously and comprehensibly.

Centralized on-site control activities are carried out to decrease the time it takes for on-site audit and to increase the effectiveness of the controls performed in this process, and to control the operational risks from the center. The data received from the centralized system database are analyzed, and transactions that can create risk according to the specified criteria are reported while on-site analysis or analysis from the center is made on their results.

AUDIT COMMITTEE'S ASSESSMENT ON THE OPERATION OF THE INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND INFORMATION ABOUT ITS ACTIVITIES IN 2013

IT control group, organized as a Department, carries out activities with a five person team to make sure that data obtained within the Bank is reliable, complete, trackable, consistent and suitable (to meet the needs), and that relevant units and staff members can promptly access the data. The scope of the activities carried out within the framework of the information system controls was expanded to increase effectiveness while the financial system controls were included within the scope of continuous controls in the Department and information system, process and financial reporting controls were developed.

Upon the requests of the Bank's Top Management, Audit Board, Headquarters Units and Region Coordinators in various topics, Internal Controllers investigate the particular issues detected during the controls and report the results. During the investigation, information and documents about the investigated issue are evaluated in detail while issues that need to be investigated by an auditor are submitted to the Audit Board, and issues that can be resolved with administrative measures are submitted to the relevant units of the Headquarters.

Faulty transactions (that may lead to responsibility) detected by the Internal Controls personnel in the on-site analysis or analysis made from the center, are submitted to the Audit Board in order to determine the administrative, financial and disciplinary responsibilities. The Audit Board audits the effectiveness of the Internal Control activities.

In order to reduce the operational risks by eliminating the defects in credit/loan transactions and business processes, an effective control and monitoring is made regarding the risks and their results noticed in control and audit reports, and the outcomes of the process is evaluated.

As of 31.12.2014, Internal Controls Department comprehensively carries out its control activities with its staff of 254 people. The staff has 1 Director (Head), 6 Department Managers, 56 Senior Internal Controllers, 80 Internal Controllers and 109 Assistant Internal Controllers. Furthermore, there are 2 office personnel. 55 of the 109 Assistant Internal Controllers are authorized to make controls ex officio while the plan is to have the remaining 54 Assistant Internal Controllers to make controls ex officio in 2015. We are strengthening the staff in quantity as we also try to increase the quality with the in-service out-service training programs. Moreover we encourage the staff members to receive certification in various fields. Financial Crimes Investigation Board (MASAK) Compliance Unit, structured under the Internal Controls, carries out its activities with a staff of 11 people.

Risk Management

The Risk Management Department which is responsible for executing risk management functions conducts its activities in accordance with the provisions of the Regulation on Internal Systems of Banks published in Official Gazette No. 28337 dated July 11, 2014 by the Banking Regulation and Supervision Agency of Turkey under the supervision of the Audit Committee.

The Audit Committee has examined the reports on credit, market and operational risk elements generated by the Risk Management Department as well as the results of the scenario analyses and stress tests.

Within this scope, it has been determined by the Audit Committee that:

- The Bank's Basel II Capital Adequacy ratio is at compatible levels with its risk appetite,
- As a result of the validation efforts performed in order to measure the effectiveness of the Bank's internal rating systems, the results generated by the Bank's rating systems are generally satisfactory,
- Loan default rates are at reasonable levels,
- The Bank has achieved full compliance with the ratios and limits calculated within the scope of Basel III regulations,
- As a result of the stress tests and scenario analyses conducted, the Bank's equity capital is adequate for the Bank to continue its activities safely,
- The risks taken by the Bank are within the risk appetite limits set by the Board of Directors
- Considering the ratings of the companies the Bank lent to and the risk mitigation elements established, the Bank paid adequate attention to the element of security in its placement activities,
- The results of the "Internal Capital Adequacy Assessment Process (ICAAP)" report, commissioned to determine the Bank's economic capital requirements consistent with its target rating score, support the conclusion that the Bank has adequate equity to cover its risk exposure,
- As a result of the structural interest rate risk analyses conducted to measure the interest rate risk inherent in banking calculations, the impact of changes in interest rates on the Bank's economic value is below the limits stipulated by the Banking Regulation and Supervision Agency,
- Based on the results of the Value at Risk analysis conducted by the Bank with an internal model to measure market risk, the market risk the Bank is exposed to is at levels that can be covered by the Bank's equity,
- The Bank is fully compliant with the liquidity ratios mandated by the Banking Regulation and Supervision Agency,
- In light of the information recorded in the operational risk loss database, the Bank's operational loss incurred between January 2014 and December 2014 is at acceptable levels.

Sadık TILTAK
Independent Board Member
Member of Audit Committee

Süleyman KALKAN
Vice Chairman
Independent Board Member
Chairman of Audit Committee

FINANCIAL STANDING, PROFITABILITY AND DEBT-SERVICING CAPABILITY

COMPOSITION OF ASSETS

As a result of its activities in 2014, the Bank's total assets grew by 11.1% to reach TRY 155,423 million.

The Bank's major placement categories consist of loans (TRY 101,767 million; 65.5% of assets), securities portfolio (TRY 26,844 million; 17.3% of assets) and liquid assets (TRY 21,560 million; 13.9% of assets) while the share of other placements stands at 3.3%.

The major increases as of year-end 2014 compared to the previous year were registered in Turkish Lira loans (TRY 16,919 million) and cash and balances with.

The Bank's loans increased by 19.9% as of year-end 2014 while its loan-to-deposit ratio stands at 98.1%.

The Bank's non-performing loans stand at TRY 3,700 million as of year-end 2014 and non-performing loans/total loans ratio stood at 3.6%.

COMPOSITION OF LIABILITIES

The Bank's resources consist primarily of deposits (TRY 103,708 million; 66.7% of liabilities), non-deposit resources (TRY 28,984 million; 18.6% of liabilities) and shareholders' equity (TRY 16,536 million; 10.6% of liabilities) while the share of other liabilities stands at 4.1%.

The major increases as of year-end 2014 compared to the previous year were registered in deposits (TRY 7,641 million) and Funds Borrowed TRY 2,952 million and in shareholders' equity TRY 2,390 million.

A breakdown of total deposits, the largest single resource item for the Bank, by category reveals that savings deposits, which constitute 29.3% of total deposits, increased by TRY 563 million 16.6% of the total deposits increased by TRY 7,164 million; deposits of the public institutions which constitutes 8.6% of the total deposits increased by TRY 34 million; foreign exchange deposit accounts which constitutes 23.8% decreased by TRY 2,882 million; and commercial deposits which constitutes 17.7% decreased by TRY 825 million.

TRY accounts, with a share of 67.6%, constituted the majority of the Bank's deposits while foreign currency accounts made up the remaining 32.4% of deposits. The share of demand deposits in total deposits stands at 20.8%.

COMPOSITION OF PROFITS

The Bank closed the 2014 fiscal year with a net profit of TRY 2,206 million. The major income and expense items that constituted the profit for the period are discussed below.

Interest income from placements, the Bank's most important source of income, stands at TRY 11,451 million as of the end of the year.

Loans contributed TRY 8,781 million to interest income with a share of 76.7% while securities contributed TRY 2,652 million, with a share of 23.2%, the interest income from loans increased by TRY 1,647 million while interest income from the securities portfolio decreased by TRY 599 million compared to the previous year.

The largest item comprising the Bank's interest expenses was interest paid to deposits with TRY 5,197 million and 82.0% share of the total. The interest paid to deposits, was the primary expense item for the Bank in 2014. Total interest expenses with the TRY 1,143 million categorized as other interest expense added up to TRY 6,340 million for the year.

The Bank's net interest income as of the end of the year was TRY 5,112 million.

Net fee and commission income surged by 10.0% on the previous year and reached TRY 1,023 million.

The Bank set aside provisions of TRY 1,161 million against its loans and other receivables for its activities in 2014.

Personnel expenses, which constitute a major portion of the other operating expenses of TRY 2,987 million, increased by 15.1% on the previous year and reached TRY 1,248 million.

As a result of its activities in 2014, the Bank earned pre-tax profit of TRY 2,727 million and, after provisioning TRY 521 million for taxes, a net profit of TRY 2,206 million. The Bank maintained its sustainable profitability in 2014.

SOLVENCY

The widespread and strong Deposit base which is the most important resource for the Bank acted as an efficient instrument for covering short-term debt. The existing customer base is the most important factor the Bank relies on for the procurement of the necessary resources. The Bank's core deposit rate is around 96%; this ratio makes a large contribution to the Bank's liquidity.

The 2014 year end capital adequacy ratio of the Bank was 13.62%, above the minimum legal ratio. The equity structure, which is strengthened with sustainable profitability and the well-planned dividend distribution policy of the Bank, is on a level that can compensate the increased value subject to credit risk.

Halkbank is a Turkish government debt securities market maker and with the help of its strong capital and financial structure, it has a special position in the sector with regard to borrowing and fund procurement.

With many years of banking experience, Halkbank has a respectable position both in Turkey and in international markets. The Bank's relations with more than two thousand correspondent banks, presence abroad and extensive branch network across Turkey show the strength of its strong organizational structure in terms of fund procurement.

In 2014, Halkbank continued its efforts to increase the quality of its assets while diversifying its existing and alternative funding sources.

RISK MANAGEMENT POLICIES BY RISK TYPES

The Bank developed its risk policies and implementation principles in accordance with the provisions of Article 36 of the "Regulation on Internal Systems of Banks" published in the Official Gazette No. 29057 dated July 11, 2014.

Halkbank's risk policies aim to ensure that the Bank conducts its operations in accordance with the procedures and principles stipulated in the Banking Law and in line with its mission and goals of profitability and productivity while safeguarding the interests of the Bank's depositors and the shareholders to the maximum extent possible.

The "Risk Management Policies and Implementation Procedures" that became effective pursuant to Board of Directors Resolution defines the following:

- Risk appetite of the Bank,
- Authorization limits with regard to credit transactions,
- Sector-specific limits,
- Principles of risk analyses to be conducted in relation to the rating systems used in the Bank's lending process and the validation of these systems,
- Risk mitigation techniques by rating groups,
- Treasury operations stop-loss limits for capital markets positions and foreign currency positions, and limits for capital markets and money market transactions,
- Limits on the Bank's foreign exchange position and counterparty risk in transactions with correspondent banks,
- Limits on the Bank's liquidity and structural interest rate risk,
- Limits to contain the impact of interest rate shocks on the Bank's economic value,
- Limits on liquidity ratios pursued in accordance with the Liquidity Emergency Action Plan,
- The Bank's risk tolerance range regarding potential losses that may result from operational risks.
- The Bank periodically checks compliance with these limits.

RATINGS NOTES

Fitch Ratings	
Foreign Currency Long Term	BBB-
Outlook	Stable
Foreign Currency Short Term	F3
Local Currency Long Term	BBB
Outlook	Stable
Local Currency Short Term	F3
National Long Term	AAA (tur)
Outlook	Stable
Senior Unsecured Debt Issues	BBB-
Support	2
Support Rating Floor	BBB-
Viability Rating	bbb-
Moody's	
Financial Strength Rating (BFSR)	D+
Outlook	Stable
Baseline Credit Assessment (BCA)	ba1
Outlook	Stable
Long Term Deposit Rating Domestic Currency	Baa3
Outlook	Negative
Short Term Deposit Rating Domestic Currency	Prime 3
Long Term Deposit Rating Foreign Currency	Baa3
Outlook	Negative
Short Term Deposit Rating Foreign Currency	Prime 3
Long Term Rating Foreign Currency Bond	Baa3
Outlook	Negative
JCR Eurasia	
Long Term International Foreign Currency	BBB-(Stable Outlook)
Long Term International Local Currency	BBB-(Stable Outlook)
Long Term National Local Rating	AAA(Trk)(Stable Outlook)
Short Term International Foreign Currency	A-3(Stable Outlook)
Short Term International Local Currency	A-3(Stable Outlook)
Short Term National Local Rating	A-1+ (Trk)(Stable Outlook)
Sponsored Support	1
Stand-Alone	A

FIVE-YEAR SUMMARY

FINANCIAL INFORMATION

ASSETS (TRY million)	2010	2011	2012	2013	2014
Liquid Assets	5,759	8,747	15,120	21,825	21,560
Securities	20,207	23,346	22,954	28,559	26,844
Loans	44,296	56,216	65,894	84,848	101,767
Subsidiaries, Affiliates and Jointly-Controlled Subsidiaries	740	927	1,887	2,427	2,669
Fixed Assets	1,061	1,121	1,163	1,117	1,245
Other	879	767	1,264	1,168	1,338
Total Assets	72,942	91,124	108,282	139,944	155,423
LIABILITIES (TRY million)					
Deposits	54,782	66,247	79,974	100,756	103,708
Money Markets	3,155	4,905	381	771	8,413
Borrowings	3,824	6,291	7,303	13,615	12,630
Funds	1,295	1,345	1,408	1,489	1,769
Marketable Securities Issued	0	496	2,038	4,165	6,172
Other	2,441	3,200	4,855	5,002	6,195
Shareholders' Equity	7,445	8,640	12,323	14,146	16,536
Net Period Profit/Loss	2,010	2,045	2,595	2,751	2,206
Total Liabilities	72,942	91,124	108,282	139,944	155,423

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ

**Unconsolidated Financial Statements
As of and For the Year Ended 31 December 2014
With Independent Auditors' Report Thereon**

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



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Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish (See Section 3.I)

**INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014**

To the Board of Directors of Türkiye Halk Bankası AŞ;

We have audited the unconsolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") as of 31 December 2014 and the unconsolidated statements of income, cash flows, changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

Management's responsibility for the Financial Statements:

The Board of Directors of the Bank is responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the unconsolidated financial statements that are free from material misstatement, whether due to error or fraud; and for selecting and applying appropriate accounting policies in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette numbered 26333 on 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the other regulations, communiqués and circulars and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette numbered 26333 on 1 November 2006 and in accordance with the Independent Auditing Standards which is a part of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the internal control into consideration and assessing the appropriateness of the applied accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Audit Opinion

In our opinion, the accompanying unconsolidated financial statements, in all material respects, the financial position of Türkiye Halk Bankası AŞ as of 31 December 2014 and the result of its operations and cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the existing regulations described in Article 37 and 38 of the Banking Act No: 5411 and the other regulations, communiqués and circulars in respect of accounting and financial reporting made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the TCC no.6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2014 are not compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; The Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ
A Member of KPMG International Cooperative

Erdal Tıkmak, SMMM
Partner,
17 February 2015
İstanbul, Turkey

Additional paragraph for convenience translation to English:

As explained in Section 31, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.,
a Turkish corporation and a member firm of the KPMG network of independent
member firms affiliated with KPMG International Cooperative, a Swiss entity.

TÜRKİYE HALK BANKASI A.Ş.
THE UNCONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

The unconsolidated year-end 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 OF THE BANK
- **Section Four** : INFORMATION ON FINANCIAL STRUCTURE
- **Section Five** : EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- **Section Six** : OTHER EXPLANATIONS AND NOTES
- **Section Seven** : INDEPENDENT AUDITORS' REPORT

Unless otherwise indicated, these unconsolidated financial statements and explanatory footnotes and disclosures as of and for the year ended 31 December 2014 are prepared in thousand Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Istanbul, 17 February 2015

Hasan Cebeci	Süleyman Kalkan	Sadık Tiltak	Ali Fuat Taşkesenlioğlu	Mustafa Aydın	Yusuf Duran Ocak
<i>Chairman of the Board of Directors</i>	<i>Vice Chairman of the Board of Directors, Head of the Audit Committee</i>	<i>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 and Reporting Department Head</i>

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

Name/Title : Turgay Ayık/Senior Specialist
Tel No : 0312 289 30 29
Fax No : 0312 289 30 50

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TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(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") was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

II. CAPITAL STRUCTURE OF THE 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 Republic of Turkey Prime Ministry Privatization Administration.

As of 31 December 2014 the shareholders' structure and their respective ownerships are summarized as follows:

Shareholders	31 December 2014	%	31 December 2013	%
Prime Ministry Privatization Administration ^(1,2)	638.276	51,06	638.276	51,06
Public shares ⁽²⁾	611.279	48,90	611.272	48,90
Other shareholders ⁽³⁾	445	0,04	452	0,04
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾ As per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007; 25% of the public shares that were previously held by the Privatization Administration were privatized by a public offering and the Bank's shares were registered to Capital Market Board records by decision number 16/471 dated 26 April 2007. The shares were traded on the Borsa İstanbul AŞ as of 10 May 2007. As per the decree 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.

⁽²⁾ The shares of the Prime Ministry Privatization Administration amounting TRY 550 have been included in Public shares. With that shares, the total shares amounting TRY 638.826 that held by the Privatization Administration is the 51,11% of the total shares.

⁽³⁾ Since the dematerialization deadline granted to Bank ended on 31 December 2014, Central Securities Depository Institution automatically transferred on 2 January 2015, the shares in the amount of TRY 351 to the Investor Compensation Center, pursuant to Article 13, Section 4 of the Capital Markets Law. These shares belong to our shareholders who have not dematerialized in their accounts, their shares Central Securities Depository Institution monitors in the DESA-Dematerialized Unknown Shareholder Account (DESA). In this respect; the shares in the amount of TRY 351 under the "Other" group belong to the Investor Compensation Center, and TRY 91 of which belong to our shareholders whose shares do not trade on the Exchange (though these shareholders have been dematerialized them in their own accounts); TRY 3 of which still belong to our shareholders whose shares are monitored under the DESA due to the ongoing legal action. Nevertheless, pursuant to the said Article, the shares transferred to the Investor Compensation Center shall be sold on the Stock Exchange within the next three months.

⁽⁴⁾ According to Turkish Commercial Code, 3rd Sub-article added to Article 2 of the Law No: 6327 and 4603 dated 13 June 2012, The Privatization High Council public shares are controlled and represented by the Minister until the sales completion of these shares.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan CEBECİ	Chairman of the Board of Directors	13.04.2005	Ankara Eco. and Com. Science (ECS) Academy-Economy Finance	35
Süleyman KALKAN	Vice Chairman of the Board of Directors, Independent Board Member, Head of the Audit Committee	01.04.2013	Ankara University, Faculty of Political Science - International Relations Department.	31
Ali Fuat TAŞKESENİOĞLU	Member of the Board of Directors, Chief Executive Officer	07.02.2014	Master's Degree: Beykent University Social Science Ins. Business Administration Bachelor Degree: Atatürk University, Faculty of Economic and Administrative Sciences-Business Administration.	26
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.03.2003	Doctor's Degree: Washington International University-Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU - Faculty of Engineering-Mechanical Engineering.	31
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.04.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree: Marmara Uni. Banking and Insurance Ins. - International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	23
Dr. Ahmet YARIZ	Member of the Board of Directors	09.04.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins.-Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Bachelor Degree: Istanbul Uni.-Business Administration.	22
İsmail Erol İŞBİLEN	Independent Member of the Board of Directors	01.04.2013	Bachelor Degree: Ankara University, Faculty of Political Sciences - Economy and Public Finance Department	29
Sadık TILTAK	Independent Member of the Board of Directors, Member of the Audit Committee	01.04.2014	Ankara University, Faculty of Political Science-Finance	26
Yunus KARAN	Member of the Board of Directors	01.04.2014	Istanbul Uni. Eco. and Com. Science Academy-Finance Accounting	45
Faruk ÖZÇELİK	Member of the Board of Auditors	29.03.2013 ^(*)	Master's Degree: Selcuk University Social Sciences Ins.-International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	4
Ali ARSLAN	Member of the Board of Auditors	29.03.2013 ^(*)	Master's Degree: Cleveland State University Business School(MBA) Bachelor Degree: Çukurova University, Faculty of Economic and Administrative Sciences-Business Administration	22
Mustafa SAVAŞ	Executive Vice President	12.08.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	23
Erol GONCU	Executive Vice President	14.06.2005	METU Faculty of Arts and Sciences-Mathematics Department.	25
Asst. Prof. Şahap KAVCIOĞLU	Executive Vice President	17.06.2005	Doctor's Degree: Marmara University, Ban and Ins. Ins.-Banking Department. Master's Degree: Marmara University, Ban. and Ins.Ins.-Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	23
Selahattin SÜLEYMANOĞLU	Executive Vice President	01.07.2007	Master Degree: Selcuk University Social Sciences Ins.-International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	24
Mehmet Akif AYDEMİR	Executive Vice President	04.03.2010	Ankara University, Faculty of Political Sciences -Economics.	28
Mehmet Hakan ATILLA	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences-Department of Economics.	19
Murat UYSAL	Executive Vice President	11.11.2011	Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department Bachelor Degree: Istanbul Uni.-Faculty of Economic and Administrative Sciences-Department of Economics	16
Erdal ERDEM	Executive Vice President	27.03.2014	Bachelor Degree: Afyon Kocatepe Uni. Faculty of Economic and Administrative Sciences-Finance.	19
Salim KÖSE	Executive Vice President	10.07.2014	Istanbul University, Faculty of Law	24
Ömer Faruk ŞENEL	Executive Vice President	10.07.2014	Master Degree: Fatih University, Social Sciences Ins. Master of Business Administration METU Faculty of Economic and Administrative Sciences-Economics	23
Murat OKTAY	Executive Vice President	10.07.2014	METU Faculty of Economic and Administrative Sciences-Economics	21
Mehmet Sebahattin BULLUT	Executive Vice President	10.07.2014	Bursa Uludağ University, Faculty of Economic and Administrative Sciences-Econometrics	20
Hasan ÜNAL	Executive Vice President	10.07.2014	Istanbul Technical University, Faculty of Business Administration - Business Engineering	24
Mustafa AYDIN	Executive Vice President	10.07.2014	METU Faculty of Economic and Administrative Sciences-Public Administration	24

^(*) Mr. Yakup DEMİRCİ, Mr. Taner AKSEL, Ms. Ufuk Hacer DENİZLİ YÜCE, Mr. Mürsel ERTAŞ, Mr. İsmail Hakkı İMAMOĞLU and Mr. Atalay TARDUŞ resigned from Executive Vice President on 4 July 2014.

^(*) People mentioned above do not own any shares in the Bank's capital.

^(*) Assigned date for Audit Committee

a) The professionals to the Bank's top management who have assigned to their position in 2014 are listed with titles and dates of assignment.

Name	Title	Assignment Date
Ali Fuat TAŞKESENİOĞLU	Member of the Board of Directors and Chief Executive Officer	6 February 2014
Sadık TILTAK	Member of the Independent Board of Directors	31 March 2014
Yunus KARAN	Member of the Board of Directors	31 March 2014
Erdal ERDEM	Executive Vice President	25 March 2014
Salim KÖSE	Executive Vice President	10 July 2014
Ömer Faruk ŞENEL	Executive Vice President	10 July 2014
Murat OKTAY	Executive Vice President	10 July 2014
Mehmet Sebahattin BULLUT	Executive Vice President	10 July 2014
Hasan ÜNAL	Executive Vice President	10 July 2014
Mustafa AYDIN	Executive Vice President	10 July 2014

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

b) The professionals from the Bank's top management who have left their position in 2014 are listed with titles and dates of leaving.

Name	Title	Assignment Date
Süleyman ASLAN ⁽¹⁾	Member of the Board of Directors and Vice Chairman of the Board	31 March 2014
Sabahattin BİRDAL	Member of the Board of Directors	31 March 2014

⁽¹⁾ Mr. Süleyman ASLAN resigned from Chief Executive Officer on 7 February 2014.

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

Except for the Prime Ministry Privatization Administration, no person or institute has any qualified shares attributable to the Bank.

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

a) General information about the Bank:

Türkiye Halk Bankası Anonim Şirketi was established in Turkey in accordance with the Law No: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

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

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Bank were to be concluded under the provisions of Law No: 4046 based on the "Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law". The procedures relating to restructuring and sale of the shares were 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 this amendment, 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 by the half of that "10 years" period by the Decree numbered 2010/964 and dated 6 November 2010.

c.1 When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council 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. By the Privatization High Council's decree numbered 2006/4258 and dated 29 November 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 was executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on 11 August 2006, 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 traded on Borsa İstanbul AŞ as of 10 May 2007 with the base price of TRY full 8,00. As per the decree 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.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

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 of 31 July 2004 with the publication of the Official Gazette, 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 Scrip Company and more than 500 shareholders. Pamukbank started its private banking operations as an incorporated company in accordance with the decision of the Council of Ministers numbered 4/4573 and dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 and dated 19 June 2002 including 3rd and 4th Sub-articles in 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 December 2014, the Bank operates with a total of 900 branches consisting of 895 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic branches include 32 satellite branches and 1 financial services branches. The Bank has also 2 representative office in England 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 differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiary, Bileşim Alternatif Dağ. Kan. AŞ, is not accounted 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 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 Portföy Yönetimi AŞ, Halk Banka AD, Skopje and Halk Faktoring AŞ are included in the scope of consolidation by line-by-line method.

Demir-Halkbank NV ("Demir Halk Bank") and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ which are qualified as investments in associates, are presented in the financial statements based on equity method of accounting.

There is no partnership share on banks and financial institutions, with shareholding of more than 10% and deducted from capital.

Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ are not consolidated in the financial statements because the other banks' shares are equal and thus, the Bank has no control and has no important activity.

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

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

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

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2014

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

ASSETS	Note	Audited Current period			Audited Prior period		
		31 December 2014			31 December 2013		
		TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	4.159.385	16.116.719	20.276.104	2.801.119	17.174.665	19.975.784
II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)	(2)	39.659	115.911	155.570	11.871	151.662	163.533
21 Trading financial assets		39.659	115.911	155.570	11.871	151.662	163.533
21.1 Public sector debt securities		35.991	12.748	48.739	8.331	11.843	20.174
21.2 Share certificates		-	-	-	-	-	-
21.3 Financial assets held for trading		8	103.024	103.032	3	139.684	139.687
21.4 Other marketable securities		3.660	139	3.799	3.537	135	3.672
22 Financial assets at fair value through profit and loss		-	-	-	-	-	-
22.1 Public sector debt securities		-	-	-	-	-	-
22.2 Share certificates		-	-	-	-	-	-
22.3 Loans		-	-	-	-	-	-
22.4 Other marketable securities		-	-	-	-	-	-
III. BANKS	(3)	66.863	1.216.797	1.283.660	109.740	1.739.036	1.848.776
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
41 Interbank money market placements		-	-	-	-	-	-
42 Istanbul Stock Exchange Money Market placements		-	-	-	-	-	-
43 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	6.327.564	2.597.617	8.925.181	7.446.090	2.094.658	9.540.748
51 Share certificates		64.553	2.313	66.866	61.839	2.313	64.152
52 Public sector debt securities		6.263.011	2.595.304	8.858.315	7.384.251	2.092.345	9.476.596
53 Other marketable securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	(5)	74.317.145	27.449.779	101.766.924	60.059.891	24.788.399	84.848.290
61 Loans and receivables		73.031.507	27.449.779	100.481.286	59.625.042	24.788.399	84.413.441
61.1 Loans extended to risk group of the Bank		234.709	440.686	675.395	116.312	384.799	501.111
61.2 Public sector debt securities		-	-	-	-	-	-
61.3 Other		72.796.798	27.009.093	99.805.891	59.508.730	24.403.600	83.912.330
62 Loans under follow-up		3.699.661	-	3.699.661	2.245.176	-	2.245.176
63 Specific provisions (-)		2.414.023	-	2.414.023	1.810.327	-	1.810.327
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	16.255.598	1.508.067	17.763.665	17.787.879	1.066.707	18.854.586
81 Public sector debt securities		16.255.598	1.508.067	17.763.665	17.787.879	1.066.707	18.854.586
82 Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	17.837	74.716	92.553	17.837	74.716	92.553
91 Accounted under equity method		-	-	-	-	-	-
92 Unconsolidated associates		17.837	74.716	92.553	17.837	74.716	92.553
92.1 Financial investments		11.518	74.716	86.234	11.518	74.716	86.234
92.2 Non-financial investments		6.319	-	6.319	6.319	-	6.319
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	2.431.457	145.359	2.576.816	2.188.904	145.359	2.334.263
10.1 Unconsolidated financial subsidiaries		2.393.598	145.359	2.538.957	2.158.300	145.359	2.303.659
10.2 Unconsolidated non-financial subsidiaries		37.859	-	37.859	30.604	-	30.604
XI. JOINT VENTURES (Net)	(9)	-	-	-	-	-	-
11.1 Accounted under equity method		-	-	-	-	-	-
11.2 Unconsolidated joint ventures		-	-	-	-	-	-
11.2.1 Financial joint ventures		-	-	-	-	-	-
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT	(11)	-	-	-	-	-	-
13.1 Fair value risk hedging		-	-	-	-	-	-
13.2 Cash flow risk hedging		-	-	-	-	-	-
13.3 Net foreign investment risk hedging		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	1.180.029	85	1.180.114	1.067.725	89	1.067.814
XV. INTANGIBLE ASSETS (Net)	(13)	58.943	-	58.943	45.147	-	45.147
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		58.943	-	58.943	45.147	-	45.147
XVI. INVESTMENT PROPERTIES (Net)	(14)	-	-	-	-	-	-
XVII. TAX ASSET	(15)	238.268	-	238.268	-	-	-
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		238.268	-	238.268	-	-	-
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	5.516	-	5.516	4.112	-	4.112
18.1 Held for sale purpose		5.516	-	5.516	4.112	-	4.112
18.2 Held from discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	1.021.696	78.009	1.099.705	1.127.307	40.594	1.167.901
TOTAL ASSETS		106.119.960	49.303.059	155.423.019	92.667.622	47.275.885	139.943.507

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2014

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Audited Current period 31 December 2014			Audited Prior period 31 December 2013		
		TRY	FC	Total	TRY	FC	Total
I. DEPOSITS	(1)	70.084.908	33.623.446	103.708.354	65.201.782	35.554.415	100.756.197
11 Deposits Held by the Risk Group of the Bank		723.407	80.216	803.623	847.848	113.756	961.604
12 Other		69.361.501	33.543.230	102.904.731	64.353.934	35.440.659	99.794.593
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	15	176.439	176.454	30	43.818	43.848
III. FUNDS BORROWED	(3)	941.078	11.689.279	12.630.357	837.988	12.777.167	13.615.155
IV. MONEY MARKET BALANCES	(3)	8.181.548	231.208	8.412.756	771.416	-	771.416
41 Interbank money market borrowings		-	-	-	-	-	-
42 Istanbul Stock Exchange Takasbank borrowings		-	-	-	-	-	-
43 Funds from repurchase agreements		8.181.548	231.208	8.412.756	771.416	-	771.416
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	1.522.240	4.649.617	6.171.857	946.297	3.218.387	4.164.684
51 Treasury bills		1.522.240	-	1.522.240	946.297	-	946.297
52 Asset-backed securities		-	-	-	-	-	-
53 Bonds		-	4.649.617	4.649.617	-	3.218.387	3.218.387
VI. FUNDS	(5)	1.769.291	-	1.769.291	1.488.542	-	1.488.542
61 Borrower Funds		19.412	-	19.412	24.702	-	24.702
62 Other		1.749.879	-	1.749.879	1.463.840	-	1.463.840
VII. SUNDRY CREDITORS		1.972.212	51.710	2.023.922	1.543.681	80.372	1.624.053
VIII. OTHER LIABILITIES	(6)	1.116.341	232.806	1.349.147	953.828	280.768	1.234.596
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES	(7)	725	-	725	1.390	-	1.390
10.1 Finance lease payables		856	-	856	1.751	-	1.751
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses ()		131	-	131	361	-	361
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(8)	-	-	-	-	-	-
11.1 Fair value risk hedging		-	-	-	-	-	-
11.2 Cash flow risk hedging		-	-	-	-	-	-
11.3 Net foreign investment risk hedging		-	-	-	-	-	-
XII. PROVISIONS	(9)	2.113.175	3.470	2.116.645	1.897.032	3.204	1.900.236
12.1 General loan provisions		1.268.847	-	1.268.847	1.134.717	-	1.134.717
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Employee benefits provisions		604.506	-	604.506	515.688	-	515.688
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		239.822	3.470	243.292	246.627	3.204	249.831
XIII. TAX LIABILITY	(10)	527.576	13	527.589	197.595	22	197.617
13.1 Current tax liability		527.576	13	527.589	189.292	22	189.314
13.2 Deferred tax liability		-	-	-	8.303	-	8.303
XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
14.1 Held for sale purpose		-	-	-	-	-	-
14.2 Held from discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED CAPITAL	(12)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(13)	16.516.544	19.378	16.535.922	14.291.687	(145.914)	14.145.773
16.1 Paid-in capital		1.250.000	-	1.250.000	1.250.000	-	1.250.000
16.2 Capital reserves		2.509.226	19.378	2.528.604	2.186.832	(145.914)	2.040.918
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities revaluation fund		1.280.006	19.378	1.299.384	959.464	(145.914)	813.550
16.2.4 Tangible assets revaluation reserves		-	-	-	-	-	-
16.2.5 Intangible assets revaluation reserves		-	-	-	-	-	-
16.2.6 Revaluation reserves of real estate for investment purpose		-	-	-	-	-	-
16.2.7 Bonus shares of subsidiaries, associates and joint ventures		8.769	-	8.769	6.917	-	6.917
16.2.8 Hedging Funds (effective portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other capital reserves		1.220.451	-	1.220.451	1.220.451	-	1.220.451
16.3 Profit reserves		10.551.550	-	10.551.550	8.104.012	-	8.104.012
16.3.1 Legal reserves		1.217.403	-	1.217.403	1.048.602	-	1.048.602
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		9.300.043	-	9.300.043	6.993.085	-	6.993.085
16.3.4 Other profit reserves		341.04	-	341.04	62.325	-	62.325
16.4 Profit/Loss		2.205.768	-	2.205.768	2.750.843	-	2.750.843
16.4.1 Prior years income/loss		-	-	-	-	-	-
16.4.2 Period profit/loss		2.205.768	-	2.205.768	2.750.843	-	2.750.843
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		104.745.653	50.677.366	155.423.019	88.131.268	51.812.239	139.943.507

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

AS OF 31 DECEMBER 2014

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

II. STATEMENT OF OFF-BALANCE SHEET ITEMS

OFF BALANCE SHEET	Note	Audited Current period 31 December 2014			Audited Prior period 31 December 2013		
		TRY	FC	Total	TRY	FC	Total
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		36.170.869	45.445.468	81.616.337	35.741.926	31.187.469	66.929.395
I. GUARANTEES AND SURETYSHIPS	(1)	15.065.347	17.713.245	32.778.592	12.812.483	14.225.694	27.038.177
11 Letters of guarantee		14.406.581	10.499.602	24.906.183	12.237.339	8.110.338	20.347.537
111 Guarantees subject to public procurement law		11.925.549	8.229.799	20.155.348	10.701.118	6.452.989	16.154.107
112 Guarantees given for foreign trade operations		-	-	-	-	-	-
113 Other letters of guarantee		13.214.032	2.269.803	15.483.835	11.670.221	1.657.409	12.824.430
12 Bank loans		121.450	2.946.706	3.068.156	90.489	1.854.314	19.444.803
121 Import acceptances		-	108.977	108.977	-	165.770	165.770
122 Other bank acceptances		121.450	2.837.729	2.959.179	90.489	1.688.544	17.779.033
13 Letters of credit		10.996	3.888.067	3.899.063	2.062	3.787.344	3.789.406
131 Documentary letters of credit		10.996	3.888.067	3.899.063	2.062	3.787.344	3.789.406
132 Other letters of credit		-	-	-	-	-	-
14 Guaranteed prefinancings		-	-	-	-	-	-
15 Endorsements		-	-	-	-	-	-
151 Endorsements to Central Bank of Turkish Republic		-	-	-	-	-	-
152 Other Endorsements		-	-	-	-	-	-
16 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
17 Factoring guarantees		-	-	-	-	-	-
18 Other guarantees		526.090	378.870	904.960	482.563	473.638	956.201
19 Other surety ships		230	-	230	230	-	230
II. COMMITMENTS	(1)	18.740.010	712.152	19.452.162	17.851.286	1.134.293	18.985.579
21 Irrevocable commitments		18.740.010	712.152	19.452.162	17.851.286	1.134.293	18.985.579
211 Forward asset purchase commitments		12.105	433.442	554.547	619.400	842.453	1.461.853
212 Forward deposit purchase and sale commitments		-	-	-	-	-	-
213 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
214 Loan granting commitments		1.767.028	278.710	2.045.738	1.280.418	291.840	1.572.258
215 Securities underwriting commitments		-	-	-	-	-	-
216 Payment commitments for reserve deposits		-	-	-	-	-	-
217 Payment commitments for cheques		5.073.145	-	5.073.145	4.670.295	-	4.670.295
218 Tax and fund liabilities from export commitments		-	-	-	17.037	-	17.037
219 Commitments for credit card expenditure limits		10.312.329	-	10.312.329	9.883.048	-	9.883.048
2110 Commitments for credit cards and banking services promotions		41.774	-	41.774	37.663	-	37.663
2111 Receivables from short sale commitments		-	-	-	-	-	-
2112 Payables for short sale commitments		-	-	-	-	-	-
2113 Other irrevocable commitments		1.407.592	-	1.407.592	1.347.049	-	1.347.049
22 Revocable commitments		-	-	-	-	-	-
221 Revocable loan granting commitments		-	-	-	-	-	-
222 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		2.365.512	27.020.071	29.385.583	5.078.157	15.827.482	20.905.639
31 Derivative financial instruments held for risk management		-	-	-	-	-	-
311 Fair value risk hedging transactions		-	-	-	-	-	-
312 Cash flow risk hedging transactions		-	-	-	-	-	-
313 Net foreign investment risk hedging transactions		-	-	-	-	-	-
32 Transactions for trading		2.365.512	27.020.071	29.385.583	5.078.157	15.827.482	20.905.639
321 Forward foreign currency buy/sell transactions		1.339.644	3.548.393	4.888.037	714.053	1.044.314	1.758.367
3211 Forward foreign currency transactions-buy		677.266	2.180.715	2.857.981	331.254	622.128	953.382
3212 Forward foreign currency transactions-sell		662.378	1.367.678	2.030.056	382.799	422.186	804.985
322 Currency and interest rate swaps		894.813	22.481.136	23.375.949	4.251.671	14.489.241	18.740.912
3221 Currency swap-buy		232.970	10.473.179	10.706.149	-	8.732.436	8.732.436
3222 Currency swap-sell		661.843	10.141.671	10.803.514	4.251.671	4.400.005	8.651.676
3223 Interest rate swap-buy		-	933.143	933.143	-	678.400	678.400
3224 Interest rate swap-sell		-	933.143	933.143	-	678.400	678.400
323 Currency, interest rate and marketable securities options		131.055	182.383	313.438	112.433	138.604	251.037
3231 Currency call options		65.484	91.236	156.720	56.220	69.298	125.518
3232 Currency put options		65.571	91.147	156.718	56.213	69.306	125.519
3233 Interest rate call options		-	-	-	-	-	-
3234 Interest rate put options		-	-	-	-	-	-
3235 Marketable securities call options		-	-	-	-	-	-
3236 Marketable securities put options		-	-	-	-	-	-
324 Currency futures		-	-	-	-	-	-
3241 Currency futures-buy		-	-	-	-	-	-
3242 Currency futures-sell		-	-	-	-	-	-
325 Interest rate buy/sell futures		-	-	-	-	-	-
3251 Interest rate futures-buy		-	-	-	-	-	-
3252 Interest rate futures-sell		-	-	-	-	-	-
326 Other		-	808.159	808.159	-	155.323	155.323
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		390.504.288	80.560.303	471.064.591	321.233.121	72.529.896	393.763.017
IV. CUSTODIES		176.594.614	12.708.106	189.302.720	135.196.837	10.910.244	146.107.081
41 Assets under management		-	-	-	-	-	-
42 Custody marketable securities		67.859.988	352.794	68.212.782	43.376.098	355.831	43.731.929
43 Cheques in collection process		10.264.686	9.561.090	19.825.776	9.512.510	8.065.593	17.581.103
44 Commercial notes in collection process		78.926.097	277.564	79.203.661	59.338.391	309.893	59.648.284
45 Other assets in collection process		-	-	-	-	-	-
46 Underwritten securities		-	-	-	15	-	15
47 Other custodies		10.234	1.826	12.060	8.228	1.691	9.919
48 Custodians		19.533.609	2.514.832	22.048.441	22.961.595	2.177.236	25.138.831
V. PLEDGED ASSETS		213.909.674	67.852.197	281.761.871	186.036.284	61.619.652	247.655.936
51 Marketable securities		191.302	10.941	202.243	2.515.437	112.204	2.627.641
52 Collateral notes		6.799.025	588.999	7.388.024	5.642.469	533.530	6.175.999
53 Commodity		25.830	-	25.830	25.830	-	25.830
54 Warranty		-	-	-	-	-	-
55 Land and buildings		164.969.657	51.687.039	216.656.696	142.665.688	47.405.559	190.071.247
56 Other pledged assets		37.007.945	14.361.636	51.369.581	32.206.181	12.594.731	44.800.912
57 Pledges		319.414	1.203.582	4.397.776	2.980.679	973.628	3.954.307
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		426.675.157	126.005.771	552.680.928	356.975.047	103.717.365	460.692.412

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

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

III. STATEMENT OF INCOME

INCOME AND EXPENSES	Note	Audited	Audited
		Current period 1 January-31 December 2014	Prior period 1 January-31 December 2013
I. INTEREST INCOME	(1)	11.451.133	9.204.643
1.1 Interest on loans		8.780.904	7.134.261
1.2 Interest received from reserve deposits		363	338
1.3 Interest received from banks		12.653	10.883
1.4 Interest received from money market placements		-	1.299
1.5 Interest income on marketable securities		2.652.451	2.053.202
1.5.1 Financial assets held for trading		1.826	2.540
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Financial assets available-for-sale		822.151	763.944
1.5.4 Investments held-to-maturity		1.828.474	1.286.718
1.6 Finance lease income		-	-
1.7 Other interest income		4.762	4.660
II. INTEREST EXPENSE	(2)	6.339.584	4.375.645
2.1 Interest on deposits		5.196.523	3.839.052
2.2 Interest on borrowings		248.902	221.759
2.3 Interest on money market borrowings		521.497	84.331
2.4 Interest on bonds issued		278.423	178.206
2.5 Other interest expense		94.239	52.297
III. NET INTEREST INCOME [I - II]		5.111.549	4.828.998
IV. NET FEES AND COMMISSIONS INCOME		1.022.544	930.006
4.1 Fees and commissions income		1.394.684	1.186.965
4.1.1 Non-cash loans		187.835	160.772
4.1.2 Other		1.206.849	1.026.193
4.2 Fees and commissions expenses		372.140	256.959
4.2.1 Non-cash loans		32	6
4.2.2 Other		372.108	256.953
V. DIVIDEND INCOME	(3)	153.844	97.468
VI. NET TRADING PROFIT (NET)	(4)	56.005	244.443
6.1 Profit/loss from capital market operations		298.939	322.837
6.2 Profit/loss from financial derivative transactions		(1.445.886)	470.853
6.3 Foreign exchange gains/losses		1.202.952	(549.247)
VII. OTHER OPERATING INCOME	(5)	531.494	767.638
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		6.875.436	6.868.553
IX. LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	1.160.768	848.742
X. OTHER OPERATING EXPENSES(-)	(7)	2.987.413	2.654.919
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		2.727.255	3.364.892
XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-
XIII. PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XIV. GAIN/(LOSS) ON NET MONETARY POSITION		-	-
XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	2.727.255	3.364.892
XVI. TAX INCOME PROVISION (±)	(9)	(521.487)	(614.049)
16.1 Current tax provision		(905.543)	(262.808)
16.2 Deferred tax provision		384.056	(351.241)
XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	2.205.768	2.750.843
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Property and equipment income held for sale		-	-
18.2 Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-
18.3 Other income from terminated operations		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Property and equipment expense held for sale		-	-
19.2 Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-
19.3 Other expenses from discontinued operations		-	-
XX. INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	-	-
XXI. PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)	(9)	-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)	(10)	-	-
XXIII. NET PROFIT/(LOSS) (XVII+XXII)	(11)	2.205.768	2.750.843
Earnings/losses per share (Full TRY)		1,76461	2,20067

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

	Audited	Audited
	Current period	Prior period
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	1 January- 31 December 2014	1 January- 31 December 2013
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	630.374	(516.086)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)	-	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)	-	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS	(33.424)	20.878
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(137.485)	118.657
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	459.465	(376.551)
XI. PROFIT/LOSS	2.205.768	2.750.843
111 Change in fair value of marketable securities (Transfer to profit/loss)	295.546	297.714
112 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	-	-
113 Transfer of hedge of net investments in foreign operations to income statement	-	-
114 Other	1910.222	2453129
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	2.665.233	2.374.292

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Paid in capital	Effect of adjustments on paid in capital	Share premium	Share cancellation profit	Share certificate	Statutory reserves	Extra-ordinary reserves	Other reserves	Current period net income/ reserves (loss)	Prior period net income/ (loss)	Valuation changes in marketable sec. int. assets	Revaluation changes in prop. and equip. and int. assets	Bonus shares from Hedging for sale purp./ shareholders	Value change in prop. and equip. held for sale purp./ shareholders' equity term. op.	Total
I. January 2013 - 31 December 2013																
I. Balance at end of prior period		1.250.000	1.220.451	-	-	884.336	-	5.113.614	54.850	2.595.211	-	1.199.524	-	4.969	-	12.322.955
II. Corrections according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21. The effect of corrections of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22. The effects of changes in accounting policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)		1.250.000	1.220.451	-	-	884.336	-	5.113.614	54.850	2.595.211	-	1.199.524	-	4.969	-	12.322.955
Changes within the period																
IV. Increase/decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-	(393.643)	-	-	-	-	(393.643)
VI. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
62. Hedges for investment made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Revaluation changes of property and equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-	-	-	-	-	-	-	-	1.948	-	1.948
X. Design changes of securities		-	-	-	-	-	-	-	(7.669)	-	-	-	-	-	-	-
XI. Changes of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of changes in shareholders' equity of investments and associates to bank's shareholders' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42. From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	151.44	-	-	-	-	-	-	151.44
XIX. Net profit or losses		-	-	-	-	-	-	-	2.750.843	-	-	-	-	-	-	2.750.843
XX. Profit distribution		-	-	-	-	164.266	-	1.879.471	(2.595.211)	-	-	-	-	-	-	(551.474)
201. Dividends distributed		-	-	-	-	164.266	-	1.879.471	-	-	(551.474)	-	-	-	-	(551.474)
202. Transfers to legal reserves		-	-	-	-	-	-	-	(2.595.210)	2.595.211	-	-	-	-	-	-
203. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance		1.250.000	1.220.451	-	-	1.048.602	-	6.993.085	62.325	2.750.843	-	813.550	-	6.917	-	14.145.773
I. January 2014 - 31 December 2014																
I. Balance at end of prior period		1.250.000	1.220.451	-	-	1.048.602	-	6.993.085	62.325	2.750.843	-	813.550	-	6.917	-	14.145.773
Changes within the period																
II. Increase or decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Hedging Funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42. Hedges for investments made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation changes of property and equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-	-	-	-	-	-	-	-	1.852	-	1.852
VIII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Effect of changes in shareholders' equity of investments and associates to bank's shareholders' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
121. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122. From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	(26.221)	-	-	-	-	-	-	(26.221)
XVII. Net profit or losses		-	-	-	-	-	-	-	2.205.768	-	-	-	-	-	-	2.205.768
XVIII. Profit distribution		-	-	-	-	168.801	-	2.306.958	(2.750.843)	-	-	-	-	-	-	(275.084)
181. Dividends distributed		-	-	-	-	168.801	-	2.306.958	-	-	(275.084)	-	-	-	-	(275.084)
182. Transfers to legal reserves		-	-	-	-	-	-	-	(2.750.843)	2.750.843	-	-	-	-	-	-
183. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance		1.250.000	1.220.451	-	-	1.217.403	-	9.300.043	34.104	2.205.768	-	1.299.384	-	8.769	-	16.535.922

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

VI. STATEMENT OF CASH FLOWS

	Audited	Audited
	Current period	Prior period
Note	31 December 2014	31 December 2013
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	2.271.551	2.536.081
1.1.1 Interest received	11.290.388	8.703.727
1.1.2 Interest paid	(6.282.831)	(3.574.895)
1.1.3 Dividend received	13.837	9.718
1.1.4 Fees and commissions received	1.394.685	1.186.965
1.1.5 Other income	258.726	519.290
1.1.6 Collections from previously written off loans	602.582	551.439
1.1.7 Cash payments to personnel and service suppliers	(1.278.154)	(1.112.977)
1.1.8 Taxes paid	(681.298)	(679.899)
1.1.9 Other	(1) (3.046.384)	(3.067.287)
1.2 Assets and Liabilities Subject to Banking Operations	(6.304.306)	2.781.230
1.2.1 Net decrease in financial assets held for sale	(127.694)	(2.942)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss	-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions	(12.000)	(6.000)
1.2.4 Net (increase) decrease in loans	(17.270.138)	(18.888.493)
1.2.5 Net (increase) decrease in other assets	754.486	(6.052.205)
1.2.6 Net increase (decrease) in bank deposits	7.100.623	2.610.271
1.2.7 Net increase (decrease) in other deposits	(4.183.293)	18.104.232
1.2.8 Net increase (decrease) in loans borrowed	(978.767)	6.278.279
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	(1) 8.412.477	738.088
I. Net cash provided from banking operations	(4.032.755)	5.317.311
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II. Net cash provided from/(used in) investing activities	2.782.128	(5.746.424)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries	(44.296)	(167.590)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries	-	-
2.3 Fixed assets purchases	(348.862)	(290.959)
2.4 Fixed assets sales	118.708	235.905
2.5 Cash paid for purchase of financial assets available for sale	(5.524.227)	(11.818.797)
2.6 Cash obtained from sale of financial assets available for sale	7.003.609	7.587.200
2.7 Cash paid for purchase of investment securities	(2.599.122)	(3.780.572)
2.8 Cash obtained from sale of investment securities	4.191.794	2.498.722
2.9 Other	(15.476)	(10.333)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash used in financing activities	1.770.423	893.702
3.1 Cash obtained from loans borrowed and securities issued	3.046.172	3.695.026
3.2 Cash used for repayment of loans borrowed and securities issued	(1.000.000)	(2.250.000)
3.3 Bonds issued	-	-
3.4 Dividends paid	(275.084)	(551.474)
3.5 Payments for finance leases	(288)	(453)
3.6 Other	(377)	603
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1) 97.128	638.245
V. Net increase/(decrease) in cash and cash equivalents	616.924	1.102.834
VI. Cash and cash equivalents at beginning of the period	(4) 6.372.320	5.269.486
VII. Cash and cash equivalents at end of the period	(5) 6.989.244	6.372.320

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2014

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

VII. STATEMENT OF PROFIT DISTRIBUTION TABLE

	Audited Current period 31 December 2014 ⁽¹⁾	Audited Prior period 31 December 2013
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
11. Current Period Profit	2,727,255	3,364,892
12. Taxes and Legal Duties Payables (-)	521,487	614,049
12.1. Corporate Tax (Income Tax)	905,543	262,808
12.2. Withholding Tax	-	-
12.3. Other Taxes and Duties	(384,056)	351,241
A. Net Profit For The Period (1.1-1.2)	2,205,768	2,750,843
13. Accumulated Losses (-)	-	-
14. First Legal Reserves (-)	-	137,542
15. Other Statutory Reserves (-)	-	-
B. Net Profit Available for Distribution [(A)-(1.3+1.4+1.5)]	-	2,613,301
16. First Dividend to shareholders (-)	-	62,500
16.1. To Owners of Ordinary Shares	-	62,500
16.2. To Owners of Privileged Shares	-	-
16.3. To Owners of Redeemed Shares	-	-
16.4. To Profit Sharing Bonds	-	-
16.5. To Holders of Profit and Loss Sharing Certificates	-	-
17. Dividends to personnel (-)	-	100,000 ⁽²⁾
18. Dividends to Board of Directors (-)	-	-
19. Second Dividend to Shareholders (-)	-	212,584
19.1. To Owners of Ordinary Shares	-	212,584
19.2. To Owners of Privileged Shares	-	-
19.3. To Owners of Redeemed Shares	-	-
19.4. To Profit Sharing Bonds	-	-
19.5. To Holders Of Profit And Loss Sharing Certificates	-	-
110. Second Legal Reserves (-)	-	31,259
111. Status Reserves (-)	-	-
112. Extraordinary Reserves	-	2,306,958
113. Other Reserves	-	-
114. Special Funds	-	-
II. Distribution of Reserves		
21. Appropriated Reserves	-	-
22. Second Legal Reserves (-)	-	-
23. Dividends to Shareholders (-)	-	-
23.1. To Owners of Ordinary Shares	-	-
23.2. To Owners of Privileged Shares	-	-
23.3. To Owners of Redeemed Shares	-	-
23.4. To Profit Sharing Bonds	-	-
23.5. To Holders of Profit and Loss Sharing Certificates	-	-
24. Dividends to Personnel (-)	-	-
25. Dividends to Board of Directors (-)	-	-
III. Earnings per Share		
31. To Owners of Ordinary Shares	1,7646	2,2007
32. To Owners of Ordinary Shares (%)	%176,5	%220,1
33. To Owners of Privileged Shares	-	-
34. To Owners of Privileged Shares (%)	-	-
IV. Dividend per Share		
41. To Owners of Ordinary Shares	-	0,2201
42. To Owners of Ordinary Shares (%)	-	%22,01
43. To Owners of Privileged Shares	-	-
44. To Owners of Privileged Shares (%)	-	-

⁽¹⁾ As of 31 December 2014, Board of Directors meeting was not held.

⁽²⁾ Dividends to personnel which is added to 2013 net profit as a provision not sentenced in profit distribution, only shown in the table for information.

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

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The unconsolidated financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority, Turkish Financial Reporting Standards ("TFRS"), Communiqué on "Banks' Accounting Practice and Maintaining Documents" and other communiqués and interpretations of Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting.

The accounting policies applied and the valuation methods used in the preparation of the financial statements are expressed in detail below.

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.

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 foreign borrowing and money market borrowing.

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 collections of foreign currency transactions are reflected to the income statement.

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.

III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

Derivative transactions of the Bank consist of foreign currency and interest rate swaps, forwards and credit default swaps. The Bank has no derivative instruments decomposed from the main contract.

Derivative financial instruments are recorded at fair value as of the contract date and valued at fair value in the following reporting periods. Although some derivative transactions are qualified as economical hedging items, they do not meet all

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

the definition requirements of hedge accounting items. Therefore, under the Turkish Accounting Standard No: 39 "Financial Instruments: Recognition and Measurement" (TAS 39), these derivative instruments are recognized as held for trading and gains and losses of these instruments are associated with statement of income.

IV. 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 TAS 39 "Financial Instruments: Recognition and Measurement".

In accordance with the related legislation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as an interest income only when they are collected.

V. FEES 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.

Fees and commission expenses on borrowings that are paid to other institutions and incorporations for financial liabilities comprise operational costs. This fees 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.

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

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

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

The financial instruments and their valuations methods based on their classification on the financial statements are set out below.

1. Cash 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.

2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

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

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

Financial Assets Held for Trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. Valuation gains or losses are recognized in the profit/loss accounts. Interests gained from the retention of held for trading financial assets are recognized under the interest income and dividends gained are recognized under the dividend income in the income statement. If these assets are disposed of prior to their maturity periods, loss or gain from the disposal is recognized in the income statement by using interest income/expense accounts under profit/loss from the capital market operations.

2.2. Financial assets at fair value through profit and loss

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

The Bank has not any financial assets at fair value through profit and loss as of 31 December 2014 and 31 December 2013.

3. Investments held to maturity

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

4. Financial assets available for sale

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

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5. 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 at the subsequent recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

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

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

Non-performing loans are classified in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No: 26333 dated 1 November 2006 and amended with the regulation published in the Official Gazette No: 28418 dated last 21 September 2012 and specific provisions are allocated for those loans. Specific provisions are reflected to "820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses" account. Provisions released in same year are recognized as a credit movement under the "Provision Expenses", released portion of the previous period provisions are recognized under the "Other Operating Income" account.

6. Associates and subsidiaries:

Turkish Lira denominated associates and subsidiaries have been valued based on deducted additions of funds such as revaluation funds, permitted additions to capital under statutory purposes, from the cost of the indexed remaining balances of associate and subsidiary based on the capital increase payment dates until 31 December 2004.

As of 1 January 2012, the Bank changed the accounting policy which is related to the Turkish Lira denominated subsidiaries and began to record related subsidiaries with their fair values. Fair values of the subsidiaries, whose shares are unquoted on the active market (stock exchange) are determined with the valuation reports that are prepared by the independent valuation company and fair values of the subsidiaries, whose shares are quoted in on active market (stock exchange) are determined by taking into account of book values at stock exchange, valuation differences are added to the subsidiaries values and correspondingly recorded in the "Marketable securities revaluation fund" under the shareholders' equity.

Foreign currency denominated associates and subsidiaries are translated into Turkish Lira from the historical exchange rates at transaction dates and foreign currency associates purchased before 1 January 2005 recorded over their restated values by the occurred indexes at transaction dates until 31 December 2004.

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VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, the Bank reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Bank determines the related impairment amount.

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrance, future expected losses are not recognized.

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

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

At each balance sheet date, the Bank reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Bank determines the related impairment amount.

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrance, future expected losses are not recognized.

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

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

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

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The Bank is providing 1% general allowance for cash loans and other receivables; 0,2% general allowances for non-cash loans. In accordance with the communiqué "The change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 28 May 2011 No: 27947 Official Gazette, banks are able to change the terms of the payment plans of their loans and other receivables monitored under standard and other receivables group given that those loans and receivables qualify for the prerequisites. However, if the changes made extend the initial payment plan, a general provision allocated accordingly with the related loans and other receivables given that it is no less than the 5 times of the predetermined ratio and for loans and other receivables followed under close monitoring provision cannot fall below 2,5 times of the designated ratio.

In accordance with the communiqué "The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 18 June 2011 No: 27968 Official Gazette, the Bank applies general provision ratios as 4% for all consumer loans in first group and 8% for all consumer loans in second group respectively except for real estate and automobile loans in both groups.

In accordance with the communiqué "The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 21 September 2012 No: 28418 Official Gazette, as of the recent month end prior to the effective date of the Communiqué, the Bank will provide the differences in general allowances for cash loans, close monitoring loans, letters of guarantees, bill guarantees and sureties and other non-cash loans with the rates stated in the first paragraph of Article 7 of the Communiqué until 31 December 2015.

In accordance with the communiqué "The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 8 October 2013 No: 28789 Official Gazette, as of the recent month end prior to the effective date of the Communiqué, the Bank will provide the differences in general allowances for all consumer loans except for real estate loans in both groups with the rates stated in the second paragraph of Article 7 of the Communiqué until 31 December 2015.

VIII. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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.

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

Marketable securities subject to repurchase agreements are classified under "Available for Sale Financial Assets" or "Held to Maturity Investments" 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 from Repurchase Transactions" 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 Reverse Repo Transactions" 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.

X. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify a tangible fixed 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 programme 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).

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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 income statement.

XI. 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 3 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment 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. Leasehold improvements are depreciated over the lease period by straight line method.

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

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

	Estimated useful lives (Year)	Depreciation rate
Buildings	50	2%
Safe-deposit boxes	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 mortgages, pledges or similar in cumbrances designated for the property, plant and equipment.

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XIII. 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".

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

XIV. 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 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.

XV. 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 contracts, 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 valuation company. 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 include employees of the Bank as well. 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 fund foundations 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 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 Cabinet 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, this period of 2 years has been raised to 4 years.

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According to the decree of Council of Ministers dated 24 April 2014 and numbered 28987, which was published on the Gazette on 30 April 2014, the related transfer period was prolonged one more year.

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 cash value of the liabilities will be calculated with the actuarial interest rate 9%. 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 2014 and 31 December 2013, no technical deficit has been reported.

XVI. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 31 December 2013 has been paid in April 2014, accrued advance tax as of 31 December 2014 will be paid in February 2015.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

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

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

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

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Bahrain

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

XVII. 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.

XVIII. EXPLANATIONS ON SHARES AND SHARE ISSUE

Share issuances related to costs are recognized as expenses. Dividend income 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 decree of the Privatization High Council 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 to the Board with the decree of the Capital Markets Board dated 26 April 2007 and numbered 16/471, and the shares were traded on the Borsa Istanbul AŞ as of 10 May 2007.

As per the decree 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.

XIX. 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.

XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXI. 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 report concerning parts of Bank's business segmentation and related information is explained in section four, disclosure numbered XII.

XXII. EXPLANATION ON OTHER MATTERS

None.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CAPITAL ADEQUACY RATIO

The capital adequacy ratio calculations are made in accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in Official Journal No 29111 of 6 September 2014. The solo basis capital adequacy ratio of the Bank is 13,62% as of 31 December 2014 (31 December 2013: 13,91%).

In the calculation of the amount subject to credit risk, the Bank assesses its loans and receivables by taking the risk classes, rating notes and risk mitigation into consideration. "Simple financial collateral method" is used for banking accounts while "comprehensive financial collateral method" is used for trading accounts for taking risk mitigation elements under consideration.

In the calculation process of capital adequacy ratio, the data which are compatible with current regulations are used. Furthermore, the market and operational risks are also taken into account within the framework of regulations.

The items which are deducted from shareholders' equity are not considered in the calculation of risk weighted assets (RWAs). Depleted and amortized assets are taken into consideration by net amounts which are calculated by the deduction of depreciation cost and provisions.

The amount subject to credit risk for non cash loans are considered by using the conversion rates which are defined in the 5th article of "Regulation on Measurement and Evaluation of Capital Adequacy of Banks". Besides, the provisions which are defined in "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to Be Set Aside" and taken place at the liability side of the balance sheet are also taken into consideration.

In the calculation of counterparty credit risk arising from trading account, the current exposure method is used.

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1. Information on the unconsolidated capital adequacy ratio:

Current period	Risk Weights								
	%0	%10	%20	%50	%75	%100	%150	%200	%250
Surplus credit risk weighted	-	-	810.058	14.076.567	22.962.208	54.730.042	3.613.293	16.572.334	912.638
Risk classifications:									
Claims on sovereigns and Central Banks	40918.786	-	2.856	3.385.027	-	-	-	-	-
Claims on regional governments or local authorities	18.263	-	554.619	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	28.273	-	199	-	-	527130	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	2.427.237	-	2.575.808	1.787.700	-	47.249	-	-	-
Claims on corporates	768.725	-	242.822	-	-	48.277.479	-	-	-
Claims included in the regulatory retail portfolios	1.497.528	-	159.191	-	-	30.426.898	656.661	-	-
Claims secured by residential property	23.228	-	3.302	22.857.026	66.067	-	-	-	-
Overdue loans	-	-	-	123.381	-	1162.077	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	2.408.862	8.286.167	40.553
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other receivables	3.242.822	-	511.492	-	123.312	4.059.446	-	-	324.502
Prior period	%0	%10	%20	%50	%75	%100	%150	%200	%250
Surplus credit risk weighted	-	-	769.511	12.410.776	18.463.130	42.695.656	2.831.976	16.252.590	55.233
Risk classifications:									
Claims on sovereigns and Central Banks	37852.013	-	3.019	2.962.044	-	-	-	-	-
Claims on regional governments or local authorities	12.789	-	146.101	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	5.994	-	90.171	-	-	198.700	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	905.334	-	2.847.484	1.249.649	-	77.716	-	-	-
Claims on corporates	352.281	-	196.735	116.148	-	38.105.789	-	-	-
Claims included in the regulatory retail portfolios	1.360.345	-	121.908	-	-	24.348.943	581.744	-	-
Claims secured by residential property	24.109	-	5.046	20.362.629	-	-	-	-	-
Overdue loans	-	-	-	131.082	-	303.767	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	1.887.984	8.126.295	22.093
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other receivables	2.831.355	-	437.091	-	268.563	3.427.940	-	-	-

2. Capital adequacy ratio summary:

	Current Period	Prior Period
A Capital to be employed for credit risk (Amount subject to credit risk*0,08) (I)	9.094.171	7.478.310
B Capital to be employed for market risk (II)	257.412	243.150
C Capital to be employed for operational risk (III)	810.323	712.998
Shareholders' equity	17.301.950	14.663.982
Shareholders' equity/((I+II+III) *12,5*100)	13,62	13,91
Core capital/((I+II+III)*12,5*100)	12,92	
Tier I Capital/((I+II+III)*12,5*100)	12,96	

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3. Information on equity items:

	Current period
TIER I CAPITAL	
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451
Share premium	-
Share Cancellation Profits	-
Reserves	10.551.550
Other Comprehensive Income according to TAS	1.299.384
Profit	2.205.768
Net Current Period Profit	2.205.768
Prior Period Profit	-
Provisions for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	8.769
Tier I Capital Before Deductions	16.535.922
Deductions from Tier I Capital	
Current and Prior Period's Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-
Leasehold Improvements on Operational Leases (-)	64.951
Goodwill and Other Intangible Assets and Related Deferred Tax Liabilities (-)	11.789
Net Deferred Tax/Liability(-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Direct and Indirect Investments of the Bank on its own 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 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 less 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 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 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 Core Capital (-)	-
Total Deductions from Tier I Capital	76.740
Total Tier I Capital	16.459.182
ADDITIONAL CORE CAPITAL	
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Additional Core Capital before Deductions	-
Deductions from Additional Core Capital	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
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 Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks of Financial Institutions where the Bank Owns more than 10% of Issued Share Capital (-)	-
Other Items to be Defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-

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	Current period
Total Deductions from Additional Core Capital	-
Total Additional Core Capital	-
Deductions from Core Capital	47.154
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 (-)	47.154
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 (-)	-
Total Core Capital	16.412.028
TIER II CAPITAL	
Debt Instruments and Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	1.268.847
Tier II Capital before Deductions	1.268.847
Deductions from Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
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 Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	1.268.847
CAPITAL	17.680.875
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	49.245
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by BRSA (-)	329.670
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 Core 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 Banks Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core 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 (-)	-
EQUITY	17.301.950
Amounts Below the Thresholds for Deduction	
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	15.113
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 Tier I Capital	86.234
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	321.890

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	Current period
CORE CAPITAL	
Paid-in capital	1.250.000
<i>Nominal capital</i>	1.250.000
<i>Capital commitments (-)</i>	-
Adjustment to paid-in capital	1.220.451
Share premium	-
Share repeal	-
Legal reserves	8.104.012
Adjustment to legal reserves	-
Profit	2.750.843
<i>Net current period profit</i>	2.750.843
<i>Prior period profit</i>	-
Provisions for possible losses up to 25% of core capital	132.231
Profit on sale of associates, subsidiaries and buildings	-
Primary subordinated loans	-
Loss that is not covered with reserves (-)	-
<i>Net current period loss</i>	-
<i>Prior period loss</i>	-
Development cost of operating lease (-)	69.633
Intangible assets (-)	45.147
Deferred-assets for tax which exceeds 10% of core capital (-)	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-
Total Core Capital	13.342.757
SUPPLEMENTARY CAPITAL	
General reserves	1.134.717
45% of increase in revaluation fund of movables	-
45% of increase in revaluation fund of fixed assets	-
Free shares from investment and associates, subsidiaries and joint ventures that is not recognized in profit	6.917
Primary subordinated loans which are ignored in the calculation of core capital	-
Secondary subordinated loans	-
45% of value increase (100% of value decrease) fund of financial assets available for sale and associates and subsidiaries	210.732
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)	-
Total Supplementary Capital	1.352.366
CAPITAL	14.695.123
DEDUCTIONS FROM THE CAPITAL	31.141
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	-
Loans extended being noncompliant with articles 50 and 51 of the Law	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	29.717
Securitization positions that is deducted-preferably-from the shareholders' equity	-
Other	1.424
TOTAL SHAREHOLDERS' EQUITY	14.663.982

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4. Information on assessment process of internal capital adequacy requirements:

The Bank uses economic capital model in the process of internal capital adequacy assessment process. Calculations are done by considering the confidence interval which corresponds to the rating targeted by Bank. In the analyses, credit risk, market risk, operational risks and asset-liability management risks and correlation effect are taken into account, correlation effect is considered while risks are consolidated. The Bank takes one year period into account in its calculations.

II. EXPLANATIONS RELATED TO THE CREDIT RISK

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

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

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

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

As prescribed in the Communiqué on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions", the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Credit limits are determined according to the audited statement of accounts. Guarantee factors are developed in accordance with the decision of the credit committee and updated according to the top management's initiatives and changes in the economic conditions. The Bank receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

When the Bank is exposed to significant credit risks, it has the tendency to cease its forward or similar type of transactions by using rights, fulfilling the requirements of the acquisitions or disposing of the acquisitions to mitigate the risk total.

As of 31 December 2014, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 19,51% and 24,76% of its total cash loans.

As of 31 December 2014, receivables of the Bank from its top 100 and 200 non-cash loan customers are respectively 51,86% and 63,09% of its total non-cash loans.

As of 31 December 2014, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 15,86% and 20,64% of its total balance sheet and off-balance sheet assets.

As of 31 December 2014, general loan loss provision related to the credit risk incurred by the Bank in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 1.268.847 (31 December 2013: TRY 1.134.717).

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Risk Classifications:	Current Period Risk Amount^(*)	Average Risk Amount	Prior Period Risk Amount^(*)	Average Risk Amount
Claims on sovereigns and Central Banks	44.306.669	43.836.577	40.817.076	31.216.901
Claims on regional governments or local authorities	572.882	214.352	158.890	258.595
Claims on administrative bodies and other non-commercial undertakings	555.602	389.362	294.865	192.117
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	6.837.994	5.382.161	5.080.183	4.732.496
Claims on corporates	49.289.026	43.731.728	38.770.953	32.707.694
Claims included in the regulatory retail portfolios	32.740.278	29.375.540	26.412.940	24.602.737
Claims secured by residential property	22.949.623	21.706.440	20.391.784	18.050.838
Overdue loans	1.285.458	823.404	434.849	381.888
Higher risk categories decided by the Board	10.735.582	10.045.441	10.036.372	8.725.790
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	8.261.574	7.508.807	6.964.949	6.471.161

^(*) Includes the risk amounts after credit conversions.

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Risk profile according to the geographical concentration:

	Risk Classifications ^(*)										
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on the regulatory retail portfolios	Claims secured by residential property	Overdue loans	Total	
Current Period											
1. Domestic	44.306.669	572.882	555.602	6.348.769	48.862.203	32.738.607	22.949.623	1.285.458	10.735.582	8.261.574	176.616.989
2. EU Countries ^(**)	-	-	-	136.731	111.315	-	-	-	-	-	248.046
3. OECD Countries	-	-	-	4.518	-	690	-	-	-	-	5.208
4. Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-
5. USA, Canada	-	-	-	299.801	240.859	981	-	-	-	-	541.641
6. Other Countries	-	-	-	6.792	746.649	-	-	-	-	-	81.441
7. Investment and associates, subsidiaries and joint ventures	-	-	-	41.383	-	-	-	-	-	-	41.383
8. Undistributed Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-	-	-	-
9. Total	44.306.669	572.882	555.602	6.837.994	49.289.026	32.740.278	22.949.623	1.285.458	10.735.582	8.261.574	177.534.688
Prior Period											
1. Domestic	40.817.076	158.890	294.865	2.807.296	38.658.312	26.412.328	20.390.810	434.849	10.036.372	6.964.949	146.975.747
2. EU Countries ^(**)	-	-	-	919.361	90.514	293	-	-	-	-	1.010.168
3. OECD Countries	-	-	-	22.655	-	-	-	-	-	-	22.655
4. Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-
5. USA, Canada	-	-	-	291.892	-	-	974	-	-	-	292.866
6. Other Countries	-	-	-	48.903	22.127	319	-	-	-	-	71.349
7. Investment and associates, subsidiaries and joint ventures	-	-	-	990.076	-	-	-	-	-	-	990.076
8. Undistributed Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-	-	-	-
9. Total	40.817.076	158.890	294.865	5.080.183	38.770.953	26.412.940	20.391.784	434.849	10.036.372	6.964.949	149.362.861

^(*) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

^(**) OECD Countries other than the EU Countries, USA, and Canada.

^(***) Assets and liabilities that are not consistently allocated.

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Risk Profile according to sectors:

Current Period	Risk Classifications ^{*)}										FC	Total	
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies or other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory portfolios	Claims secured by residential property	Overdue loans			TRY
Agricultural	-	-	156	-	106,493	412,826	114,382	16,681	-	87,497	671,042	66,993	7,380,35
Farming and raising livestock	-	-	13	-	63,497	388,955	103,827	16,536	-	87,422	617,555	42,895	660,290
Forestry	-	-	-	-	-	3,564	898	12	-	75	45,44	5	45,49
Fishing	-	-	143	-	42,996	20,307	9,657	133	-	-	48,943	24,293	73,236
Manufacturing	-	80	131,918	-	22,975,662	720,1538	8,798,816	917,009	-	128,353	22,047,898	181,054,78	401,53,376
Mining	-	80	100,634	-	359,330	106,248	121,872	69,755	-	479,030	278,889	757,919	
Production	-	-	31,284	-	18,864,582	707,3188	84,388,49	846,909	-	128,353	20,864,904	14,518,261	35,383,165
Electric, gas and water	-	-	-	-	3,751,750	22,102	238,095	345	-	-	703,964	3,308,328	4,012,292
Construction	-	54	9	-	5,330,879	905,433	167,9688	60,999	-	224,407	60,32,294	21,691,75	8,201,469
Services	42,434,856	220,383	215,390	6,837,994	19,366,534	211,36,558	12,166,959	281,641	-	2,845,348	74,612,432	30,893,231	105,505,663
Wholesale and retail trade	-	22	80,255	-	7,419,367	11,922,503	5,861,549	134,824	-	8,799	21,906,378	3,520,941	25,427,319
Hotel, food and beverage services	-	10	21	-	118,273	491,135	212,338	31,399	-	87	2,672,288	115,975	3,832,263
Transportation and telecommunication	-	-	31,859	-	2,231,664	5,295,532	55,226	90,87	-	646	60,23,275	20,60,739	8,084,014
Financial institutions	42,401,777	5,246	5,509	6,837,994	1,199,958	28,468	375,960	364	-	2,669,845	34,183,228	19,341,883	53,525,111
Real estate and renting services	11,198	213,000	28,971	-	6,468,205	2,562,616	2,617,276	9,910	-	160,552	7,903,692	4,257,236	12,160,928
Self-employment services	-	-	-	-	262	679,573	118,245	1,580	-	5,344	7,92,471	12,533	8,050,004
Education services	1,513	82	38,661	-	266,209	69,307	163,752	1,115	-	2	387,315	153,326	540,641
Health and social services	20,368	2,023	30,114	-	593,596	127,424	352,613	4,172	-	73	743,785	386,598	1,130,383
Other	1,871,813	352,365	20,8129	-	15,094,588	3,083,923	189,778	9,128	10,735,582	4,975,969	22,281,285	654,860	22,936,145
Total	44,306,669	572,882	555,602	6,837,994	49,289,026	32,740,278	22,949,623	1,285,458	10,735,582	8,261,574	125,644,951	51,889,737	177,534,688

^{*)} Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

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Risk Profile according to sectors:

Prior Period	Risk Classifications ^{o)}										FC	Total	
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory portfolios	Claims secured by residential property	Overdue loans			TRY
Agricultural	-	7	79	-	82.200	316.514	76.817	218.27	-	59.563	496.325	6.088.2	557.007
Farming and raising livestock	-	7	79	-	57.234	299.505	66.022	217.29	-	59.484	462.339	417.21	504.060
Forestry	-	-	-	-	-	2.669	708	82	-	79	3.538	-	3.538
Fishing	-	-	-	-	249.666	14.340	10.087	16	-	-	304.48	18.961	494.09
Manufacturing	-	371	84.345	-	16.667.317	4.285.225	6.805.648	194.638	-	123.381	11.791.795	163.491.930	281.409.25
Mining	-	80	49.524	-	1.680.006	56.344	220.793	2.385	-	-	1.993.341	297.791	497.132
Production	-	291	34.821	-	14.842.592	419.0951	6.411.24	1921.07	-	123.381	11.364.429	144.30.838	25.795.267
Electric, gas and water	-	-	-	-	1.656.719	77.930	173.231	146	-	-	228.025	162.051	184.8.526
Construction	-	6	-	-	3.686.109	52.7018	1.248.27	410.14	-	230.791	3.670.634	1.939.131	56.09.765
Services	38.866.216	88.733	150.849	50.80183	12.346.901	127.409.959	72.074.67	173.729	-	210.0847	477.909.968	30.964.916	78.755.884
Wholesale and retail trade	-	98	68.502	-	5.077.418	732.758	3.851.423	101.960	-	5.212	13.281.787	2.955.314	16.237.01
Hotel food and beverage services	-	10	-	-	676.406	287.821	116.4641	25.728	-	91	6.65.388	1.488.759	2.154.47
Transportation and telecommunication	-	-	19.467	-	1.481.035	3.208.553	316.100	251.78	-	604	3.660.768	1.390.169	5.050.937
Financial institutions	38.845.284	-	-	-	5.520.20	18.305	160.474	539	-	1.934.118	25.368.608	21.222.315	46.590.923
Real estate and renting services	3	88.015	18.559	-	3.943.762	153.4765	1.304.772	11.298	-	155.902	3.745.898	3.311.178	70.570.76
Selfemployment services	-	6	-	-	960	436.787	82.666	1.465	-	48.44	517.266	9.462	526.728
Education services	205	16	39.964	-	113.979	416.75	93.968	260	-	2	15.7512	12.257	290.069
Health and social services	20.724	588	4.357	-	5.015.91	80.295	233.423	7.851	-	74	393.741	455.162	848.903
Other	1.950.860	69.773	59.592	-	5.988.426	8.563.224	51.770.25	3.641	10.036.372	4.450.367	33.484.800	2.814.480	36.299.280
Total	40.817.076	158.890	294.865	5.080.183	38.770.953	26.412.940	20.391.784	434.849	10.036.372	6.964.949	97.234.522	52.128.339	149.362.861

^{o)} Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

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Distribution of maturity risk factors according to their outstanding maturities:

Current Period Risk Classifications	According to outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
1.Claims on sovereigns and Central Banks	10,907,489	9,003,802	3,912,359	4,224,958	16,253,826
2.Claims on regional governments or local authorities	8,235	567	3,781	9,656	550,643
3.Claims on administrative bodies and other non-commercial undertakings	146,526	141,688	123,348	86,120	57,978
4.Claims on banks and intermediary institutions	4,539,316	359,750	167,693	424,077	1,074,117
5.Claims on corporate	10,422,083	3,919,457	4,859,464	8,374,052	28,299,415
6.Claims included in the regulatory retail portfolios	1,422,550	1,949,379	3,874,005	8,198,127	40,893,376
7. Overdue loans	1,285,458	-	-	-	-
8. Other receivables	6,127,135	242,392	600,983	519,535	771,528
Total	34,858,792	15,617,035	13,541,633	21,836,525	87,900,883

⁽¹⁾ Commitments amounting TRY 3,779,820 are not included in the table above.

⁽²⁾ Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

⁽³⁾ Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

Prior Period Risk Classifications	According to outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
1.Claims on sovereigns and Central Banks	8,720,562	7,681,052	4,128,169	5,068,263	15,144,250
2.Claims on regional governments or local authorities	11,723	4,760	13,769	49,373	79,265
3.Claims on administrative bodies and other non-commercial undertakings	79,131	82,071	14,075	24,350	95,246
4.Claims on banks and intermediary institutions	3,037,735	290,659	335,173	326,302	803,088
5.Claims on corporate	6,206,794	2,437,279	4,709,122	6,335,756	23,334,004
6.Claims included in the regulatory retail portfolios	3,098,451	1,977,765	3,752,612	5,271,196	34,611,357
7. Overdue loans	434,849	-	-	-	-
8. Other receivables	5,461,066	272,734	133,439	488,525	609,185
Total	27,050,311	12,746,320	13,086,359	17,563,765	74,676,395

⁽¹⁾ Commitments amounting TRY 4,239,711 are not included in the table above.

⁽²⁾ Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

⁽³⁾ Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

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

In determining the risk weights for the exposures to banks which are settled abroad, Fitch Ratings' risk ratings are used.

Additionally, for the foreign exchange securities issued by Turkish Treasury and for the foreign exchange exposures to Turkish Central Government, Fitch Ratings' risk ratings are used.

Mapping Table	Credit Quality Grade	Fitch Ratings
	1	AAA and AA-
	2	A+ and A-
Long term Credit Assessments	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below
	1	F1+ and F1
	2	F2
Short term Credit Assessments	3	F3
	4	F3 and below
	5	---
	6	---

Risk balances according to risk weights:

Current Period										Deductions from the shareholders' equity
Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	
1. Pre-Amount of Credit Risk Mitigation	45,177,028	-	3,551,843	16,771,693	39,549,892	61,424,148	2,408,862	8,286,167	365,055	502,819
2. Amount after Credit Risk Mitigation	48,924,862	-	4,050,289	28,153,134	30,616,277	54,730,042	2,408,862	8,286,167	365,055	502,819

Prior Period										Deductions from the shareholders' equity
Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	
1. Pre-Amount of Credit Risk Mitigation	41,516,359	-	3,370,335	4,094,344	42,063,789	48,281,662	1,887,984	8,126,295	22,093	145,921
2. Amount after Credit Risk Mitigation	43,344,220	-	3,847,555	24,821,552	24,617,506	42,695,656	1,887,984	8,126,295	22,093	145,921

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Information according to sectors and counterparties:

Current Period	Loans			
	Non-performing loans ^(*)	Overdue ^(**)	Value Adjustments	Provisions
Sectors/Counterparties				
Agricultural	85.740	8.188	556	69.158
<i>Farming and raising livestock</i>	78.058	7.340	518	61.619
<i>Forestry</i>	487	95	2	476
<i>Fishing</i>	7.195	753	36	7.063
Manufacturing	1.812.375	170.098	12.372	908.516
<i>Mining</i>	132.615	3.864	85	62.855
<i>Production</i>	1.678.479	166.098	11.877	844.725
<i>Electric, gas and water</i>	1.281	136	410	936
Construction	250.914	130.666	6.893	186.524
Services	957.688	291.763	12.434	697.376
<i>Wholesale and retail trade</i>	587.486	196.397	7.714	456.569
<i>Hotel, food and beverage services</i>	114.617	19.489	494	97.511
<i>Transportation and telecommunication</i>	36.853	35.145	857	27.377
<i>Financial institutions</i>	7.713	922	20	7.363
<i>Real estate and renting services</i>	187.138	13.396	607	92.797
<i>Self-employment services</i>	5.934	5.422	326	3.334
<i>Education services</i>	3.349	11.909	404	2.236
<i>Health and social services</i>	14.598	9.083	2.012	10.189
Other	592.944	259.064	14.734	552.449
Total	3.699.661	859.779	46.989	2.414.023

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

^(**) Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.

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Prior Period	Loans			
	Non-performing loans ^(*)	Overdue ^(**)	Value Adjustments	Provisions
Sectors/Counterparties				
Agricultural	98.679	11.206	440	76.845
<i>Farming and raising livestock</i>	91.012	9.975	377	69.276
<i>Forestry</i>	636	69	4	554
<i>Fishing</i>	7.031	1.162	59	7.015
Manufacturing	752.896	1.019.463	56.987	553.042
<i>Mining</i>	10.515	4.391	5.520	8.126
<i>Production</i>	741.278	1.014.818	50.752	543.959
<i>Electric, gas and water</i>	1.103	254	715	957
Construction	167.844	155.956	3.387	118.896
Services	749.139	298.880	18.714	584.928
<i>Wholesale and retail trade</i>	523.705	191.348	7.587	411.641
<i>Hotel, food and beverage services</i>	111.390	18.855	536	86.822
<i>Transportation and telecommunication</i>	44.109	31.644	1.222	33.046
<i>Financial institutions</i>	10.448	1.733	48	9.910
<i>Real estate and renting services</i>	31.091	7.929	7.379	24.697
<i>Self-employment services</i>	6.358	5.681	172	4.886
<i>Education services</i>	1.834	1.910	63	1.573
<i>Health and social services</i>	20.204	39.780	1.707	12.353
Other	476.618	220.366	10.014	476.616
Total	2.245.176	1.705.871	89.542	1.810.327

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

^(**) Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.

Information about value adjustments and changes in the loan impairment:

Current Period	The opening balance	Provision amounts set aside during the period	The cancellation of the provisions	Other adjustments	Close out balance
1. Specific Provisions	1.810.327	876.459	272.763	-	2.414.023
2. General Provisions	1.134.717	134.159	29	-	1.268.847
Prior Period	The opening balance	Provision amounts set aside during the period	The cancellation of the provisions	Other adjustments	Close out balance
1. Specific Provisions	1.616.638	435.996	242.307	-	1.810.327
2. General Provisions	972.148	321.609	159.040	-	1.134.717

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

Gross Maximum Exposure	Current Period	Prior Period
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	19.301.714	19.180.378
Due from banks	1.283.660	1.848.776
Money Market Receivables	-	-
Financial Assets at Fair Value through profit or loss	155.570	163.533
Financial Assets Available for Sale	8.858.315	9.476.596
Held to maturity Investments	17.763.665	18.854.586
Loans	101.766.924	84.848.290
Total	149.129.848	134.372.159
Contingent Liabilities	32.778.592	27.038.177
Commitments	19.452.162	18.985.579
Total	52.230.754	46.023.756
Total Credit Risk Exposure	201.360.602	180.395.915

Overdue and individually impaired assets are not available in due from banks, financial assets at fair value through profit or loss, financial assets available for sale and held to maturity investments.

The table below shows the credit risk grading.

Corporate and Commercial Loans	Internal/External Valuation Grade	Total	Entrepreneur Firms	Internal/External Valuation Grade	Total
Risk rating group 1	AAA	114.987	High		
Risk rating group 2	AA	6.633.588	Risk rating group 1	1	2.388.643
Risk rating group 3	A	8.631.185	Risk rating group 2	2	2.431.316
Risk rating group 4	BBB	13.969.829	Standard		
Risk rating group 5	BB	14.759.696	Risk rating group 3	3	2.209.418
Risk rating group 6	B	13.189.706	Risk rating group 4	4	2.992.234
Risk rating group 7	CCC	7.411.636	Risk rating group 5	5	5.169.415
Risk rating group 8	CC	667.968	Below the standard		
Risk rating group 9	C	-	Risk rating group 6	6	5.933.606
			Risk rating group 7	7	5.125.252
Total		65.378.595	Total		26.249.884

^① Prepared in accordance with the internal grading results of the Bank.

^② Includes the total of cash and non-cash loans.

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Risk Grade (1-4)	Risk Group	Definition of risk group	Risk Grade (%)
1,00-1,40	AAA	The firm is an extremely positive firm with its financial and non-financial criteria and it can pursue its high credibility in the long run.	100-86
1,41-1,80	AA	The firm is a positive firm with its financial and non-financial criteria and it can pursue its high credibility in the long run.	85-73
1,81-2,00	A	The firm that has performed its optimization and has a high credibility in the short run and is a credible firm in the medium run.	72-67
2,01-2,20	BBB	The firm is a credible firm despite the fact that it cannot perform the optimization certain aspects of its financial and non-financial criteria.	66-60
2,21-2,40	BB	The firm cannot retain optimization in the major parts of its financials and non-financial criteria. It has speculative attributes but it's a credible firm in the short run.	59-53
2,41-2,60	B	Some of the financial and non-financial criteria are negative. It carries highly speculative attributes. In the short run it is a credible firm dependent on the positive conjecture.	52-47
2,61-2,80	CCC	The major part of its financial and non-financial criteria is negative and the firm is having difficulties in meetings its commitments. But it has guaranteed short run credibility dependent on the positive conjecture.	46-40
2,81-3,20	CC	The firm force acceptable risk limits when its financial and non-financial criteria considered together, and has poor credibility.	39-27
3,21-3,60	C	The firm has no credibility when its financial and non-financial criteria considered together	26-13
3,61-4,00	D	The firm has no credibility under any condition.	12-0

Entrepreneur Loans Decision Module ("ELDM") is the rating module which is used for assessment of loan applications of companies which are classified by the Bank as a small and medium sized enterprises (SME) Customers within the SME in ELDM are evaluated by both qualitative and quantitative characteristics of firm, the size of endorsement and requested amount of loan before bank creates score card forms for each customers Score card which categorize firms according to their risk, includes 1 to 7 rating group and 1 has the lowest risk. Guarantees for companies that can be assessed by ELDM, converted into cash during the time it takes to prevent probable loss of value and the conversion process is divided into two main groups according to the criteria. The conversion of cash collateral to compensate for any losses in a margin, "Liquid Collateral Value" is referred to as the facility where the customer the amount of collateral to be determined by risk group, and the collateral value of the liquid.

Carrying amount per class of financial assets whose terms have been renegotiated:

	Current Period	Prior Period
Loans ^{(1) (2)}		
Corporate Loans	80,479	59,642
SME Loans	17,989	15,116
Consumer Loans	12,264	12,545
Other	65	64
Total	110,797	87,367

⁽¹⁾ Accruals are not included to the table above.

⁽²⁾ Presents loans accounted under in restructured or rescheduled loan accounts.

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The net value and type of collaterals of the loans amounting TRY 1.553.747 followed under loans and other receivables under close monitoring section is below: (31 December 2013: TRY 2.276.000).

Collateral Types	Net Value of Collateral Current Period⁽¹⁾	Net Value of Collateral Prior Period
Real estate mortgage	959.346	1.817.757
Salary pledge, vehicle pledge and pledge of commercial undertaking	80.652	72.262
Financial collaterals (cash, securities pledge, etc.)	387	14.588
Cheque/bills	24.246	26.817
Surety ship	329.927	217.072
Other	159.189	127.504
Total	1.553.747	2.276.000

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

⁽²⁾ Income accruals amounting to TRY 19.918 (31 December 2013: TRY 27.828) are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 3.699.661 followed under non-performing loans section is below: (31 December 2013: TRY 2.245.176)

Collateral Types	Net Value of Collateral Current Period⁽¹⁾	Net Value of Collateral Prior Period
Cash	448	1.887
Mortgage	839.526	522.565
Pledge	181.137	48.963
Cheque/bills	4.955	5.044
Surety ship	1.967.625	1.156.880
Other ⁽²⁾	705.970	509.837
Total	3.699.661	2.245.176

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

⁽²⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

III. EXPLANATIONS RELATED TO THE MARKET RISK

In accordance with the Bank' risk management policy framework to avoid the effect of market risk, the Bank has determined the management activities and has taken necessary precautions within the framework of "Regulation On Measurement and Evaluation Of Capital Adequacy Of Banks" published in Official Journal No 29111 by 6 September 2014.

The Board of Directors set the risk limits by taking into account the main risk factors and these limits are periodically revised in accordance with the market conditions and Bank's strategies. Furthermore, the Board of Directors ensure that, the necessary measures to be taken by risk management department and all other executives in respect of defining, measuring, monitoring and managing the risks exposed by the Bank. The VAR based limits, that are determined by the Board of Directors, and the denominated interest rate risk of the Bank' is limited to certain percentage of the shareholders' equity.

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

The Value at Risk (VaR) that is calculated by using internal model methods besides standard method is validated by scenario analysis and stress tests. The VaR is calculated daily by using historical simulation and parametric approach and the results are reported the Executives.

a) Information related to market risk:

	Current Period	Prior Period
(I) Capital requirement to be employed for general market risk	193.908	179.935
(II) Capital requirement to be employed for specific risk	41.103	32.966
(III) Capital requirement to be employed for specific risk in securitization positions-Standard Method	-	-
(IV)Capital requirement to be employed for currency risk	12.508	25.735
(V)Capital requirement to be employed for commodity risk	-	-
(VI)Capital requirement to be employed for clearing risk	-	-
(VII)Total capital requirement to be employed for counterparty credit risk-Standard method	576	96
(VIII)Capital requirement to be employed for general market risk.	9.317	4.418
(IX) Total capital requirement to be employed for market risk	-	-
(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)	257.412	243.150
(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)	3.217.650	3.039.375

b) Average market risk calculated as of the end of months in the related period:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	231.914	248.223	211.156	174.401	252.145	100.444
Share Risk	9.129	10.698	7.826	4.188	8.480	1.672
Currency Risk	38.871	118.583	12.508	33.758	46.530	25.735
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Options Risk	1.056	2.538	350	448	1.313	96
Counterparty Credit Risk	5.314	9.317	3.616	2.709	4.418	1.484
Amount Subject to Total Risk	286.284	389.359	235.456	215.504	312.886	129.431

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Information about counterparty risk:

Counterparty credit risk is the risk that the counterparty to a transaction could default before the transaction's cash flows.

Over the counter derivatives, Credit Derivatives, Securities Financing Transactions, Long Settlement Transactions, Margin Lending Transactions are subject to counterparty credit risk calculations.

The Bank uses current exposure method in the calculation process of counterparty credit risk. The comprehensive financial collateral and simple financial collateral approaches are taken into account in the calculation process of counterparty credit risk of repo style transactions for trading and banking book activities, respectively.

Under the current exposure method, the Bank calculates the current replacement cost by marking contracts to market, thus capturing the current exposure without any need for estimation, and then adding a factor ("add on") to reflect the potential future exposure over the remaining life of the contract.

The contracts made according to the attribute of the transaction are evaluated by taking into account ISDA and CSA frame for derivative transactions, GMRA frame for repurchase agreements. The risk is mitigated by receiving cash or other forms of collateral. In secured lending and repo transactions, the haircut amounts are reduced from the counterparty's limits.

The Bank does not take part in transactions and contracts requiring extra collateral in accordance with possible changes of credit rating. Especially, in the process of signing ISDA, CSA and GMRA contracts related to treasury transactions, it is cared about not accepting the conditional statements and invalidation of the contracts due to the reduction of Bank's rating. Because possible falls or rises in rating affects the current replacement cost, margin call agreements are used as a risk mitigator.

Gross positive fair value of contracts, the securities which are held and the net position of derivatives is disclosed below.

	Amount*
Contracts based on Interest rate	9.087
Contracts based on currency	92.172
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	101.259
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	48.152
The net position of derivatives	101.259

^(*) Counterparty risk related to the trading accounts is included.

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IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK

In the calculation of the Bank's operational risk, the "Basic Indicator Method" is used. The amount subject to operational risk is calculated once a year in accordance with the Regulation on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 29111 on 6 September 2014. In the Basic Indicator Method, the amount subject to operational risk is calculated by multiplying 15% of the Bank's average gross revenue over the previous three years with 12.5. Amount subject to operational risk is TRY 10,129,038 for the current period (31 December 2013: TRY 8,912,469).

	2 PP Value	1 PP Value	CD Value	Total/Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	4,528,461	5,848,227	5,829,772	5,402,153	15	810,323
Amount subject to operational risk (Total*12,5)						10,129,038

V. EXPLANATIONS RELATED TO THE 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 Bank 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 risks have 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 December 2014 and the previous five working days in full TRY are as follows:

	24.12.2014	25.12.2014	26.12.2014	29.12.2014	30.12.2014	31.12.2014
USD	2,285,0000	2,285,0000	2,290,0000	2,290,0000	2,300,0000	2,300,0000
CHF	2,313,3000	2,322,9000	2,315,0000	2,317,0000	2,323,2000	2,314,8000
GBP	3,545,8000	3,545,1000	3,558,8000	3,552,0000	3,572,2000	3,580,3000
JPY	0,0189476	0,0189933	0,0189938	0,0189528	0,0192656	0,0191923
EURO	2,783,9000	2,797,6000	2,787,0000	2,789,3000	2,796,8000	2,787,1000

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 31 December 2014 are as follows:

	Monthly average
USD	2,268,0435
CHF	2,319,8565
GBP	3,540,4696
JPY	0,0189707
EURO	2,792,2870

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Information related to currency risk:

Current Period	EURO	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	2.808.328	10.814.623	2.493.768	16.116.719
Banks	302.298	830.939	83.560	1.216.797
Financial assets at fair value through profit and loss ⁽³⁾	34.057	46.593	155	80.805
Money market placements	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	753.229	1.842.075	-	2.595.304
Loans ⁽²⁾	10.468.600	17.808.278	220.358	28.497.236
Subsidiaries, associates and entities under common control ⁽⁵⁾	-	-	-	-
Held-to-maturity investments	-	1.508.067	-	1.508.067
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	85	85
Intangible assets	-	-	-	-
Other assets ⁽³⁾	16.727	61.104	70	77.901
Total assets	14.383.239	32.911.679	2.797.996	50.092.914
Liabilities				
Bank deposits	4.749.119	2.215.662	502.926	7.467.707
Foreign currency deposits	13.077.086	11.347.467	1.731.186	26.155.739
Money market balances	-	231.208	-	231.208
Funds provided from other financial institutions	5.407.975	6.280.835	469	11.689.279
Bonds issued	-	4.649.617	-	4.649.617
Sundry creditors	17.592	34.103	15	51.710
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	115.406	138.438	26.540	280.384
Total liabilities	23.367.178	24.897.330	2.261.136	50.525.644
Net balance sheet position	(8.983.939)	8.014.349	536.860	(432.730)
Net off-balance sheet position				
Financial derivative assets ⁽⁴⁾	9.429.686	2.802.071	682.173	12.913.930
Financial derivative liabilities ⁽⁴⁾	715.716	10.738.542	1.219.039	12.673.297
Non-cash loans ⁽¹⁾	4.384.199	12.730.976	598.070	17.713.245
Prior period				
Total assets	19.134.339	26.143.739	2.528.749	47.806.827
Total liabilities	26.019.911	23.308.328	2.608.820	51.937.059
Net balance sheet position	(6.885.572)	2.835.411	(80.071)	(4.130.232)
Net off-balance sheet position				
Financial derivative assets	7.538.178	1.528.531	521.062	9.587.771
Financial derivative liabilities	934.551	4.354.082	436.731	5.725.364
Non-cash loans ⁽¹⁾	3.975.105	9.852.417	398.172	14.225.694

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

⁽²⁾ Includes TRY 1.047.457 of foreign currency indexed loans and their accruals. (31 December 2013: 861.262 TL)

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position/Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 35.106), prepaid expenses (TRY 108) in assets; and derivative financial instruments foreign currency expense accruals (TRY 132.344) and shareholders' equity (TRY 19.378) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounted to TRY 2.445. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 805.714. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

⁽⁵⁾ Demirkalkbank NV (TRY 74.716), an associate operates in foreign currency, Macar Halkbank (TRY 2.063) International Garagum Bank (TRY 250), and a foreign currency subsidiary Halk Bank AD Skopje (TRY 145.359) followed as available for sale items in foreign currency, are presented in financials with their historical costs since they are non-monetary financial items.

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Foreign currency sensitivity:

Bank is exposed to currency risk in EURO and USD terms in balance sheet and also utilizes from derivative instruments in order to hedge against currency risk.

The following table sets the Bank's sensitivity to a 10% increase and decrease in the TRY against USD, EURO and the other foreign currencies. 10% sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the possible change in foreign exchange rates. Negative amounts represent value decrease in profit and loss or shareholders' equity due to 10% decrease in value of TRY against EURO or USD.

	Change in currency rate in %	Effect on profit/loss before taxation	
		Current period	
USD	10% increase	7.788	986
EURO	10% increase	(26.997)	(28.195)
Other	10% increase	(1)	426

VI. EXPLANATIONS RELATED TO THE 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.

The Bank assesses the probability of any significant losses can be caused by interest rate risk exposures as low.

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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-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	3,414,419	-	-	-	-	16,861,685	20,276,104
Banks and financial institutions	957,596	6,397	14,542	-	-	305,125	1,283,660
Financial assets at fair value through profit and loss	30,078	1,719	8,949	11,776	16	103,032	155,570
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	2,070,654	647,593	1,705,033	1,533,212	2,901,823	66,866	8,925,181
Loans	35,240,762	14,588,259	21,412,684	22,675,206	3,630,004	2,934,371	100,481,286
Held-to-maturity investments	8,388,086	517,854	2,158,620	2,188,377	4,510,728	-	17,763,665
Other assets ⁽²⁾	6,240	6,150	27,606	63,473	24,077	6,410,007	6,537,553
Total assets	50,107,835	15,767,972	25,327,434	26,472,044	11,066,648	26,681,086	155,423,019
Liabilities							
Bank deposits	9,288,383	2,277,003	201,442	-	-	5,414,639	17,181,467
Other deposits	43,133,568	19,402,541	7,729,699	122,419	-	16,138,660	86,526,887
Money market balances	8,181,354	231,402	-	-	-	-	8,412,756
Sundry creditors	915,879	5,041	952,187	-	-	150,815	2,023,922
Bonds issued	68,912	502,447	1,019,793	2,865,352	1,715,353	-	6,171,857
Funds provided from other financial institutions ⁽⁴⁾	1,129,197	4,488,241	4,783,718	1,708,354	513,249	7,598	12,630,357
Other liabilities ⁽¹⁾⁽³⁾	1,925,178	165,495	1,018,885	-	-	19,366,215	22,475,773
Total liabilities	64,642,471	27,072,170	15,705,724	4,696,125	2,228,602	41,077,927	155,423,019
Balance sheet long position	-	-	9,621,710	21,775,919	8,838,045	-	40,235,674
Balance sheet short position	(14,534,636)	(11,304,199)	-	-	-	(14,396,841)	(40,235,676)
Off-balance sheet long position	115,011	840,031	33,634	426,575	-	-	1,415,251
Off-balance sheet short position	1,456	561,724	29,256	426,167	-	-	1,018,603
Total position	(14,418,169)	(9,902,444)	9,684,600	22,628,661	8,838,045	(14,396,841)	2,433,854

⁽¹⁾ TRY 238,268 of deferred tax liability is disclosed under the non-interest bearing column in other assets.

⁽²⁾ TRY 1,285,685 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

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

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

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Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	19.300	-	-	-	-	19.956.484	19.975.784
Banks and financial institutions	1.608.653	4.404	3.597	-	-	232.122	1.848.776
Financial assets at fair value through profit and loss	70.305	22.415	31.658	34.091	5.064	-	163.533
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	3.131.671	539.295	873.986	2.139.173	2.792.471	64.152	9.540.748
Loans	26.959.078	14.873.150	16.979.816	19.951.167	3.662.263	1.987.967	84.413.441
Held-to-maturity investments	9.295.467	1.603.846	1.397.826	2.688.829	3.868.618	-	18.854.586
Other assets ⁽¹⁾⁽²⁾	66.962	3.648	18.095	37.251	15.846	5.004.837	5.146.639
Total assets	41.151.436	17.046.758	19.304.978	24.850.511	10.344.262	27.245.562	139.943.507
Liabilities							
Bank deposits	5.825.381	306.452	300.131	-	-	3.585.229	10.017.193
Other deposits	47.210.931	19.599.080	8.742.092	77.291	31	15.109.579	90.739.004
Money market balances	771.416	-	-	-	-	-	771.416
Sundry creditors	574.245	2.699	885.739	-	-	161.370	1.624.053
Bonds issued	38.663	30.694	1.014.151	1.763.434	1.317.742	-	4.164.684
Funds provided from other financial institutions ⁽⁴⁾	2.604.492	3.663.879	5.575.666	1.257.825	508.403	4.890	13.615.155
Other liabilities ⁽³⁾	1.235.127	84.435	233.601	-	-	17.458.839	19.012.002
Total liabilities	58.260.255	23.687.239	16.751.380	3.098.550	1.826.176	36.319.907	139.943.507
Balance sheet long position	-	-	2.553.598	21.751.961	8.518.086	-	32.823.645
Balance sheet short position	(17.108.819)	(6.640.481)	-	-	-	(9.074.345)	(32.823.645)
Off-balance sheet long position	12.410	10.146	6.893	-	-	-	29.449
Off-balance sheet short position	(12.020)	(10.535)	(6.896)	-	-	-	(29.451)
Total position	(17.108.429)	(6.640.870)	2.553.595	21.751.961	8.518.086	(9.074.345)	(2)

⁽¹⁾ TRY 8.303 of deferred tax assets is disclosed under the non-interest bearing column in other assets.

⁽²⁾ TRY 434.849 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

⁽³⁾ Shareholders' equity balance is disclosed under the non-interest bearing column.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

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2. Average interest rates applied to financial instruments:

Current period	EURO	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,50	-	-	3,50
Due from other banks and financial institutions ⁽¹⁾	0,71	0,16	-	10,07
Financial assets at fair value through profit and loss	-	1,71	-	8,68
Money market placements	-	-	-	-
Available-for-sale financial assets	5,29	5,63	-	9,03
Loans ⁽²⁾	4,55	4,78	-	11,64
Held-to-maturity investments	-	5,80	-	8,86
Liabilities				
Bank deposits	0,40	0,80	-	9,59
Other deposits ⁽⁴⁾	1,87	2,13	0,25	9,03
Money market borrowings	-	0,95	-	9,18
Sundry creditors ⁽³⁾	-	-	-	3,56
Bonds issued	-	4,47	-	8,84
Funds provided from other financial institutions	0,50	1,57	-	7,33
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	0,50	-	-	3,50
Due from other banks and financial institutions	0,28	0,41	-	8,48
Financial assets at fair value through profit and loss	-	3,20	-	9,80
Money market placements	-	-	-	-
Available-for-sale financial assets	5,41	6,00	-	8,47
Loans	4,26	4,15	-	11,04
Held-to-maturity investments	-	5,89	-	8,95
Liabilities				
Bank deposits	0,53	1,29	-	8,83
Other deposits	2,82	2,64	0,25	8,19
Money market borrowings	0,55	1,09	-	6,00
Sundry creditors	-	-	-	3,56
Bonds issued	-	4,38	-	9,13
Funds provided from other financial institutions	1,15	1,68	-	7,95

⁽¹⁾ Interest rates are calculated using weighted average method for money placement amounts as of balance sheet date.

⁽²⁾ Interest rates for loans given as of balance sheet date are calculated using weighted average method for client's base.

⁽³⁾ 75% of the declared maximum deposits interest rate with a maturity of twelve months as of 31 December 2014.

⁽⁴⁾ Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 December 2014.

⁽⁵⁾ Required reserve ratio of the Central Bank of TRNC.

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3. The interest rate risk of the banking book items:

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

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

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

In defining the maturity of demand deposits, average durations which are calculated by statistical analysis are being used.

Current Period

	Currency	Applied Shock (+/-x basis points)	Gains/Losses	Gains/Shareholders' Equity - Losses/ Shareholders' Equity
1	TRY	500	(2.441.325)	(14,11%)
		(400)	2.533.249	14,64%
2	EURO	200	439.085	2,54%
		(200)	(476.404)	(2,75%)
3	USD	200	74.447	0,43%
		(200)	29.202	0,17%
	Total (For negative shocks)		2.086.047	12,06%
	Total (For positive shocks)		(1.927.793)	(11,14%)

Prior Period

	Currency	Applied Shock (+/-x basis points)	Gains/Losses	Gains/Shareholders' Equity - Losses/ Shareholders' Equity
1	TRY	500	(1.944.449)	(13,26%)
		(400)	2.029.290	13,84%
2	EURO	200	398.381	2,72%
		(200)	(429.990)	(2,93%)
3	USD	200	57.709	0,40%
		(200)	(11.397)	(0,08%)
	Total (For negative shocks)		1.587.903	10,83%
	Total (For positive shocks)		(1.488.359)	(10,15%)

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VII. EXPLANATIONS RELATED TO THE POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Comparison		
	Balance Sheet Value	Fair Value Change	Market Value
1. Associates	92.553	-	-
Quoted in a stock exchange	-	-	-
2. Subsidiaries	2.576.816	2.431.457	607.758
Quoted in a stock exchange	952.993	952.993	607.758
Traded on Free Trading Platform ⁽¹⁾	345.235	345.235	-
Investments securities for Group A ^{(2),(3)}	607.758	607.758	607.758
Unquoted in a stock exchange	1.623.823	1.478.464	-

⁽¹⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa Istanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

⁽²⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul AŞ.

⁽³⁾ In accordance with the Capital Markets Board's decision "New-publicly traded companies' securities are classified as Group A, B and C after the companies are started to traded on Borsa Istanbul AŞ three months later", the securities are in Group A.

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 in a stock exchange ^{(1),(2)}	-	251.542	251.542	105.476	105.476	-
3. Other share certificates	-	753.201	753.201	-	-	-
Total	-	1.004.743	1.004.743	105.476	105.476	-

⁽¹⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa Istanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

⁽²⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul AŞ.

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VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK

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.

Meeting the liquidity needs of the Bank, domestic and foreign markets are being used. Due to the fact that the Bank's liquidity need is at low levels, the bank may provide funding easily (CB, ISEM, interbank money market and other markets). When it is considered that local and foreign currency deposit account's interest rates are lower than the peer group's averages it can be realized that the Bank will be able to increase its market share if necessary. The money market borrowing facilities and the Eurobond portfolio of the Bank provides an important potential funding opportunity to the Bank.

The main funding source of the Bank is deposit accounts. Nonetheless, the securities portfolio is mainly composed of available for sale and held to maturity securities.

The Board of Directors of the Bank monitors both the BRSA and contingency plan liquidity ratios. The liquidity opportunities which will be applied in case of a liquidity shortage are defined in the contingency plans.

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	5.724.362	4.358.611	5.789.761	4.315.185	87.932	253	-	20.276.104
Banks	305.125	957.596	6.397	14.542	-	-	-	1.283.660
Financial assets at fair value through profit and loss	-	48.243	33.383	39.706	25.135	9.103	-	155.570
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	170.799	576.850	813.056	2.546.113	4.751.497	66.866	8.925.181
Loans ⁽²⁾	1.320.584	7.329.927	8.540.355	31.521.497	43.990.598	7.778.325	-	100.481.286
Held-to-maturity investments	-	272.401	1.627.635	2.097.290	3.611.357	10.154.982	-	17.763.665
Other assets ⁽³⁾	409.339	28.757	13.345	7.639	62.814	14.990	6.000.669	6.537.553
Total assets	7.759.410	13.166.334	16.587.726	38.808.915	50.323.949	22.709.150	6.067.535	155.423.019
Liabilities								
Bank deposits	5.414.639	9.288.383	2.277.003	201.442	-	-	-	17.181.467
Other deposits	16.138.660	43.129.422	19.393.811	7.646.235	214.224	4.535	-	86.526.887
Funds provided from other financial institutions ⁽⁴⁾	16.945	1.179.281	974.606	3.855.795	4.477.935	2.125.795	-	12.630.357
Money market balances	-	8.181.354	231.402	-	-	-	-	8.412.756
Bonds issued	-	68.912	502.447	1.019.793	2.865.352	1.715.353	-	6.171.857
Sundry creditors	157.711	941.152	65.077	257.725	602.257	-	-	2.023.922
Other liabilities ⁽¹⁾	3.326.197	354.574	232.465	1.325.488	327.682	294.170	16.615.197	22.475.773
Total liabilities	25.054.152	63.143.078	23.676.811	14.306.478	8.487.450	4.139.853	16.615.197	155.423.019
Liquidity gap	(17.294.742)	(49.976.744)	(7.089.085)	24.502.437	41.836.499	18.569.297	(10.547.662)	-
Previous period								
Total assets	6.755.597	12.526.335	14.239.625	37.206.041	45.793.673	19.225.222	4.197.014	139.943.507
Total liabilities	22.147.002	55.119.127	20.925.873	18.098.215	5.779.298	3.480.824	14.393.168	139.943.507
Liquidity gap	(15.391.405)	(42.592.792)	(6.686.248)	19.107.826	40.014.375	15.744.398	(10.196.154)	-

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

⁽²⁾ TRY 1.285.638 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

⁽³⁾ Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses, deferred tax assets and receivables from NPL are disclosed in other assets under the undistributed column.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

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

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	74.087.085	21.904.556	8.069.397	224.022	4.535	(581.241)	103.708.354
Funds provided from other financial intuitions	1.144.315	995.059	3.982.546	4.662.760	2.205.479	(359.802)	12.630.357
Money market borrowings	8.185.745	231.819	-	-	-	(4.808)	8.412.756
Securities issued	42.047	694.536	1.062.740	3.597.344	1.758.422	(983.232)	6.171.857
Funds	671.523	114.622	390.449	343.079	310.068	(60.450)	1.769.291
Total	84.130.715	23.940.592	13.505.132	8.827.205	4.278.504	(1.989.533)	132.692.615

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	71.870.536	20.093.409	9.180.058	164.860	5.075	(557.741)	100.756.197
Funds provided from other financial intuitions	468.050	784.256	7.452.275	3.262.037	2.081.646	(433.109)	13.615.155
Money market borrowings	771.570	-	-	-	-	(154)	771.416
Securities issued	38.756	30.806	1.056.083	2.068.988	1.682.419	(712.368)	4.164.684
Funds	624.364	141.448	319.597	245.812	206.084	(48.763)	1.488.542
Total	73.773.276	21.049.919	18.008.013	5.741.697	3.975.224	(1.752.135)	120.795.994

Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

In accordance with the Communiqué on the "Measurement and Assessment of Liquidity of the Banks" published in the official gazette dated 1 November 2006 No: 26333, beginning from 1 June 2007 liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%. Liquidity ratios as at 31 December 2014 and 31 December 2013 are presented below:

	Current Period				Prior Period			
	First maturity Tranche (Weekly)		First maturity Tranche (Monthly)		First maturity Tranche (Weekly)		First maturity Tranche (Monthly)	
	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC
Average	244,17	169,38	157,94	115,56	266,58	222,10	171,77	135,40
Maximum	300,32	237,89	191,11	135,70	363,35	291,28	209,41	154,00
Minimum	192,86	143,86	128,79	102,33	185,12	183,18	132,01	121,99

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

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts-Buy	447.672	924.736	735.850	1.027.858	-	3.136.116
Forward Contracts - Sell	445.423	100.785	735.784	1.024.476	-	2.306.468
Swaps - Buy	7.373.267	2.869.155	348.727	115.000	-	10.706.149
Swaps - Sell	7.451.484	2.915.569	345.286	91.175	-	10.803.514
Credit Default Swap - Buy	-	-	-	-	-	-
Credit Default Swap - Sell	-	-	-	-	-	-
Forward Precious Metal-Buy	-	2.445	-	-	-	2.445
Forward Precious Metal-Sell	-	805.714	-	-	-	805.714
Money Buy Options	48.581	45.967	62.172	-	-	156.720
Money Sell Options	48.579	45.967	62.172	-	-	156.718
Swaps Interest - Buy	-	-	-	-	933.143	933.143
Swaps Interest - Sell	-	-	-	-	933.143	933.143
Total	15.815.006	7.710.338	2.289.991	2.258.509	1.866.286	29.940.130

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts-Buy	864.772	325.844	493.614	4.118	-	1.688.348
Forward Contracts - Sell	855.519	180.495	491.752	4.106	-	1.531.872
Swaps - Buy	8.222.392	284.080	119.964	106.000	-	8.732.436
Swaps - Sell	8.185.666	269.741	105.094	91.175	-	8.651.676
Credit Default Swap - Buy	-	-	-	-	-	-
Credit Default Swap - Sell	-	-	-	-	-	-
Forward Precious Metal-Buy	-	5.873	-	-	-	5.873
Forward Precious Metal-Sell	-	149.450	-	-	-	149.450
Money Buy Options	50.680	52.904	21.934	-	-	125.518
Money Sell Options	50.246	44.618	30.655	-	-	125.519
Swaps Interest - Buy	-	-	-	-	678.400	678.400
Swaps Interest - Sell	-	-	-	-	678.400	678.400
Total	18.229.275	1.313.005	1.263.013	205.399	1.356.800	22.367.492

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IX. EXPLANATIONS RELATED TO THE SECURITIZATION POSITIONS:

Securitization positions:

None.

X. EXPLANATIONS RELATED TO THE CREDIT RISK MITIGATION TECHNIQUES:

Credit risk mitigation techniques:

The Bank does not apply any netting process on balance sheet and off balance sheet items.

The risk mitigators that are used in credit process are stated below:

- Financial collaterals (Government securities, cash, deposit pledge, gold, stock pledge)
- Guarantees
- Mortgage (In the implementation of the Basel II, although, risk mortgage loans evaluated as a class, in terms of valuation methods and concentrations they are also given in this section).

The financial collaterals are revaluated by daily basis. The credibility of guarantors is monitored within the framework of credit revision periods.

The Bank reviews to reevaluate the value of the mortgages during the credit period.

The revaluation of the mortgages whose value are more than TRY 3.000 or 5% of Bank's shareholders' equity are being made by the firms authorized by BRSA or Capital Market Board.

Only Treasury and the Banks' guarantees are taken into account as risk mitigator within the framework of BRSA regulations. Besides, the credibility of Banks is reviewed periodically.

The volatility of mortgage portfolio is monitored closely by the Bank and the market fluctuations are considered in credit activities.

Standard volatility adjustments are taken into account regarding to portfolios in which comprehensive approach is used.

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Information about guaranties according to risk classifications:

Risk Classifications	Amount	Financial guaranties	Other/Physical guaranties	Guarantees and credit derivatives
Claims on sovereigns and Central Banks	44.306.669	5.148.962	-	-
Claims on regional governments or local authorities	572.882	20.771	-	-
Claims on administrative bodies and other non-commercial undertakings	555.602	33.891	-	100
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	6.837.994	1.411.571	-	-
Claims on corporate	49.289.026	1.105.016	-	194.187
Claims included in the regulatory retail portfolios	32.740.278	1.762.597	-	95.872
Claims secured by residential property	22.949.623	26.541	-	-
Overdue loans	1.285.458	-	123.381	-
Higher risk categories decided by the Board	10.735.582	-	-	-
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	8.261.574	-	-	-

⁽¹⁾ In the determination of the amounts, the non-cash loans and other off-balance sheet items are taken into account after being multiplied by credit conversion rates.

XI. EXPLANATIONS RELATED TO THE RISK MANAGEMENT TARGET AND POLICIES:

Credit Risk:

The credit authorization limits are defined with respect to Head Office, Regional Directories and Branch Basis. Credit origination and marketing activities are completely separated. The main point here is about the Loan Department that related to credit expansion performance should not placed in loan granting process. Credit allocation monitoring processes are carried out by Credit Risk Monitoring Department which is an independent unit. The risk measurement activities are being carried out by the Risk Management Department which reports to Audit Committee directly.

In the process of credit assessment process, rating modules are used by the Bank and risk mitigators are defined with respect to rating categories. Rating modules are subject to validation process and the discrimination power of the module is calculated periodically.

The expected loss amount is estimated by the Bank and the Bank analyses whether own funds will be able to compensate the loss. Furthermore, the effect of possible shocks is analyzed periodically by scenario analysis and stress tests.

The concentration limits are defined in respect of main and sub-sectors.

Overdue loans and their customer segmentations and sectors are periodically monitored.

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Foreign Exchange Risk:

The Risk Management Department measures the foreign exchange risk of the Bank.

The risks that arising from the exchange rate volatility are calculated by using either standard method or internal model methods by Risk Management Department on a daily basis.

The trading loss of the Bank is restricted by using VaR based limits. Besides, stop loss limits are also defined for foreign exchange transactions. The Bank defines limits with respect to the nominal short or long foreign exchange position.

Interest Rate Risk:

The activities regarding the measurement of interest rate risk are carried out by Risk Management Department.

The risks arising from the interest rate volatility are measured both for trading and banking book items. Whereas standardized method and internal models are used in the measurement process of trading items, standard interest rate shock method and duration analysis are used in the measurement process of banking book items.

The economic value decline which will be occurred due to the interest rate risk in the banking book is restricted by a certain percentage of shareholders' equity. Furthermore, the interest rate risk which will be raised from the trading book items is restricted by VaR based limits.

Liquidity Risk:

The liquidity risk measurement activities are carried out by Risk Management Department.

Both BRSA and Basel III liquidity ratios are taken into account in liquidity risk measurement process. Moreover, the strategies that will be implemented in case of liquidity shocks are determined by liquidity contingency plan. The duration mismatch of asset and liability items is monitored daily basis and the liquidity deficit which will be occurred due to the maturity mismatch is restricted by setting a limit.

XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION

The Bank's operations are grouped under the corporate, commercial, integrated 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 (SME) as well as individuals having consumer status. 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 entities 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.

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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 transfer, insurance agency services,
- Rendering insurance agency transactions,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement composed by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering,
- Trading the capital market instruments issued for the purpose of performing intermediary services.

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.

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Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2014 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury/ Investment ⁽¹⁾	Elimination ⁽²⁾	Total
OPERATING INCOME/EXPENSES						
Interest income	1.749.030	1.287.454	11.227.287	8.998.978	(11.811.616)	11.451.133
Interest on loans	1.039.593	1.099.343	6.208.582	433.386	-	8.780.904
Interest income on marketable securities	-	-	-	2.652.451	-	2.652.451
Interest received from banks	-	-	-	12.653	-	12.653
Other interest income ⁽²⁾	709.437	188.111	5.018.705	5.900.488	(11.811.616)	5.125
Interest expense	1.185.412	726.899	8.866.132	7.372.757	(11.811.616)	6.339.584
Interest on deposits	658.991	160.751	3.935.302	441.479	-	5.196.523
Interest on borrowings	2.716	13.205	16.539	216.442	-	248.902
Interest on money market borrowings	-	-	-	521.497	-	521.497
Interest on marketable bonds issued	-	-	-	278.423	-	278.423
Other interest expense ⁽²⁾	523.705	552.943	4.914.291	5.914.916	(11.811.616)	94.239
Net interest income	563.618	560.555	2.361.155	1.626.221	-	5.111.549
Net fees and commissions income	184.082	129.290	584.842	124.330	-	1.022.544
Net trading profit/(loss)	-	-	-	56.005	-	56.005
Dividend income	-	-	-	153.844	-	153.844
Other income	7.660	68.259	267.991	187.584	-	531.494
Loans and other receivables' impairment loss	415.756	128.817	366.492	249.703	-	1.160.768
Other expenses	20.189	62.934	1.357.844	1.546.446	-	2.987.413
Income before taxes	319.415	566.353	1.489.652	351.835	-	2.727.255
Income tax provision	-	-	-	(521.487)	-	(521.487)
Net profit for the period	319.415	566.353	1.489.652	(169.652)	-	2.205.768
SEGMENT ASSETS						
Marketable securities	-	-	-	26.741.384	-	26.741.384
Derivative financial assets held for trading	-	-	-	103.032	-	103.032
Banks and money market receivables	-	-	-	1.283.660	-	1.283.660
Associates and subsidiaries (net)	-	-	-	2.669.369	-	2.669.369
Loans	15.628.968	16.297.820	62.060.930	7.779.206	-	101.766.924
Other assets ⁽¹⁾	601	11.029	812.486	22.034.534	-	22.858.650
TOTAL ASSETS	15.629.569	16.308.849	62.873.416	60.611.185	-	155.423.019
SEGMENT LIABILITIES						
Deposits	13.230.859	5.830.939	67.860.260	16.786.296	-	103.708.354
Derivative financial liabilities held for trading	-	-	-	176.454	-	176.454
Money market balances	-	-	-	8.412.756	-	8.412.756
Borrowing funding loans	13.976	213.542	318.214	12.084.625	-	12.630.357
Bonds issued	-	-	-	6.171.857	-	6.171.857
Other liabilities	266.765	222.978	3.460.307	1.193.035	-	5.143.085
Provisions and tax payable	34.336	30.294	129.752	2,449,852	-	2,644,234
Shareholders' equity	-	-	-	16,535,922	-	16,535,922
TOTAL LIABILITIES	13.545.936	6.297.753	71.768.533	63.810.797	-	155.423.019
OFF BALANCE SHEET ITEMS						
Guarantees and surety ships	10,644,543	8,156,253	8,067,904	5,909,892	-	32,778,592
Commitments	46,133	653,733	7,553,718	11,198,578	-	19,452,162
Derivative financial instruments	-	-	-	29,385,583	-	29,385,583

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury/investment column. In this context net of property, plant and equipment amounting TRY 1.180.114 (net) and deferred tax assets amounting TRY 238.268 in other assets are presented under the Treasury/Investment column.

⁽²⁾ Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.

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Prior Period	Corporate	Commercial	SME/ Integrated	Treasury/ Investment ⁽¹⁾	Elimination ⁽²⁾	Total
OPERATING INCOME/EXPENSES						
Interest income	1.245.806	947.019	8.852.094	6.952.155	(8.792.431)	9.204.643
Interest on loans	798.109	785.863	5.169.226	381.063	-	7.134.261
Interest income on marketable securities	-	-	-	2.053.202	-	2.053.202
Interest received from banks	-	-	-	10.883	-	10.883
Other interest income ⁽²⁾	447.697	161.156	3.682.868	4.507.007	(8.792.431)	6.297
Interest expense	740.750	517.992	6.972.619	4.936.715	(8.792.431)	4.375.645
Interest on deposits	446.766	152.082	3.048.753	191.451	-	3.839.052
Interest on borrowings	3.155	15.300	14.430	188.874	-	221.759
Interest on money market borrowings	-	-	-	84.331	-	84.331
Interest on marketable securities issued	-	-	-	178.206	-	178.206
Other interest expense ⁽²⁾	290.829	350.610	3.909.436	4.293.853	(8.792.431)	52.297
Net interest income	505.056	429.027	1.879.475	2.015.440	-	4.828.998
Net fees and commissions income	179.745	98.288	582.839	69.134	-	930.006
Net trading profit/(loss)	-	-	-	244.443	-	244.443
Dividend income	-	-	-	97.468	-	97.468
Other income	38.254	41.594	290.240	397.550	-	767.638
Loans and other receivables' impairment loss	13.858	105.954	351.916	377.014	-	848.742
Other expenses	24.560	63.615	1.190.615	1.376.129	-	2.654.919
Income before taxes	684.637	399.340	1.210.023	1.070.892	-	3.364.892
Income tax provision	-	-	-	(614.049)	-	(614.049)
Net profit for the period	684.637	399.340	1.210.023	456.843	-	2.750.843
SEGMENT ASSETS						
Marketable securities	-	-	-	28.419.180	-	28.419.180
Derivative financial assets held for trading	-	-	-	139.687	-	139.687
Banks and money market receivables	-	-	-	1.848.776	-	1.848.776
Associates and subsidiaries (net)	-	-	-	2.426.816	-	2.426.816
Loans	13.631.524	12.780.356	51.364.586	7.071.824	-	84.848.290
Other assets ⁽¹⁾	1.582	11.057	883.741	21.364.378	-	22.260.758
TOTAL ASSETS	13.633.106	12.791.413	52.248.327	61.270.661	-	139.943.507
SEGMENT LIABILITIES						
Deposits	13.683.623	4.518.277	67.171.161	15.383.136	-	100.756.197
Derivative financial liabilities held for trading	-	-	-	43.848	-	43.848
Money market balances	-	-	-	771.416	-	771.416
Borrowing funding loans	20.257	315.600	417.038	12.862.260	-	13.615.155
Bonds issued	-	-	-	4.164.684	-	4.164.684
Other liabilities	111.541	201.343	2.939.419	1.096.278	-	4.348.581
Provisions and tax payable	21.488	21.027	120.307	1.935.031	-	2,097,853
Shareholders' equity	-	-	-	14,145,773	-	14,145,773
TOTAL LIABILITIES	13.836.909	5.056.247	70.647.925	50.402.426	-	139.943.507
OFF BALANCE SHEET ITEMS						
Guarantees and surety ships	13,710,270	6,326,256	6,746,366	255,285	-	27,038,177
Commitments	36,854	500,440	6,763,240	11,685,045	-	18,985,579
Derivative financial instruments	-	-	-	20,905,639	-	20,905,639

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury/investment column. In this context net of property, plant and equipment amounting TRY 1.067.814 (net) and deferred tax assets amounting TRY 8.303 in other assets are presented under the Treasury/Investment column.

⁽²⁾ Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.

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XIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	148.870.171	134.782.905	140.277.939	126.780.453
Cash and Balances with the Central Bank of Turkey	20.276.104	19.975.784	20.276.104	19.975.784
Financial assets fair value changes reflected to income statement	155.570	163.533	155.570	163.533
Banks	1.283.660	1.848.776	1.283.660	1.848.776
Money market placements	-	-	-	-
Available for sale financial assets ⁽¹⁾	8.909.886	9.526.785	8.909.886	9.526.785
Held to maturity investments	17.763.665	18.854.586	18.974.463	18.373.149
Loans ⁽²⁾	100.481.286	84.413.441	90.678.256	76.892.426
Financial Liabilities	133.124.425	120.976.743	134.686.083	119.985.771
Deposits	103.708.354	100.756.197	103.810.071	100.887.812
Derivative financial liabilities held for trading	176.454	43.848	176.454	43.848
Funds provided from other financial intuitions	12.630.357	13.615.155	14.143.183	12.838.597
Money market borrowings	8.412.756	771.416	8.412.756	771.416
Securities issued	6.171.857	4.164.684	6.172.055	3.916.700
Miscellaneous payables	2.023.922	1.624.053	1.970.839	1.526.008
Leasing payables	725	1.390	725	1.390

⁽¹⁾ As of 31 December 2014, TRY 15.295 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2013: TRY 13.963).

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

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

i- The fair value of the held to maturity assets is determined by market places, when the market prices are not available, quoted market prices of other marketable securities which are subject to redemption with the same terms of interest maturity and other similar conditions have been used.

ii- The applicable interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial intuitions and sundry creditors.

Classification of Fair Value Measurement

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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

Current Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose ⁽²⁾ :	48.739	103.032	-	151.771
<i>Debt securities</i>	48.739	-	-	48.739
<i>Derivative financial assets held for trading purpose</i>	-	103.032	-	103.032
Available-for-sale financial assets ⁽¹⁾	8.909.886	-	-	8.909.886
<i>Debt securities</i>	8.909.886	-	-	8.909.886
Subsidiaries ⁽³⁾	607.758	345.235	1.478.464	2.431.457
Total Financial Assets	9.566.383	448.267	1.478.464	11.341.495
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	176.454	-	176.454
Total Financial Liabilities	-	176.454	-	176.454

⁽¹⁾As of 31 December 2014, share certificates amounting to TRY 15.295 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

⁽²⁾As of 31 December 2014, marketable securities amounting to TRY 3.799 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

⁽³⁾As of 31 December 2014 Halkbank AD, Skopje amounting to TRY 145.359 that are followed with cost value, are not included in subsidiaries.

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose ⁽²⁾ :	20.174	139.687	-	159.861
<i>Debt securities</i>	20.174	-	-	20.174
<i>Derivative financial assets held for trading purpose</i>	-	139.687	-	139.687
Available-for-sale financial assets ⁽¹⁾	9.526.785	-	-	9.526.785
<i>Debt securities</i>	9.526.785	-	-	9.526.785
Subsidiaries ⁽³⁾	590.794	323.818	1.274.292	2.188.904
Total Financial Assets	10.137.753	463.505	1.274.292	11.875.550
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	43.848	-	43.848
Total Financial Liabilities	-	43.848	-	43.848

⁽¹⁾As of 31 December 2013, share certificates amounting to TRY 13.963 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

⁽²⁾As of 31 December 2013, marketable securities amounting to TRY 3.672 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

⁽³⁾As of 31 December 2013 Halkbank AD, Skopje amounting to TRY 145.359 that are followed with cost value, are not included in subsidiaries.

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Movement of financial assets at level three is as follows:

	Current Period	Prior Period
Beginning Balance	1.274.292	789.540
Purchases during the year	44.296	167.590
Bonus shares obtained profit from current year's share	101.163	77.860
Valuation differences	58.713	238.967
Transfers	-	335
Balance at the end of the period	1.478.464	1.274.292

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

The Bank performs buying transactions on behalf of customers, and gives custody, administration and consultancy services.

The Bank does not engage in transaction based on trust.

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

(1) a) Cash and balances with the Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	755.292	219.098	627.715	167.691
Central Bank of Turkey	3.404.093	15.897.276	2.173.404	17.006.682
Other	-	345	-	292
Total	4.159.385	16.116.719	2.801.119	17.174.665

b) Information on the account of Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	3.389.735	1.360.238	2.164.297	1.570.064
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits ⁽²⁾	14.358	14.537.038	9.107	15.436.618
Total	3.404.093	15.897.276	2.173.404	17.006.682

⁽¹⁾ Reserve deposits kept in Central Bank of Turkey.

⁽²⁾ Blocked reserve deposits kept in Central Bank of Turkey and Central Bank of Cyprus.

As per the Communiqué no. 2013/15 "Reserve Deposits" of the Central Bank of Turkey (CBT), banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 5%-11.5% for TL deposits and other liabilities (31 December 2013: between 5% and 11.5% according to their maturities), between 9%-13% for FC deposits and between 6%-13% for other FC liabilities (31 December 2013: between %6 and %13 according to their maturities). Reserves are calculated and set aside every two weeks on Friday for 14-day periods. In accordance with the related communiqué, Central Bank of Turkey pays interests to TL reserves, however do not pay interest for foreign currency reserves.

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With the Board of Minutes No.872 dated 30 January 2014 of TRNC Central Bank's, required reserve ratio is between 5% and 8% for TRY liabilities and 8% for foreign currency liabilities.

As per the change at 21 October 2014, CBT started to pay interests at November 2014 on TL reserves with 500 or 700 basis points lower than the weighted average fund costs shown on the CBT website.

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

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

None.

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

None.

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	58.068	-	26.493
Swap transactions	-	44.193	-	112.900
Futures transactions	-	-	-	-
Options	8	763	3	291
Other	-	-	-	-
Total	8	103.024	3	139.684

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	20.953	564.938	9.249	578.432
Foreign banks	45.910	651.859	100.491	1.160.604
Branches and offices abroad	-	-	-	-
Total	66.863	1.216.797	109.740	1.739.036

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b) Information on foreign banks:

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	474.881	1.006.904	-	-
USA and Canada	79.544	28.985	-	-
OECD Countries ⁽¹⁾	17.291	2.251	-	-
Offshore Banking Regions	-	-	-	-
Other	126.053	222.955	-	-
Total	697.769	1.261.095	-	-

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

(4) Information on financial assets available-for-sale:

a) Financial assets available-for-sale blocked/given as collateral or subject to repurchase agreements:

a.1. Information on financial assets available-for-sale blocked/given as collateral:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	-	848.984	-	857.722
Total	-	848.984	-	857.722

a.2. Information on financial assets available-for-sale subject to repurchase agreements:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	1.286.912	-	-	-
Toplam	1.286.912	-	-	-

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b) Information on financial assets available-for-sale portfolio:

	Current period	Prior period
Debt securities	8.858.989	9.659.732
<i>Quoted on a stock exchange</i>	8.858.989	9.659.732
<i>Not quoted</i>	-	-
Share certificates	85.748	83.035
<i>Quoted on a stock exchange</i>	51.571	50.189
<i>Not quoted</i>	34.177	32.846
Impairment provision(-)	19.556	202.019
Total	8.925.181	9.540.748

(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	171.422	-	163.316	-
Total	171.422	-	163.316	-

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

	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	Agreement conditions modified		Loans and other receivables (Total)	Agreement conditions modified	
		Payment plan extensions	Other		Payment plan extensions	Other
Cash loans						
Non-specialized loans	79.956.099	646.007	-	1.364.721	445.115	-
<i>Corporation loans</i>	47.134.853	509.301	-	1.086.038	439.054	-
<i>Export loans</i>	3.018.191	81.974	-	17.929	2.609	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	3.081.193	-	-	-	-	-
<i>Consumer loans⁽¹⁾</i>	22.626.028	51.462	-	180.129	3.452	-
<i>Credit cards⁽²⁾</i>	2.815.464	-	-	63.265	-	-
<i>Other</i>	1.280.370	3.270	-	17.360	-	-
Specialized lending	17.699.605	73.212	-	189.026	12.031	-
Other receivables	-	-	-	-	-	-
Accruals	1.251.917	9.220	-	19.918	5.860	-
Total	98.907.621	728.439	-	1.573.665	463.006	-

⁽¹⁾ Includes TRY 124.348 of personnel loans.

⁽²⁾ Includes TRY 470.27 of personnel credit cards.

Number of modifications made to extend payment plan	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
Extended by 1 or 2 times	640.316	440.578
Extended by 3,4 or 5 times	74.136	12.838
Extended by more than 5 times	4.767	3.730

^(*) Accruals amounting to TRY 9.220 are not included in the table above.

^(**) Accruals amounting to TRY 5.860 are not included in the table above.

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Extended period of time	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
0-6 Months	291.279	34.444
6 Months-12 Months	210.293	26.153
1-2 Years	62.915	48.898
2-5 Years	140.844	237.452
5 Years and over	13.888	110.199

^(*)Accruals amounting to TRY 9.220 are not included in the table above.

^(**)Accruals amounting to TRY 5.860 are not included in the table above.

c) Loans according to their maturity structure:

Current Period	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
Short term loans and other receivables	22.323.980	332.560	268.395	28.324
<i>Non-specialized loans</i>	21.817.518	305.605	264.907	27.965
<i>Specialized lending</i>	223.866	22.746	90	-
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	282.596	4.209	3.398	359
Medium and long term loans and other receivables	75.855.202	395.879	842.264	434.682
<i>Non-specialized loans</i>	57.492.574	340.402	654.699	417.150
<i>Specialized lending</i>	17.402.527	50.466	176.905	12.031
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	960.101	5.011	10.660	5.501
Prior Period	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
Short term loans and other receivables	18.310.279	482.333	204.298	41.084
<i>Non-specialized loans</i>	17.949.434	459.373	201.638	40.588
<i>Specialized lending</i>	139.670	17.134	193	-
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	221.175	5.826	2.467	496
Medium and long term loans and other receivables	62.922.224	394.777	597.136	1.461.310
<i>Non-specialized loans</i>	47.421.303	349.712	425.135	1.421.164
<i>Specialized lending</i>	14.740.876	40.296	164.788	22.494
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	760.045	4.769	7.213	17.652

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d) Information on consumer loans, individual credit cards, personnel loans and credit cards:

	Short-term	Medium and long-term	Total
Consumer loans-TRY	333.521	21.970.039	22.303.560
<i>Real estate loans</i>	2.089	10.320.990	10.323.079
<i>Automobile loans</i>	975	111.953	112.928
<i>Consumer loans</i>	330.457	11.485.598	11.816.055
<i>Other</i>	-	51.498	51.498
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	2.133.185	1.206	2.134.391
<i>Installment</i>	820.381	-	820.381
<i>Non-installment</i>	1.312.804	1.206	1.314.010
Individual credit cards-FC	40	-	40
<i>Installment</i>	-	-	-
<i>Non-installment</i>	40	-	40
Personnel loans-TRY	5.218	119.130	124.348
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	5.218	119.130	124.348
<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	47.021	6	47.027
<i>Installment</i>	17.833	-	17.833
<i>Non-installment</i>	29.188	6	29.194
Personnel credit cards-FC	47	-	47
<i>Installment</i>	-	-	-
<i>Non-installment</i>	47	-	47
Overdraft accounts-TRY (Retail customer)	378.249	-	378.249
Overdraft accounts-FC (Retail customer)	-	-	-
Total	2.897.281	22.090.381	24.987.662

⁽¹⁾ Interest income accruals are not included in the table above.

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e) Information on commercial installments loans and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	4.857	877.017	881.874
<i>Business residential loans</i>	27	516.573	516.600
<i>Automobile loans</i>	4.830	264.407	269.237
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	96.037	96.037
Commercial installment loans-Indexed to FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans-FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Corporate credit cards-TRY	697.222	-	697.222
<i>Installment</i>	445.299	-	445.299
<i>Non-installment</i>	251.923	-	251.923
Corporate credit cards-FC	2	-	2
<i>Installment</i>	-	-	-
<i>Non-installment</i>	2	-	2
Overdraft accounts-TRY (Commercial customer)	530.953	-	530.953
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	1.233.034	877.017	2.110.051

⁰¹ Interest and income accruals are not included in table above.

f) Loan according to type of borrowers:

	Current period	Prior period
Public	2.640.241	2.113.116
Private	97.841.045	82.300.325
Total	100.481.286	84.413.441

g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	100.025.174	84.074.252
Foreign loans	456.112	339.189
Total	100.481.286	84.413.441

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h) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	675.395	501.111
Indirect loans granted to subsidiaries and associates	-	-
Total	675.395	501.111

i) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	213.407	245.140
Loans and receivables with doubtful collectability	578.268	130.511
Uncollectible loans and receivables	1.622.348	1.434.676
Total	2.414.023	1.810.327

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

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period	45.487	14.610	42.346
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	45.487	14.610	42.346
Prior period	145.197	8.194	84.801
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	145.197	8.194	84.801

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	377.572	215.511	1.652.093
Additions (+)	1.983.307	17.956	55.804
Transfers from other categories of loans under follow-up (+)	-	1.672.109	519.425
Transfers to other categories of loans under follow-up (-)	1.809.594	381.940	-
Collections (-)	218.973	70.792	312.817
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	332.312	1.452.844	1.914.505
Specific provision (-)	213.407	578.268	1.622.348
Net balance on balance sheet	118.905	874.576	292.157

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	16.630	1.238.761	168.987
Specific provisions(-)	10.849	430.564	106.439
Net balance in the balance sheet	5.781	808.197	62.548
Prior period			
Balance at the end of the period	99.688	12.342	130.597
Specific provisions(-)	59.746	4.545	83.408
Net balance in the balance sheet	39.942	7.797	47.189

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period (Net)	118.905	874.576	292.157
Loans to granted real persons and legal entities (Gross)	331.603	1.451.665	1.862.005
Specific provisions (-)	212.698	577.089	1.569.848
Loans to granted real persons and legal entities (Net)	118.905	874.576	292.157
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	709	1.179	52.500
Specific provisions (-)	709	1.179	52.500
Other loans and receivables (Net)	-	-	-
Prior period (Net)	132.432	85.000	217.417
Loans to granted real persons and legal entities (Gross)	377.430	213.345	1.601.606
Specific provisions (-)	244.998	128.345	1.384.189
Loans to granted real persons and legal entities (Net)	132.432	85.000	217.417
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	142	2.166	50.487
Specific provisions (-)	142	2.166	50.487
Other loans and receivables (Net)	-	-	-

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

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

The Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted.

l) Explanations on write-off policy:

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

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

m) Aging analysis of overdue but not impaired financial assets per classes of financial instruments:

Current Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	1.950	117	3.851	5.918
SME Loans	106.913	12.861	16.175	135.949
Consumer Loans	18.702	5.939	4.810	29.451
Credit cards	131.366	25.049	15.141	171.556
Total	258.931	43.966	39.977	342.874

^oOnly the overdue loans that subject to outstanding principal payment amounting to TRY 516.905 are included.

Prior Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	37.061	11.849	417	49.327
SME Loans	92.435	19.073	15.644	127.152
Consumer Loans	18.569	5.913	4.201	28.683
Credit cards	120.478	20.934	10.949	152.361
Total	268.543	57.769	31.211	357.523

^oOnly the overdue loans that subject to outstanding principal payment amounting to TRY 1.348.348 are included.

(6) Information on held-to-maturity investments:

a) Information on held-to-maturity investments blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value:

a.1. Held-to-maturity investments blocked/given as collateral:

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds and similar securities	3.348.402	416.619	3.041.571	121.049
Total	3.348.402	416.619	3.041.571	121.049

a.2. Held-to-maturity investments subject to repurchase agreements:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	6.744.155	248.221	764.916	-
Total	6.744.155	248.221	764.916	-

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

	Current period	Prior period
Government bonds	17.763.665	18.854.586
Treasury bills	-	-
Other public sector debt securities	-	-
Total	17.763.665	18.854.586

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	17.763.665	18.854.586
<i>Quoted on a stock exchange</i>	<i>17.149.074</i>	<i>17.626.787</i>
<i>Not quoted</i>	<i>614.591</i>	<i>1.227.799</i>
Impairment provision (-)	-	-
Total	17.763.665	18.854.586

d) Movement of held-to-maturity investments within the year:

	Current period	Prior period
Beginning balance	18.854.586	13.455.515
Foreign currency differences on monetary assets	89.777	(30)
Purchases during the year ⁽¹⁾⁽³⁾	3.011.096	9.116.697
Disposals through sales and redemptions ⁽²⁾	(4.191.794)	(3.717.596)
Impairment provision (-)/provision reversal (+)	-	-
Balance at the end of the period	17.763.665	18.854.586

⁽¹⁾ Interest income accrual difference between 31 December 2014 amounting to TRY 1.541.077 and 31 December 2013 amounting to TRY 1.129.103 has been included in purchases row.

⁽²⁾ In accordance with the tainting rules defined in Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2013, the Bank reclassified EUR 264.347 thousands (TRY 606.491) and USD 342.113 (TRY 612.382) thousands of financial assets from held to maturity investments portfolio to available for sale portfolio. Related amount was presented in "Disposals through Sales and Redemptions" row.

⁽³⁾ In accordance with the rules defined in Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2013, the Bank reclassified TRY 4.039.794 thousands and USD 502.575 (TRY 982.535) thousands of financial assets from available for sales portfolio to held to maturity investments portfolio. Related amount was presented in "Purchases during the year" row.

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FOR THE YEAR ENDED 31 DECEMBER 2014

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e) Information on held-to-maturity investments accounts:

The breakdown of the held to maturity securities of the Bank is as follows:

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of Treasury of Republic of Turkey ⁽¹⁾	10.419.624	553.127	11.677.559	565.483	10.300.287	-	11.285.826	-
Obtained with the transfer	600.000	-	614.589	-	1.200.000	-	1.227.798	-
Reclassified from other securities portfolios ⁽¹⁾	3.721.019	928.818	3.963.450	942.584	5.167.817	937.622	5.274.255	945.657
Other ⁽¹⁾	-	-	-	-	-	119.757	-	121.050
Total	14.740.643	1.481.945	16.255.598	1.508.067	16.668.104	1.057.379	17.787.879	1.066.707

⁽¹⁾ At 23 October 2013 the bank has classified amount of TRY 5.022.329 to Held to Maturities portfolio from Marketable Securities.

(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. Demirhalkbank NV	Rotterdam/The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara/Turkey	31,47	33,12
3. Kredi Kayıt Bürosu AŞ	İstanbul/Turkey	18,18	18,18
4. Bankalararası Kart Merkezi AŞ	İstanbul/Turkey	18,95	18,95

b) Information related to the associates as sorted in (a):

	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.	5.226.693	650.523	33.345	146.266	7.647	33.943	39.515	-
2.	46.518	46.214	21.652	2.365	-	508	152	-
3.	106.802	80.884	49.124	4.265	-	17.802	32.665	-
4.	58.459	24.707	34.286	962	-	2.423	2.644	-

⁽¹⁾ The information is presented from companies' financial statements as of 31 December 2014.

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c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	92.553	92.888
Movements during the period	-	(335)
<i>Purchases</i>	-	-
<i>Bonus shares obtained profit from current year's share</i>	-	-
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	(335)
<i>Transfers</i>	-	-
<i>Revaluation decrease (-)/increase</i>	-	-
<i>Provision for impairment (-)/reversals (+)</i>	-	-
Balance at the end of the period	92.553	92.553
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	74.716	74.716
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	11.518	11.518

e) Associates quoted to a stock exchange:

None.

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(8) Information on subsidiaries (Net):

a) Information on subsidiaries:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Bank AD, Skopje	Halk Faktoring AŞ
CORE CAPITAL								
Paid in Capital	64.000	94.000	183.000	697.900	272.250	5.000	109.685	40.000
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share premium	-	-	-	49.945	-	-	11.633	-
Share Cancellation Profits	-	-	-	(18.991)	-	-	-	-
Reserves	6.289	38.138	19.309	28.364	8.163	1.201	26.829	-
Other Comprehensive Income according to TAS	1.973	(3.157)	2.297	-	-	-	204	-
Profit/Loss	18.029	50.962	98.659	70.512	17.742	2.452	18.159	9.344
<i>Net Profit</i>	18.122	50.962	90.304	61.347	5.142	2.328	12.045	8.585
<i>Prior Period Profit/Loss</i>	(93)	-	8.355	9.165	12.600	124	6.114	759
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	-	-	-	-	-	-	-	-
Leasehold Improvements (-)	-	-	441	-	-	-	2.160	97
Intangible Assets (-)	455	3.292	1.724	704	700	42	1.431	129
Total Core Capital	89.836	176.651	301.100	827.026	297.455	8.611	162.919	49.118
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	8.982	-
CAPITAL	89.836	176.651	301.100	827.026	297.455	8.611	171.901	49.118
DEDUCTIONS FROM CAPITAL	-	-	-	-	-	-	-	-
NET AVAILABLE CAPITAL(1)	89.836	176.651	301.100	827.026	297.455	8.611	171.901	49.118

⁽¹⁾ The information is presented from companies' financial statements as of 31 December 2014.

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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 transferred with the General Assembly decision after distributable profit have been transferred to legal reserves.

Legal reserves are the status reserves which have been transferred 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.

b) Information on subsidiaries: (Net):

Description	Address (City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	Istanbul	99,96	99,96
2. Halk Sigorta AŞ	Istanbul	89,18	93,49
3. Halk Hayat ve Emeklilik AŞ	Istanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	Istanbul	78,07	78,11
5. Halk Finansal Kiralama AŞ	Istanbul	100,00	100,00
6. Halk Portföy Yönetimi AŞ	Istanbul	75,00	99,99
7. Halk Banka AD, Skopje	Macedonia	98,78	98,78
8. Halk Faktoring AŞ	Istanbul	97,50	99,99
9. Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri AŞ	Istanbul	100,00	100,00

c) Information related to the subsidiaries as sorted in (b): ⁽¹⁾⁽³⁾

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽²⁾
1.	469.908	89.836	1.970	27.896	2.459	18.122	8.713	134.557
2.	617.698	176.651	6.213	35.075	4.922	50.962	43.134	345.235
3.	635.019	301.100	3.577	53.198	28.268	90.304	77.404	826.332
4.	928.407	827.026	690.621	14.844	7.630	61.347	31.511	607.758
5.	2.058.711	297.455	1.102	125.691	-	5.142	16.503	409.660
6.	9.572	8.611	284	730	25	2.328	1.349	11.933
7.	1.120.437	171.901	31.650	59.875	6.150	12.045	5.626	-
8.	375.018	49.118	557	60.474	-	8.585	1.020	58.123
9.	28.469	18.089	4.093	560	702	2.248	2.562	37.859

⁽¹⁾ The information is presented from companies' financial statements as of 31 December 2014.

⁽²⁾ The information is presented from valuation reports as 31 December 2014, valued by Halk Gayrimenkul Yatırım Ortaklığı AŞ stock price.

⁽³⁾ 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 Istanbul AŞ.

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d) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period	2.334.263	1.794.160
Movements during the period	242.553	540.103
Purchases ⁽¹⁾	44.296	167.590
<i>Bonus shares obtained profit from current year's share</i>	140.007	85.867
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer</i>	-	335
<i>Revaluation increase</i>	58.250	286.311
<i>Reversal of provision for impairment (-)</i>	-	-
Balance at the end of the period	2.576.816	2.334.263
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾Purchases amounting to TRY 44.296 consist payments amounting to TRY 41.382 due to purchase of 5,60% shares of Halk Hayat ve Emeklilik AŞ, amounting to TRY 1.789 due to purchase of 19 % shares of Halk Portföy Yönetimi AŞ, amounting to TRY 1.106 due to purchase of 2,50% shares of Halk Faktoring AŞ and amounting to TRY 19 due to purchase of 0,02% shares of Halk Yatırım Menkul Değerler AŞ. The Bank has purchased all of the non-publicly traded shares of Halk Hayat ve Emeklilik AŞ and Halk Sigorta AŞ and all of their shares in other related parties.

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

	Current period	Prior period
Banks	145.359	145.359
Insurance companies	1.171.567	1.021.407
Factoring companies	58.123	42.032
Leasing companies	409.660	406.645
Financing companies	-	-
Other financial subsidiaries	754.248	688.216
Other non-financial subsidiaries	37.859	30.604

f) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock ⁽¹⁾⁽²⁾	952.993	914.612
Quoted foreign stock exchange	-	-

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

⁽²⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul AŞ.

(9) Information on jointly controlled entities (joint ventures):

None.

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

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

None.

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

None.

(12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Immovable	631.808	5.908	2.919	(8.133)	626.664
Tangible assets purchased through financial lease	32.253	176	1.642	-	30.787
Office machines	300.582	60.521	15.006	-	346.097
Fixed assets obtained due to non-performing loans	380.819	249.123	121.736	(105)	508.101
Lease hold improvements costs	246.443	9.662	3.624	-	252.481
Other	144.082	23.472	30.987	-	136.567
Total Cost	1.735.987	348.862	175.914	(8.238)	1.900.697
Accumulated depreciation:					
Immovable	205.835	12.588	527	(2.317)	215.579
Tangible assets purchased through financial lease	30.047	681	1.629	-	29.099
Office machines	144.390	43.576	10.295	-	177.671
Fixed assets obtained due to non-performing loans	8.685	4.158	2.164	(3)	10.676
Lease hold improvements costs	194.467	15.094	1.865	-	207.696
Other	74.448	27.817	30.649	-	71.616
Total accumulated depreciation	657.872	103.914	47.129	(2.320)	712.337
Provision for impairment (-)					
Immovable	5.616	-	3.796	35	1.855
Tangible assets purchased through financial lease	-	-	-	-	-
Office machines	-	-	-	-	-
Fixed assets obtained due to non-performing loans	4.684	2.037	330	-	6.391
Total provision for impairment (-)	10.300	2.037	4.126	35	8.246
Net Book Value	1.067.815	242.911	124.659	(5.953)	1.180.114

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FOR THE YEAR ENDED 31 DECEMBER 2014

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Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Immovable	630.552	10.567	2.754	(6.558)	631.807
Tangible assets purchased through financial lease	36.824	274	4.845	-	32.253
Office machines	235.602	74.110	9.130	-	300.582
Fixed assets obtained due to non-performing loans	455.684	162.167	237.125	94	380.820
Lease hold improvements costs	147.540	26.488	29.946	-	144.082
Other	233.886	17.353	4.796	-	246.443
Total Cost	1.740.088	290.959	288.596	(6.464)	1.735.987
Accumulated depreciation:					
Immovable	195.337	12.637	597	(1.542)	205.835
Tangible assets purchased through financial lease	34.211	679	4.843	-	30.047
Office machines	113.627	39.632	8.869	-	144.390
Fixed assets obtained due to non-performing loans	8.862	3.873	4.050	-	8.685
Lease hold improvements costs	68.680	29.754	23.985	-	74.449
Other	181.689	16.519	3.741	-	194.467
Total accumulated depreciation	602.406	103.094	46.085	(1.542)	657.873
Provision for impairment (-)					
Immovable	6.520	-	904	-	5.616
Tangible assets purchased through financial lease	-	-	-	-	-
Office machines	-	-	-	-	-
Fixed assets obtained due to non-performing loans	7.997	2.389	5.702	-	4.684
Total provision for impairment (-)	14.517	2.389	6.606	-	10.300
Net Book Value	1.123.165	185.476	235.905	(4.922)	1.067.814

(13) Information on intangible assets:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	54.138	22.730	1.736	-	75.132
Total Cost	54.138	22.730	1.736	-	75.132
Accumulated Depreciation:					
Other intangible assets	8.991	7.252	54	-	16.189
Total Accumulated Depreciation	8.991	7.252	54	-	16.189
Net Book Value	45.147	15.478	1.682	-	58.943

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

Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	42.965	13.657	2.484	-	54.138
Total Cost	42.965	13.657	2.484	-	54.138
Accumulated Depreciation:					
Other intangible assets	5.680	3.324	13	-	8.991
Total Accumulated Depreciation	5.680	3.324	13	-	8.991
Net Book Value	37.285	10.333	2.471	-	45.147

(14) Information on investment property:

None.

(15) Information on tax assets:

	Current period	Prior period
Deferred Tax (Asset)/Liability		
Provisions ⁽¹⁾	156.021	118.704
Revaluation of Financial Assets	86.095	(124.689)
Other	(3.848)	(2.318)
Deferred Tax (Asset)/Liability:	238.268	(8.303)
Deferred tax accounted in shareholders' equity	(121.814)	15.671
Fair value differences for available for sale financial assets	(81.604)	19.457
Actuarial Gain/Loss	3.269	(3.786)
Subsidiary Valuation	(43.479)	-

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

(16) Information on non-current assets held for sale:

	Current period	Prior period
Cost	7.812	5.305
Accumulated Depreciation (-) ⁽¹⁾	(2.296)	(1.193)
Net Book Value	5.516	4.112
Opening Balance	4.112	2.976
Acquisitions (Transfers) (Net)	8.238	6.464
Disposals (Net)	(5.741)	(5.145)
Impairment Charge/Cancellation	10	198
Amortization Charge ⁽¹⁾	(1.103)	(381)
Net Book Value	5.516	4.112

⁽¹⁾ The amount of accumulated depreciation belongs to asset held for sale in current period.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 1.099.705 and does not exceed 10% of the balance sheet total (31 December 2013: TRY 1.167.901).

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	3.931.504	-	391.405	23.615.774	1.337.988	399.488	580.948	106.619	30.363.726
Foreign currency deposits	4.502.775	-	1.984.622	11.380.000	2.704.533	1.048.731	3.015.118	11.191	24.646.970
Residents in Turkey	3.485.930	-	1.876.782	11.072.350	2.590.260	940.166	2.069.198	11.063	22.045.749
Residents abroad	1.016.845	-	107.840	307.650	114.273	108.565	945.920	128	2.601.221
Public sector deposits	2.386.024	-	1.493.653	2.559.538	272.145	2.244.198	4.347	-	8.959.905
Commercial inst. deposits	3.194.977	-	3.073.323	11.360.025	527.657	214.262	37.353	-	18.407.597
Other inst. deposits	614.611	-	76.643	1.220.875	49.041	543.638	135.112	-	2.639.920
Precious metals	1.508.769	-	-	-	-	-	-	-	1.508.769
Interbank deposits	5.414.639	-	5.705.208	4.390.748	1.522.737	23.740	124.395	-	17.181.467
Central Bank of Turkey	8	-	-	-	-	-	-	-	8
Domestic banks	14.862	-	5.454.488	1.113.546	361.532	19.106	4.304	-	6.967.838
Foreign banks	4.679.610	-	250.720	3.277.202	1.161.205	4.634	120.091	-	9.493.462
Participation banks	720.159	-	-	-	-	-	-	-	720.159
Total	21.553.299	-	12.724.854	54.526.960	6.414.101	4.474.057	3.897.273	117.810	103.708.354

a.2. Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	3.284.266	-	341.488	23.669.564	1.353.617	395.438	633.612	122.789	29.800.774
Foreign currency deposits	3.473.557	-	1.629.520	12.212.789	4.930.815	2.229.731	3.039.160	13.049	27.528.621
Residents in Turkey	2.172.772	-	1.582.317	11.920.017	4.807.360	1.995.467	2.197.551	12.923	24.688.407
Residents abroad	1.300.785	-	47.203	292.772	123.455	234.264	841.609	126	2.840.214
Public sector deposits	2.524.920	-	724.063	4.901.027	496.489	197.956	81.705	-	8.926.160
Commercial inst. deposits	3.249.845	-	2.502.068	12.314.591	498.577	487.939	179.953	-	19.232.973
Other inst. deposits	560.173	-	65.145	1.859.320	256.623	378.779	113.618	-	3.233.658
Precious metals	2.016.818	-	-	-	-	-	-	-	2.016.818
Interbank deposits	3.585.229	-	3.727.183	1.816.514	343.376	68.108	476.783	-	10.017.193
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	22.831	-	2.425.179	972.335	80.184	4.209	115	-	3.504.853
Foreign banks	3.129.647	-	1.302.004	844.179	263.192	63.899	476.668	-	6.079.589
Participation banks	432.751	-	-	-	-	-	-	-	432.751
Total	18.694.808	-	8.989.467	56.773.805	7.879.497	3.757.951	4.524.831	135.838	100.756.197

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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	19.038.326	18.203.362	11.249.274	11.528.066
Foreign currency saving deposits	5.947.571	5.668.891	8.112.662	7.225.458
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	92.647	86.977	-	-
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	120.160	144.674
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	5.141	4.426
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	-	39.927	-	21.483
Swap transactions	-	135.749	-	22.024
Future transactions	-	-	-	-
Options	15	763	30	311
Other	-	-	-	-
Total	15	176.439	30	43.818

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(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	301.378	258.695	352.531	419.097
Foreign banks, institutions and funds	639.700	11.430.584	485.457	12.358.070
Total	941.078	11.689.279	837.988	12.777.167

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	289.295	6.552.045	331.668	7.521.917
Medium and long-term	651.783	5.137.234	506.320	5.255.250
Total	941.078	11.689.279	837.988	12.777.167

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

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

Main liability of the Bank is deposit, which is composed of 29% of saving deposits and 24% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Bank's 43% of banks deposits and 30% of other deposits consist of foreign currency deposits.

Information on funds provided from repurchase agreement transactions:

	Current period		Prior period	
	TRY	FC	TRY	FC
From domestic transactions	8.175.808	-	770.977	-
Financial inst. and organizations	8.097.694	-	713.817	-
Other institutions and organizations	38.752	-	25.887	-
Real persons	39.362	-	31.273	-
From overseas transactions	305	231.074	203	-
Financial inst. and organizations	-	231.074	-	-
Other institutions and organizations	-	-	-	-
Real persons	305	-	203	-
Accruals	5.435	134	236	-
Total	8.181.548	231.208	771.416	-

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(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills ⁽¹⁾	1.522.240	-	946.297	-
Bonds ⁽²⁾	-	4.649.617	-	3.218.387
Total	1.522.240	4.649.617	946.297	3.218.387

⁽¹⁾As of 26 September 2014, the bonds amounting to TRY 750.000 with maturity of 175 days and as of 11 December 2014 the bonds amounting TRY 1.000.000 with a maturity of 175 days are issued by the Bank.

⁽²⁾As of 19 July 2012, the treasury bills amounting to USD 750.000 with maturity of 5 years and as of 5 February 2013 the treasury bills amounting to USD 750.000 with maturity of 7 years and as of 4 June 2014 the treasury bills amounting to USD 500.000 with maturity of 5 years are issued by Bank

(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Under Secretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

a) Maturity structure of funds:

Current period		Prior Period	
Short-term	Long-term	Short-term	Long-term
19.404	1.749.887	17.957	1.470.585

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 1.349.147 and does not exceed 10% of the balance sheet total (31 December 2013: TRY 1.234.596).

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

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

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the Tax Procedural Code.

b) Explanation on finance lease payables:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	410	381
Between 1-4 years ⁽¹⁾	610	562	522	400
More than 4 years	246	163	819	609
Total	856	725	1.751	1.390

⁽¹⁾ Finance lease payables are presented with respect to original maturity.

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c) Explanations regarding operational leases:

The operational leasing agreements are signed for some branches. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "other assets". The Bank does not have any commitments arising on the existing operational lease agreements.

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior period
General provision	1.268.847	1.134.717
Provisions for first group loans and receivables	1.134.564	966.345
<i>Additional provisions for the loans with extended payment plan</i>	<i>18.719</i>	<i>15.179</i>
Provisions for second group loans and receivables	46.989	89.542
<i>Additional provisions for the loans with extended payment plan</i>	<i>22.942</i>	<i>74.253</i>
Provisions for non cash loans	87.294	78.830
Other	-	-

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

None.

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

As of 31 December 2014, the Bank's specific provision for unindemnified non-cash loans balance is TRY 94.271 (31 December 2013: TRY 69.008).

d) Information on other provisions:

Total other provision balance amounting to TRY 243.292 (31 December 2013: TRY 249.831) consists of TRY 94.271 (31 December 2013: TRY 69.008) for specific provisions for unindemnified non cash loans, TRY 81.135 (31 December 2013: TRY 23.073) for legal cases filed against the Bank and TRY 67.886 (31 December 2013: TRY 25.519) of other provisions.

d.1.) Movement of employee termination benefits:

Severance indemnity provision as of 31 December 2014 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation according to TAS 19, is as follows;

	Current Period	Prior Period
Discount Rate	8,60%	9,80%
Inflation Rate	6,00%	6,40%
Wage growth	2,60%	3,20%
Estimated Real Wage Growth Rate	6,20%	6,60%

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

	Current Period	Prior Period
As of January 1	295.858	293.424
Charge for the year	24.691	25.229
Interest Expense	28.082	21.777
Actuarial gain/loss	35.945	(18.651)
Prior period service cost composed current period	830	-
Payment/The limitation of benefits/Loss (Gain) therefore discharge	224	3.282
Benefits paid within the period(-)	(30.373)	(29.203)
Total	355.257	295.858

As of 31 December 2014, unused vacation provision is TRY 125.124 and severance indemnity provision for outsource firms is TRY 9.125. This amount is followed under employee benefits provision under liabilities (31 December 2013: TRY 111.804 TL for unused vacation provision; TRY 8.026 for severance indemnity provision for outsources).

As of 1 January 2013, actuarial gains and losses are recognized and accounted in shareholders' equity.

e) Liabilities on pension rights

e.1. Liabilities for pension funds established in accordance with "Social Security Institution":

None.

e.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees:

Based on the results of the actuarial report prepared for the period 31 December 2014 and 31 December 2013, no technical deficit has been reported for Türkiye Halk Bankası AŞ Emekli Sandığı, T.C. Ziraat Bankası and Türkiye Halk Bankası Çalışanları Emekli Sandığı Vakfı.

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2014, the Bank's corporate tax payable for the 4th quarter of 2014 is amounting to TRY 331.165 after setting off TRY 574.378 of prepaid taxes from TRY 905.543 of corporate tax liabilities tax provision.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	331.165	48.839
Income on securities tax	107.811	72.009
Property income tax	965	773
Banking and insurance transactions tax (BITT)	46.288	34.231
Foreign exchange transactions tax	11	11
Value added tax payable	-	-
Other	22.803	19.856
Total	509.043	175.719

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a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	17	17
Social insurance premiums-employer	21	20
Bank social aid pension fund premium-employee	7,176	5,205
Bank social aid pension fund premium-employer	9,810	7,205
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	-	-
Unemployment insurance-employer	-	-
Other	1,522	1,148
Total	18,546	13,595

b) Deferred tax liability:

Please refer to Section 5, explanations related to the assets footnote 15.

(11) Information on liabilities regarding assets held for sale and discontinued operations:

None.

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

None.

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

	Current period	Prior period
Common stock	1,250,000	1,250,000
Preferred stock	-	-

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

None.

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.

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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 structure 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:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.110.219	-	1.096.032	-
Revaluation difference	144.098	19.378	(144.339)	(145.914)
Exchange rate difference	25.689	-	7.771	-
Total	1.280.006	19.378	959.464	(145.914)

i) Information on legal reserves:

	Current period	Prior period
First Legal Reserves	751.166	613.624
Second Legal Reserves	462.921	432.456
Legal reserves appropriated in accordance with the law	3.316	2.522
Total	1.217.403	1.048.602

j) Information on the extraordinary reserves

	Current period	Prior period
Reserves appropriated by General Assembly	9.300.043	6.993.085
Retained Earnings	34.104	62.325
Accumulated Reserves	-	-
Foreign Currency Translation Differences (-)	-	-
Total	9.334.147	7.055.410

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

(I) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current period	Prior period
Commitments for credit card expenditure limits	10.312.329	9.883.048
Payment commitments for cheques	5.073.145	4.670.295
Loan granting commitments	2.045.738	1.572.258
Two days forward foreign exchange buy/sell transactions	554.547	1.461.853
Commitments for credit cards and banking services promotions	41.774	37.663
Tax and fund liabilities from export commitments	17.037	13.413
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	1.407.592	1.347.049
Total	19.452.162	18.985.579

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

b.1. Non-cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current period	Prior period
Bank acceptance loans	3.899.063	3.789.406
Letters of credit	3.068.156	1.944.803
Other guarantees	905.190	956.431
Total	7.872.409	6.690.640

b.2. Certain guarantees, tentative guarantees, surety ships and similar transactions:

	Current period	Prior period
Letters of certain guarantees	12.623.491	10.645.927
Letters of advance guarantees	1.973.059	1.697.143
Letters of tentative guarantees	915.139	747.085
Letters of guarantee given to customs offices	1.073.877	911.583
Other letters of guarantee	8.320.617	6.345.799
Total	24.906.183	20.347.537

c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	514.563	341.162
<i>Within one year or less original maturity</i>	140.976	4.478
<i>Within more than one year maturity</i>	373.587	336.684
Other non-cash loans	32.264.029	26.697.015
Total	32.778.592	27.038.177

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c.1) Non-cash loans sectoral risk concentrations:

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	30.725	0,20	916	0,01	18.638	0,14	1.199	0,01
<i>Farming and raising livestock</i>	17.406	0,12	916	0,01	14.453	0,11	1.109	0,01
<i>Forestry</i>	174	0,00	-	0,00	362	0,00	-	0,00
<i>Fishing</i>	13.145	0,08	-	0,00	3.823	0,03	90	0,00
Manufacturing	3.800.910	25,23	10.324.279	58,29	3.052.627	23,83	7.838.763	55,10
<i>Mining</i>	92.975	0,62	381.949	2,16	67.664	0,53	98.804	0,69
<i>Production</i>	2.440.417	16,20	7.667.877	43,29	2.120.143	16,55	6.775.292	47,63
<i>Electric, gas and water</i>	1.267.518	8,41	2.274.453	12,84	864.820	6,75	964.667	6,78
Construction	3.685.543	24,46	3.173.885	17,92	3.385.711	26,43	2.609.919	18,35
Services	7.418.626	49,24	3.989.944	22,53	6.246.790	48,76	3.572.599	25,11
<i>Wholesale and retail trade</i>	3.507.006	23,28	1.744.237	9,85	2.619.589	20,45	1.664.609	11,70
<i>Hotel, food and beverage services</i>	61.570	0,41	43.576	0,25	56.412	0,44	42.839	0,30
<i>Transportation and telecommunication</i>	117.045	0,78	240.935	1,36	98.138	0,77	225.576	1,59
<i>Financial Institutions</i>	2.781.196	18,46	595.230	3,35	2.567.595	20,04	596.307	4,19
<i>Real estate and renting services</i>	850.808	5,65	1.359.520	7,68	838.794	6,55	1.023.755	7,20
<i>Self-employment services</i>	9.841	0,05	1131	0,01	9.511	0,07	1.268	0,01
<i>Education services</i>	17.399	0,12	3.318	0,02	8.131	0,06	8.087	0,06
<i>Health and social services</i>	73.761	0,49	1.997	0,01	48.620	0,38	10.158	0,07
Other	129.543	0,87	224.221	1,25	108.717	0,85	203.214	1,43
Total	15.065.347	100,00	17.713.245	100,00	12.812.483	100,00	14.225.694	100,00

c.2) Non-cash loans classified in Group I and II:

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	14.795.173	17.693.053	270.174	20.192
Letters of guarantee	14.136.407	10.487.999	270.174	11.603
Bank acceptances	121.450	2.943.982	-	2.724
Letters of credit	10.996	3.882.202	-	5.865
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	526.320	378.870	-	-

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c.3) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Risk Management	
	Current period	Prior period	Current period	Prior period
Types of trading transactions				
Foreign currency related derivative transactions (I)	26.711.138	19.393.516	-	-
Forward foreign currency buy/sell transactions	4.888.037	1.758.367	-	-
Currency buy/sell swap	21.509.663	17.384.112	-	-
Currency futures	-	-	-	-
Currency put/call options	313.438	251.037	-	-
Interest related derivative transactions (II)	1.866.286	1.356.800	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	1.866.286	1.356.800	-	-
Interest rate put/call options	-	-	-	-
Interest rate buy/sell futures	-	-	-	-
Other trading derivative transactions (III)⁽¹⁾	808.159	155.323	-	-
A. Total trading derivative transactions (I+II+III)	29.385.583	20.905.639	-	-
Types of derivative transactions for risk management	-	-	-	-
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B. Total derivative transactions for hedging	-	-	-	-
Total derivative transactions (A+B)	29.385.583	20.905.639	-	-

⁽¹⁾ Other trading derivatives include credit default swap purchases and sale transactions amounting TRY 2.445 and TRY 805.714 respectively.

d) Information on contingent liabilities and assets:

The Bank has provided TRY 81.135 (31 December 2013: TRY 23.073) of provision for the disputed legal cases filed by various persons and institutions.

e) Services supplied on behalf of others:

None.

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IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	2.255.415	112.228	1.679.941	121.853
Medium and long term loans	5.162.158	1.182.181	4.222.280	1.048.078
Interest on non-performing loans	68.922	-	62.109	-
Premiums from resource utilization support fund	-	-	-	-
Total	7.486.495	1.294.409	5.964.330	1.169.931

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

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	2.846	-	-	-
Domestic banks	1.653	2.345	2.247	3.758
Overseas banks	3.759	2.050	2.768	2.110
Head office and branches	-	-	-	-
Total	8.258	4.395	5.015	5.868

c) Interest income on marketable securities:

	Current Period		Prior Period	
	DC	FC	DC	FC
Financial Assets Held for Trading	1.135	691	1.930	610
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	696.747	125.404	639.265	124.679
Held-to-Maturity Investments	1.755.680	72.794	1.275.998	10.720
Total	2.453.562	198.889	1.917.193	136.009

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries and associates	33.429	25.177

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	53.502	191.237	27.491	167.570
Domestic banks	20.977	9.744	19.245	10.688
Overseas banks	32.525	181.493	8.246	156.882
Overseas head office and branches	-	-	-	-
Other institutions	4.149	14	26.698	-
Total	57.651	191.251	54.189	167.570

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	70.859	53.952

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	95.084	183.339	48.032	130.174
Total	95.084	183.339	48.032	130.174

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits							Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year	Cumulative deposit	
TRY								
Bank deposits	108	254.219	73.131	15.800	1.511	-	-	344.769
Saving deposits	40	26.402	2.103.906	111.956	31.836	44.026	8.010	2.326.176
Public deposits	277	105.526	267.052	28.028	1.885	430	-	403.198
Commercial deposits	320	199.386	869.318	44.323	17.888	3.462	-	1.134.697
Other deposits	-	56.310	142.010	12.492	185.003	13.977	-	409.792
7 days call accounts	-	-	-	-	-	-	-	-
Total	745	641.843	3.455.417	212.599	238.123	61.895	8.010	4.618.632
Foreign currency								
Deposits	421	47.020	264.590	90.865	57.616	72.372	-	532.884
Bank deposits	-	45.007	-	-	-	-	-	45.007
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
Total	421	92.027	264.590	90.865	57.616	72.372	-	577.891
Grand total	1.166	733.870	3.720.007	303.464	295.739	134.267	8.010	5.196.523

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

(3) Information on dividend income:

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	3.106	1.974
Other	150.738	95.494
Total	153.844	97.468

(4) a) Information on trading profit/loss (Net):

	Current period	Prior period
Profit	17.319.413	12.613.894
Profit from the capital market operations	299.858	333.261
Profit on derivative financial instruments	3.229.700	2.528.069
Foreign exchange gains	13.789.855	9.752.564
Loss (-)	17.263.408	12.369.451
Loss from the capital market operations	919	10.424
Loss on derivative financial instruments	4.675.586	2.057.216
Foreign exchange losses	12.586.903	10.301.811

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	3.229.700	2.528.069
Effect of the change in foreign exchange on profit	3.221.183	2.508.224
Effect of the change in interest rate on profit	8.517	19.845
Loss on derivative financial instruments (-)	4.675.586	2.057.216
Effect of the change in foreign exchange on loss	4.669.057	2.047.444
Effect of the change in interest rate on loss	6.529	9.772
Profit/loss on derivative financial instruments	(1.445.886)	470.853

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses ⁽⁴⁾	427.439	633.062
Receivable from the asset sale on credit terms	56.407	64.530
Provision for communication expenses	7.775	8.310
Rent income	4.700	4.309
Other income	35.173	57.427
Total	531.494	767.638

⁽⁴⁾As of 31 December 2014, the Bank reversed the general reserve amounting to TRY 132.231 (31 December 2013: TRY 196.069) which had been recognized as expense on previous periods.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	876.459	435.996
<i>Group-III loans and receivables</i>	241.544	247.926
<i>Group-IV loans and receivables</i>	555.719	111.218
<i>Group-V loans and receivables</i>	79.196	76.852
General loan provision expenses	134.159	321.609
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	-
<i>Financial assets at fair value through profit and loss</i>	-	-
<i>Financial assets available for sale</i>	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Jointly controlled entities (joint ventures)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Other	150.150	91.137
Total	1.160.768	848.742

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	1.247.781	1.083.774
Reserve for employee termination benefits	55.595	51.985
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	99.756	99.221
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	7.252	3.324
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	2.398	1.365
Amortization expenses of assets that will be disposed of	4.158	3.873
Impairment expense for property and equipment held for sale	25	59
Other operating expenses	1.048.663	1.034.988
<i>Operational leasing expenses</i>	147.158	128.505
<i>Maintenance expenses</i>	20.452	24.195
<i>Advertisement expenses</i>	142.509	144.603
<i>Other expenses</i>	738.544	737.685
Loss on sales of assets	5.420	1.487
Other	516.365	374.843
Total	2.987.413	2.654.919

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

The Bank's income before tax is due from continuing activities. TRY 5,111,549 of the income before tax consists of net interest income, TRY 1,022,544 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Bank is amounting to TRY 2,727,255.

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

For the year ended 31 December 2014, the Bank's tax provision amounting to TRY 521,487 consists of TRY 905,543 of current tax charge and TRY 384,056 of deferred tax income.

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

As of 31 December 2014, the Bank's net operating income after tax is amounting to TRY 2,205,768.

(11) Information on net profit/loss from continuing and discontinued operations:

- a) Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Bank's performance for the period between 1 January 2014 and 31 December 2014.
- b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.
- c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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

(1) Explanations on inflation adjustments for equity items:

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

According to this circular, TRY 1,220,451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

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

The "net increase/(decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 8,412,477 thousands increase for the year 2014 (31 December 2013: TRY 738,088 increase). The "others" item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TRY 3,046,384 thousands decrease for the year 2014 (31 December 2013: TRY 3,067,287 decrease).

For the year ended 31 December 2014, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 97,128 increase (31 December 2013: TRY 638,248 increase).

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

(2) Items of cash and cash equivalents, accounting policies used in the determination of those items:

Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.

(3) The effect of any change in accounting policies: None.

(4) Period beginning cash and cash equivalents balance:

	Current period	Prior period
Cash	19.975.784	12.487.743
Cash in TRY and foreign currency	795.406	685.419
Central Bank and others ⁽¹⁾	19.180.378	11.802.324
Cash equivalents	1.842.776	2.631.767
Demand and Time Deposits Up to 3 Months	1.842.776	2.619.412
Money Market Placements	-	12.355
Total cash and cash equivalents	21.818.560	15.119.510
Reserve deposits in Central Bank of Turkey	(15.445.725)	(9.849.458)
Accruals on banks	(515)	(566)
Cash and Cash Equivalents	6.372.320	5.269.486

⁽¹⁾Others items include cheques received.

(5) Period ending cash and cash equivalents balance:

	Current Period	Prior Period
Cash	20.276.104	19.975.784
Cash in TRY and foreign currency	974.390	795.406
Central Bank and others ⁽¹⁾	19.301.714	19.180.378
Cash Equivalents	1.265.660	1.842.776
Demand and Time Deposits Up to 3 Months	1.265.660	1.842.776
Money Market Placements	-	-
Cash and Banks	21.541.764	21.818.560
Reserve deposits in Central Bank of Turkey	(14.549.790)	(15.445.725)
Accruals on reserve deposits in Central Bank of Turkey	(1.606)	-
Accruals on banks	(1.124)	(515)
Total Cash and Cash Equivalents	6.989.244	6.372.320

⁽¹⁾Others items include cheques received.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

VII. EXPLANATION 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) 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	501.111	354.400	-	-	-	-
Closing balance	675.395	309.393	-	-	-	-
Interest and commissions income	33.429	1.809	-	-	-	-

b) 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	299.727	340.509	-	-	-	-
Closing balance	501.111	354.400	-	-	-	-
Interest and commissions income	25.177	1.408	-	-	-	-

c) Deposits held by the Bank's risk group:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Beginning balance	961.604	579.099	-	-	-	-
Closing Balance	803.623	961.604	-	-	-	-
Interest expense on deposits	70.859	53.952	-	-	-	-

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Financial Assets At Fv Through Profit And Loss						
Beginning balance	1.305	68.331	-	-	-	-
Closing Balance	430	1.305	-	-	-	-
Total Profit/Loss	(29)	23	-	-	-	-

(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.

Bank's branches may operate as insurance agencies of Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ and business agencies for Halk Yatırım Menkul Değerler AŞ. Besides, Halk Portföy Yönetimi AŞ is engaging in fund management of Bank's funds.

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

	Amount	% compared to the amounts in the financial statements
Cash loans	675.395	0,66%
Non-cash loans	309.393	0,94%
Deposits	803.623	0,77%
Forward and option contracts	430	0,00%
Banks and financial institutions	-	-

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 9.681 as of 31 December 2014 (31 December 2013: TRY 6.943).

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

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

	Quantity	Number of employees	Country	Total Assets	Legal Capital
Domestic Branches	895	17.265			
Agencies Abroad	2	2	Tahran/IRAN		
		1 ^(*)			
Overseas Branches	4	23	Lefkoşa/KKTC	319.075	-
		10	Gazimagosa/KKTC	40.603	-
		9	Girne/KKTC	46.281	-
		2	Paşaköy/KKTC	393	-
Off-shore Branches	1	3	Manama/BAHREYN	5.531.026	-

^(*) Related personnel is employed by the Bank's subsidiary Halk Yatırım AŞ.

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

The Bank opened 23 domestic branches during the year 2014.

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

With the Decision No.2014/129 of Privatization High Council(PHC) 90% (ninety percent) or upon request %100 (hundred percent) of the shares of Halk Hayat ve Emeklilik A.Ş., the subsidiary of Türkiye Halk Bankası Anonim Şirketi ("Halkbank") will be made available for privatization through tender via "Block Sale" method and the remaining 10% (ten percent) of Halk Hayat ve Emeklilik AŞ shares will be available for sale to the buyer of the shares with the price specified in the tender. With the PHC Decision numbered 2014/130 and dated 29 December 2014 89,18% of the shares in the capital of the Halk Sigorta A.Ş. the subsidiary of Halkbank, held by Halkbank and 4,31% of the shares of Halk Sigorta AŞ held by Halk Yatırım Menkul Değerler AŞ corresponding to a total of 93,49% of the shares of Halk Sigorta A.Ş will be made available for purchase through tender via "Block Sale" method.

Tender announcement about the related sentence has announced by the Republic of Turkey Prime Ministry Privatization Administration at 19 January 2015, and the process continues.

The treasury bills amounting to USD 500.000.000 with maturity of 6 years, with maturity 11 February 2021, with 4,835% interest rate, with coupon rate of 4,75% per every six months approved by the Capital Markets Board at 3 February 2015. The bank issued the bonds at 11 February 2015.

It was announced within the context of public disclosure dated 16 January 2015 in order to provide high quality banking services internationally and increase presence in the Balkan Region, even though the tender process for the purchase of %76,76 shares of Cacanska Banka A.D. operating in Serbia had been finalized on 2 December 2014, due to ongoing expectations about the potential of the banking sector and the economy of Serbia, the interest about the purchase of shares of Cacanska Banka A.D. is decided to be maintained.

Capital Markets Board of Turkey and Banking Regulation and Supervision Agency approved the Amendment of the Articles of Association regarding the increasing the Bank's paid-up capital TRY 1.250.000.000 (full TRY) to TRY 2.250.000.000 (full TRY) by TRY 1.000.000.000 (full TRY) in cash (right issue). The Amendment of the Articles of Association will be subject to approval of the Ministry Of Customs and Trade. Following the approval by the Ministry, the Amendments will be on the agenda of the Bank's General Assembly.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

The General Management of the Bank has been authorized by the Board of Directors to manage and finalize the process for the partial or complete sales of the shares which are owned directly or indirectly in the equity of subsidiaries Halk Sigorta A.Ş and Halk Hayat ve Emeklilik A.Ş. through Prime Ministry Privatization Administration according to Law Regarding the Implementation of Privatization numbered 4046. Activities on the sales process are continued under the coordination of Prime Ministry Privatization Administration.

SECTION VII: INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements as of and for the year ended 31 December 2014 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 17 February 2015 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ

**Consolidated Financial Statements
As of and For the Year Ended 31 December 2014
With Independent Auditors' Report Thereon**

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



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
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(Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish (See Section 3.1))

**INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014**

To the Board of Directors of Türkiye Halk Bankası AŞ;

We have audited the consolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") and its financial subsidiaries (together "the Group") as of 31 December 2014 and the consolidated statements of income, cash flows, changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

Management's responsibility for the Financial Statements:

The Board of Directors of the Bank is responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to error or fraud; and for selecting and applying appropriate accounting policies in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette numbered 26333 on 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the other regulations, communiqués and circulars and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette numbered 26333 on 1 November 2006 and in accordance with the Independent Auditing Standards which is a part of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the internal control into consideration and assessing the appropriateness of the applied accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Audit Opinion

In our opinion, the accompanying consolidated financial statements, in all material respects, the financial position of Türkiye Halk Bankası AŞ and its financial subsidiaries as of 31 December 2014 and the result of its operations and cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the existing regulations described in Article 37 and 38 of the Banking Act No: 5411 and the other regulations, communiqués and circulars in respect of accounting and financial reporting made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the TCC no.6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2014 are not compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; The Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ
A Member of KPMG International Cooperative

Erdal Tıkmak, SMMM
Partner
17 February 2015
İstanbul, Türkiye

Additional paragraph for convenience translation to English:

As explained in Section 3.1, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.,
a Turkish corporation and a member firm of the KPMG network of independent
member firms affiliated with KPMG International Cooperative, a Swiss entity.

TÜRKİYE HALK BANKASI A.Ş.
THE CONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

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

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

Subsidiaries	Associates
1. Halk Yatırım Menkul Değerler AŞ	1. Demir-Halkbank NV
2. Halk Sigorta AŞ	2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3. Halk Hayat ve Emeklilik AŞ	
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	
5. Halk Finansal Kiralama AŞ	
6. Halk Portföy Yönetimi AŞ	
7. Halk Faktoring AŞ	
8. Halk Banka AD, Skopje	

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures as of and for the year ended 31 December 2014 are prepared in thousand Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

İstanbul, 17 February 2015

Hasan Cebeci <i>Chairman of the Board of Directors</i>	Süleyman Kalkan <i>Vice Chairman of the Board of Directors, Head of the Audit Committee</i>	Sadık Tiltak <i>Member of the Board of Directors, Member of the Audit Committee</i>	Ali Fuat Taşkesenlioğlu <i>Member of the Board of Directors, Chief Executive Officer</i>	Mustafa Aydın <i>Financial Management and Planning Vice Chief Executive Officer</i>	Yusuf Duran Ocak <i>Financial Accounting and Reporting Department Head</i>
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For any questions regarding this financial report, contact details of the personnel in charge is given below:

Name/Title : Pınar Küçük/Specialist
Tel No : 0312 289 30 14
Fax No : 0312 289 30 50

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FOR THE YEAR ENDED 31 DECEMBER 2014

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

The capital of the Parent Bank is controlled directly by the Republic of Turkey Prime Ministry Privatization Administration.

As of 31 December 2014 the shareholders' structure and their respective ownerships are summarized as follows:

Shareholders	31 December 2014	%	31 December 2013	%
Prime Ministry Privatization Administration ^(1,2)	638.276	51,06	638.276	51,06
Public shares ⁽²⁾	611.279	48,90	611.272	48,90
Other shareholders ⁽³⁾	445	0,04	452	0,04
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾ As per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007; 25% of the public shares that were previously held by the Privatization Administration were privatized by a public offering and the Bank's shares were registered to Capital Market Board records by decision number 16/471 dated 26 April 2007. The shares were traded on the Borsa İstanbul AŞ as of 10 May 2007. As per the decree 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.

⁽²⁾ The shares of the Prime Ministry Privatization Administration amounting TRY 550 have been included in Public shares. With that shares, the total shares amounting TRY 638.826 that held by the Privatization Administration is the 51,11% of the total shares.

⁽³⁾ Since the dematerialization deadline granted to our Bank ended on 31 December 2014, Central Securities Depository Institution automatically transferred on 2 January 2015, the shares in the amount of TL (Turkish Lira) 350,894 to the Investor Compensation Center, pursuant to Article 13, Section 4 of the Capital Markets Law. These shares belongs to our shareholders who have not dematerialized in their accounts, their shares Central Securities Depository Institution monitors in the DESA- Dematerialized Unknown Shareholder Account (KAYDBOH). In this respect, the shares in the amount of TRY 351 under, the "Other" group belong to the Investor Compensation Center and TRY 91 of which belong to our shareholders whose shares do not trade on the Exchange (though these shareholders have been dematerialized them in their own accounts); TRY 3 of which still belong to our shareholders whose shares are monitored under the DESA due to the ongoing legal action. Nevertheless, pursuant to the said Article, the shares transferred to the Investor Compensation Center shall be sold on the Stock Exchange within the next three months

⁽⁴⁾ According to Turkish Commercial Code, 3rd Sub-article added to Article 2 of the Law No: 6327 and 4603 dated 13 June 2012, The Privatization High Council public shares of the Bank are controlled and represented by the Bank's Minister until the sales completion of these shares.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan CEBECİ	Chairman of the Board of Directors	13.4.2005	Ankara Eco and Com. Science (ECS) Academy-Economy Finance	35
Süleyman KALKAN	Vice Chairman of the Board of Directors, Head of the Audit Committee	14.2.2013	Ankara University, Faculty of Political Science - International Relations Department.	31
Ali Fuat TAŞKESENİOĞLU	Member of the Board of Directors and Chief Executive Officer	7.2.2014	Master's Degree: Beykent University Social Science Ins. Business Administration Bachelor Degree: Atatürk University, Faculty of Economic and Administrative Sciences-Business Administration.	26
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.3.2003	Doctor's Degree: Washington International University- Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University, Business School (MBA). Master's Degree: Manchester Uni. UK; Technology (M.Sc). Bachelor Degree: METU - Faculty of Engineering-Mechanical Engineering.	31
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.4.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree: Marmara Uni. Banking and Insurance Ins. - International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	23
Dr. Ahmet YARIZ	Member of the Board of Directors	9.4.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Bachelor Degree: Istanbul Uni.-Business Administration.	22
İsmail Erol İŞBİLEN	Member of the Board of Directors	1.4.2013	Bachelor Degree: Ankara University, Faculty of Political Sciences - Economy and Public Finance Department	29
Sadık TILTAK	Member of the Board of Directors, Member of the Audit Committee	1.4.2014	Ankara University, Faculty of Political Science-Finance	26
Yunus KARAN	Member of the Board of Directors	1.4.2014	Istanbul Uni. Eco. and Com. Science Academy-FinanceAccounting	45
Faruk ÖZÇELİK	Member of the Board of Auditors	29.3.2013 ^(**)	Master's Degree: Selcuk University Social Sciences Ins.-International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	4
Ali ARSLAN	Member of the Board of Auditors	29.3.2013 ^(**)	Master's Degree: Cleveland State University Business School(MBA) Bachelor Degree: Çukurova University, Faculty of Economic and Administrative Sciences-Business Administration	22
Mustafa SAVAŞ	Executive Vice President	12.8.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	23
Erol GÖNÇÜ	Executive Vice President	14.6.2005	METU Faculty of Arts and Sciences-Mathematics Department.	25
Asst. Prof. Şahap KAVCIOĞLU	Executive Vice President	17.6.2005	Doctor's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	23
Selahattin SÜLEYMANOĞLU	Executive Vice President	1.7.2007	Master Degree: Selcuk University Social Sciences Ins.- International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	24
Mehmet Akif AYDEMİR	Executive Vice President	4.3.2010	Ankara University, Faculty of Political Sciences -Economics	28
Mehmet Hakan ATILLA	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.	19
Murat UYSAL	Executive Vice President	11.11.2011	Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department Bachelor Degree: Istanbul Uni-Faculty of Economic and Administrative Sciences- Department of Economics	16
Erdal ERDEM	Executive Vice President	27.3.2014	Bachelor Degree: Afyon Kocatepe Uni. Faculty of Economic and Administrative Sciences-Finance.	19
Salim KÖSE	Executive Vice President	10.07.2014	Istanbul University, Faculty of Law	24
Ömer Faruk ŞENEL	Executive Vice President	10.07.2014	Master Degree: Fatih University, Social Sciences Ins. Master of Business Administration METU Faculty of Economic and Administrative Sciences-Economics	23
Murat OKTAY	Executive Vice President	10.07.2014	METU Faculty of Economic and Administrative Sciences-Economics	21
Mehmet Sebahattin BULLUT	Executive Vice President	10.07.2014	Bursa Uludağ University, Faculty of Economic and Administrative Sciences - Econometrics	20
Hasan ÜNAL	Executive Vice President	10.07.2014	Istanbul Technical University, Faculty of Business Administration - Business Engineering	24
Mustafa AYDIN	Executive Vice President	10.07.2014	METU Faculty of Economic and Administrative Sciences- Public Administration	24

^(*) Mr. Yakup DEMİRCİ, Mr. Taner AKSEL, Ms. Ufuk Hacer DENİZCI YÜCE, Mr. Mürsel ERTAŞ, Mr. İsmail Hakkı İMAMOĞLU and Mr. Atalay TARDUŞ resigned from Executive Vice President on 4 July 2014.

^(*) People mentioned above do not own any shares in the Bank's capital.

^(**) Assigned date for Audit Committee

a) The professionals to the Parent Bank's top management who have assigned to their position in 2014 are listed with titles and dates of assignment.

Name	Title	Assignment Date
Ali Fuat TAŞKESENİOĞLU	Member of the Board of Directors and Chief Executive Officer	6 February 2014
Sadık TILTAK	Member of the Independent Board of Directors	31 March 2014
Yunus KARAN	Member of the Board of Directors	31 March 2014
Erdal ERDEM	Executive Vice President	25 March 2014
Salim KÖSE	Executive Vice President	10 July 2014
Ömer Faruk ŞENEL	Executive Vice President	10 July 2014
Murat OKTAY	Executive Vice President	10 July 2014
Mehmet Sebahattin BULLUT	Executive Vice President	10 July 2014
Hasan ÜNAL	Executive Vice President	10 July 2014
Mustafa AYDIN	Executive Vice President	10 July 2014

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

b) The professionals from the Parent Bank's top management who have left their position in 2014 are listed with titles and dates of leaving.

Name	Title	Assignment Date
Süleyman ASLAN ^{ç)}	Member of the Board of Directors and Vice Chairman of the Board	31 March 2014
Sabahattin BİRDAL	Member of the Board of Directors	31 March 2014

^{ç)} Mr. Süleyman ASLAN resigned from Chief Executive Officer on 7 February 2014.

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

Except for the Prime Ministry Privatization Administration, no person or institute has any qualified shares attributable to the Parent Bank.

V. SUMMARY ON THE PARENT BANK'S FUNCTIONS AND LINES OF ACTIVITY

a) General information about the Parent Bank:

Türkiye Halk Bankası Anonim Şirketi was established in Turkey in accordance with the Law No: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

b) Law numbered 4603 regarding the "Law on Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası Anonim Şirketi and Türkiye Emlak Bankası Anonim Şirketi", was prepared within the framework of the macro-economic program for the period 2000-2002. The purpose of the law is to modernize the operations of the banks to arrive at a point where the requirements of the international norms and international competition can both be reached and it also aims to sell the majority of the banks' shares to individuals or legal entities in the private sector. The Parent 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 Parent Bank received government bonds in settlement of the accumulated specific duty losses and the Parent 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 Parent 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 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 this amendment, the privatization period of the Parent 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 by the half of that "10 years" period by the Decree numbered 2010/964 and dated 6 November 2010.

c.1 When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Parent Bank shares were decided to be sold before 25 May 2008 using the block sale method. By the Privatization High Council's decree numbered 2006/4258 and dated 29 November 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 was executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on 11 August 2006, 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 Parent Bank corresponding to 24,98% was completed in the first week of May 2007 and Halkbank shares were traded on Borsa İstanbul AŞ as of 10 May 2007 with the base price of TRY full 8,00. As per the decree 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.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

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 of 31 July 2004 with the publication of the Official Gazette, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund ("SDIF")) was transferred to the Parent Bank. Insolvent Pamukbank TAŞ was a private sector deposit bank established by Çukurova İthalat ve İhracat TAO, Karamehmetler Scrip Company and more than 500 shareholders. Pamukbank started its private banking operations as an incorporated company in accordance with the decision of the Council of Ministers numbered 4/4573 and dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 and dated 19 June 2002 including 3rd and 4th Sub-articles in Article 14 of the Banking Law No: 4389, the shareholders rights excluding dividends, management and supervision of Pamukbank were transferred to the Saving Deposit Insurance Fund as of 18 June 2002.

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

As of 31 December 2014, the Bank operates with a total of 900 branches consisting of 895 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 32 satellite branches and 1 financial services branches. The Bank has also 2 representative office in England and Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

- Halk Yatırım Menkul Değerler AŞ
- Halk Sigorta AŞ
- Halk Hayat ve Emeklilik AŞ
- Halk Gayrimenkul Yatırım Ortaklığı AŞ
- Halk Finansal Kiralama AŞ
- Halk Portföy Yönetimi AŞ
- Halk Faktoring AŞ
- Halk Banka AD, Skopje

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

The Parent Bank's associates;

- Demir-Halkbank NV
- Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ

is accounted by "equity method" in the accompanying consolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

Halk Gayrimenkul Yatırım Ortaklığı AŞ ("the Company"), a subsidiary of the Parent Bank established in 2010, was registered on 18 October 2010. The Company's main line of business is, to form and improve real estate portfolios and to invest in real estate based capital market instruments. The Company's main operative target is, based on the Capital Markets Board's ("CMB") regulation regarding the investment properties, to invest in capital market instruments based on real estates, real estate projects and rights based on real estates. As at 15 February 2013 28% shares of Halk GYO has been offered to public. After the collecting the demand the Company's shares started to be traded on Borsa İstanbul AŞ at 22 February 2013.

Halk Finansal Kiralama AŞ ("Halk Leasing"), was an associate of the Parent Bank with 47,75% of the shares and consolidated according to the equity method until 27 May 2011. The Group obtained the control of Halk Leasing by acquiring 52,24% of the shares and voting interests in the company as of 27 May 2011. As a result, the Group's equity interest in Halk Leasing has increased from 47,75% to 99,99%. Halk Leasing was established in September 1991 in Turkey and operates under the provisions of the Turkish financial leasing law number 3226.

Halk Banka AD Skopje, formerly Export and Credit Bank AD Skopje is a subsidiary of the Parent Bank. The Group obtained the control of Halk Banka AD, Skopje by acquiring 98,12% of the shares and voting interests of the company as of 8 April 2011 and 8 August 2011. Halk Banka AD Skopje has taken over Ziraat Banka AD Skopje which the is a Turkish capital bank that operates in Macedonia, through the merger as of 1 October 2012. As a result, the Group's equity interest in Halk Banka AD, Skopje has increased from 98,12% to 98,78%. Halk Banka AD, Skopje is operating in Republic of Macedonia. Its main activities include commercial lending, receiving of deposits, foreign exchange deals, and payment operation services in the country and abroad and retail banking services.

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

Halk Faktoring AŞ ("Halk Faktoring"), was a subsidiary of the Parent Bank with capital payments of amounting to TRY 19.000 and 95% of shares. After, it was registered to trade registry on 6 June 2012, establishment has been completed. Halk Faktoring's main line of business is to provide factoring services, that include legitimate commercial lending for all domestic and international trade operation.

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

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiary, Bileşim Alternatif Dağ. Kan. AŞ, is not accounted 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 by-line method.

The Parent Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Banka AD, Skopje and Halk Faktoring AŞ are included in the scope of consolidation by line-by-line method.

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

There is no partnership share on banks and financial institutions, with shareholding of more than 10% and deducted from capital.

Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ are not consolidated in the financial statements because the other banks' shares are equal and thus, the Bank has no control.

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

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

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

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

SECTION II: CONSOLIDATED FINANCIAL STATEMENTS

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TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2014

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

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

ASSETS	Note	Audited Current period 31 December 2014			Audited Prior period 31 December 2013		
		TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	4.159.392	16.172.544	20.331.936	2.801.122	17.220.273	20.021.395
II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)	(2)	98.142	127.838	225.980	33.681	151.639	185.320
21 Trading financial assets		98.142	127.838	225.980	33.681	151.639	185.320
211 Public sector debt securities		52.984	12.748	65.732	23.019	11.843	34.862
212 Share certificates		7.334	-	7.334	2.285	-	2.285
213 Financial assets held for trading		8.669	114.951	123.620	3	139.661	139.664
214 Other marketable securities		29.155	139	29.294	8.374	135	8.509
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.21 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. BANKS	(3)	144.475	1.314.057	1.458.532	162.649	1.746.126	1.908.775
IV. MONEY MARKET PLACEMENTS		302.107	-	302.107	230.684	-	230.684
41 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market placements		295.531	-	295.531	226.561	-	226.561
4.3 Receivables from reverse repurchase agreements		6.576	-	6.576	4.123	-	4.123
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	6.522.618	2.673.229	9.195.847	7.681.406	2.146.543	9.827.949
51 Share certificates		2.310	3.803	2.713	12.759	3.850	16.609
5.2 Public sector debt securities		6.487.863	2.669.426	9.157.289	7.658.640	2.142.693	9.801.333
5.3 Other marketable securities		11.445	-	11.445	10.007	-	10.007
VI. LOANS AND RECEIVABLES	(5)	74.082.436	27.748.717	101.831.153	59.943.579	25.025.348	84.968.927
61 Loans and receivables		72.796.798	27.748.717	100.545.515	59.508.730	25.023.517	84.532.247
6.11 Loans extended to risk group of the Bank		-	-	-	-	-	-
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		72.796.798	27.748.717	100.545.515	59.508.730	25.023.517	84.532.247
6.2 Loans under follow-up		3.699.661	19.385	3.719.046	2.245.176	19.032	2.264.208
6.3 Specific provisions (ç)		2.414.023	19.385	2.433.408	1.810.327	17.201	1.827.528
VII. FACTORING RECEIVABLES		361.345	-	361.345	325.332	-	325.332
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	16.292.845	1.576.237	17.869.082	17.830.196	1.143.402	18.973.598
81 Public sector debt securities		16.282.076	1.576.237	17.858.313	17.822.902	1.143.402	18.966.304
8.2 Other marketable securities		10.769	-	10.769	7.294	-	7.294
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	20.863	205.255	226.118	20.703	206.348	227.051
91 Accounted under equity method		14.544	205.255	219.799	14.384	206.348	220.732
9.2 Unconsolidated associates		6.319	-	6.319	6.319	-	6.319
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		6.319	-	6.319	6.319	-	6.319
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	37.859	-	37.859	30.604	-	30.604
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		37.859	-	37.859	30.604	-	30.604
XI. JOINT VENTURES (Net)	(9)	-	-	-	-	-	-
111 Accounted under equity method		-	-	-	-	-	-
11.2 Unconsolidated joint ventures		-	-	-	-	-	-
11.2.1 Financial joint ventures		-	-	-	-	-	-
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	284.747	1.617.789	1.902.536	213.634	1.480.122	1.693.756
12.1 Finance lease receivables		341.837	1.856.299	2.198.136	257.566	1.708.375	1.965.941
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (ç)		57.090	238.510	295.600	43.932	228.253	272.185
XIII. DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT	(11)	-	-	-	-	-	-
13.1 Fair value risk hedging		-	-	-	-	-	-
13.2 Cash flow risk hedging		-	-	-	-	-	-
13.3 Net foreign investment risk hedging		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	1.647.142	36.773	1.683.915	1,426.005	37.297	1,463.302
XV. INTANGIBLE ASSETS (Net)	(13)	65.989	16.612	82.601	50.567	16.472	67,039
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		65.989	16.612	82.601	50.567	16.472	67.039
XVI. INVESTMENT PROPERTIES (Net)	(14)	24.529	-	24.529	36.344	-	36,344
XVII. TAX ASSET	(15)	309.467	-	309,467	16,771	-	16,771
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		309.467	-	309.467	16.771	-	16.771
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	8,776	-	8,776	6,971	-	6,971
18.1 Held for sale purpose		8.776	-	8.776	6.971	-	6.971
18.2 Held from discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	1,370,246	132,232	1,502,478	1,412,132	140,332	1,552,464
TOTAL ASSETS		105,732,978	51,621,283	157,354,261	92,222,380	49,313,902	141,536,282

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

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2014

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

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Audited Current period 31 December 2014				Audited Prior period 31 December 2013		
		TRY	FC	Total	TRY	FC	Total	
I. DEPOSITS	(1)	69.388.437	34.265.713	103.654.150	64.388.562	36.006.617	100.395.179	
11 Deposits Held by the Risk Group of the Bank		26.936	84	27.020	34.628	23	34.651	
12 Other		69.361.501	34.265.629	103.627.130	64.353.934	36.006.594	100.360.528	
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	15	184.714	184.729	34	53.458	53.492	
III. FUNDS BORROWED	(3)	1.343.590	12.838.184	14.181.774	1.145.123	13.941.229	15.086.352	
IV. MONEY MARKET BALANCES	(3)	8.534.729	231.208	8.765.937	1.261.476	-	1.261.476	
41 Interbank money market borrowings		-	-	-	-	-	-	
42 Istanbul Stock Exchange Takasbank borrowings		338.583	-	338.583	481.944	-	481.944	
43 Funds from repurchase agreements		8.196.146	231.208	8.427.354	779.532	-	779.532	
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	1.441.777	4.649.617	6.091.394	933.279	3.218.387	4.151.666	
51 Treasury bills		1.441.777	-	1.441.777	845.573	-	845.573	
52 Asset-backed securities		-	-	-	-	-	-	
53 Bonds		-	4.649.617	4.649.617	87.706	3.218.387	3.306.093	
VI. FUNDS	(5)	1.769.291	-	1.769.291	1.488.542	-	1.488.542	
61 Borrower Funds		19.412	-	19.412	24.702	-	24.702	
62 Other		1.749.879	-	1.749.879	1.463.840	-	1.463.840	
VII. SUNDRY CREDITORS		2.028.200	61.332	2.089.532	1.572.133	121.032	1.693.165	
VIII. OTHER LIABILITIES	(6)	1.191.543	246.506	1.438.049	1.028.232	328.445	1.356.677	
IX. FACTORING PAYABLES		-	-	-	-	-	-	
X. FINANCE LEASE PAYABLES	(7)	-	-	-	-	-	-	
10.1 Finance lease payables		-	-	-	-	-	-	
10.2 Operating lease payables		-	-	-	-	-	-	
10.3 Other		-	-	-	-	-	-	
10.4 Deferred finance lease expenses (i)		-	-	-	-	-	-	
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(8)	-	-	-	-	-	-	
11.1 Fair value risk hedging		-	-	-	-	-	-	
11.2 Cash flow risk hedging		-	-	-	-	-	-	
11.3 Net foreign investment risk hedging		-	-	-	-	-	-	
XII. PROVISIONS	(9)	2.787.238	13.992	2.801.230	2.446.264	11.297	2.457.561	
12.1 General loan provisions		1.268.847	8.982	1.277.829	1.134.717	7.696	1.142.413	
12.2 Restructuring provisions		-	-	-	-	-	-	
12.3 Employee benefits provisions		613.971	1.529	615.500	525.157	389	525.546	
12.4 Insurance technical reserves (Net)		655.718	-	655.718	536.283	-	536.283	
12.5 Other provisions		248.702	3.481	252.183	250.107	3.212	253.319	
XIII. TAX LIABILITY	(10)	557.185	3.582	560.767	218.928	2.229	221.157	
13.1 Current tax liability		554.863	1.430	556.293	210.243	77	210.320	
13.2 Deferred tax liability		2.322	2.152	4.474	8.685	2.152	10.837	
XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-	
14.1 Held for sale purpose		-	-	-	-	-	-	
14.2 Held from discontinued operations		-	-	-	-	-	-	
XV. SUBORDINATED CAPITAL	(12)	-	-	-	-	-	-	
XVI. SHAREHOLDERS' EQUITY	(13)	15.627.097	190.311	15.817.408	13.349.116	21.899	13.371.015	
16.1 Paid-in capital		1.250.000	-	1.250.000	1.250.000	-	1.250.000	
16.2 Capital reserves		1.437.609	20.667	1.458.276	1.120.017	(143.043)	976.974	
16.2.1 Share Premium		39.009	-	39.009	39.009	-	39.009	
16.2.2 Share cancellation profits		-	-	-	-	-	-	
16.2.3 Marketable securities revaluation fund		1.741.18	20.667	1.947.85	(141.626)	(143.043)	(284.669)	
16.2.4 Tangible assets revaluation reserves		-	-	-	-	-	-	
16.2.5 Intangible assets revaluation reserves		-	-	-	-	-	-	
16.2.6 Revaluation reserves of real estate for investment purpose		-	-	-	-	-	-	
16.2.7 Bonus shares of subsidiaries, associates and joint ventures		4.031	-	4.031	2.183	-	2.183	
16.2.8 Hedging Funds (effective portion)		-	-	-	-	-	-	
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-	
16.2.10 Other capital reserves		1.220.451	-	1.220.451	1.220.451	-	1.220.451	
16.3 Profit reserves		10.446.591	73.615	10.520.206	797.360	90.487	8.063.847	
16.3.1 Legal reserves		1.250.053	3.020	1.253.073	1.072.926	3.020	1.075.946	
16.3.2 Statutory reserves		-	-	-	-	-	-	
16.3.3 Extraordinary reserves		916.329	-	916.329	6.838.498	-	6.838.498	
16.3.4 Other profit reserves		33.248	70.595	103.843	61.936	87.467	149.403	
16.4 Profit/Loss		2.316.182	93.984	2.410.166	2.844.782	72.465	2.917.247	
16.4.1 Prior years income/loss		67.304	72.464	139.768	19.497	55.052	74.549	
16.4.2 Period profit/loss		2.248.878	21.520	2.270.398	2.825.285	17.413	2.842.698	
16.5 Minority shares	(14)	176.715	2.045	178.760	160.957	1.990	162.947	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		104.669.102	52.685.159	157.354.261	87.831.689	53.704.593	141.536.282	

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

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

AS OF 31 DECEMBER 2014

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

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

OFF BALANCE SHEET	Note	Audited Current period 31 December 2014			Audited Prior period 31 December 2013		
		TRY	FC	Total	TRY	FC	Total
A. COMMITMENTS AND CONTINGENCIES (I+II)		36.641.855	46.036.699	82.678.554	36.152.140	31.547.845	67.699.985
I. GUARANTEES AND SURETYSHIPS	(1)	15.065.347	17.800.594	32.865.941	12.812.483	14.307.946	27.120.429
11 Letters of guarantee		14.406.581	10.562.412	24.968.993	12.237.339	8.156.797	20.393.936
111 Guarantees subject to public procurement law		1192.549	8.229.799	9.422.348	1.070.118	6.452.989	7.523.107
112 Guarantees given for foreign trade operations		-	-	-	-	-	-
113 Other letters of guarantee		13.214.032	2.332.613	15.546.645	11.167.021	1.703.808	12.870.829
12 Bank loans		121.450	2.946.706	3.068.156	90.489	1.854.314	19.448.803
121 Import acceptances		-	108.977	108.977	-	165.770	165.770
122 Other bank acceptances		121.450	2.837.729	2.959.179	90.489	1.688.544	17.790.333
13 Letters of credit		10.996	3.912.606	3.923.602	2.062	3.823.197	3.825.259
131 Documentary letters of credit		10.996	3.888.067	3.899.063	2.062	3.823.197	3.825.259
132 Other letters of credit		-	24.539	24.539	-	-	-
14 Guaranteed prefinancings		-	-	-	-	-	-
15 Endorsements		-	-	-	-	-	-
151 Endorsements to Central Bank of Turkish Republic		-	-	-	-	-	-
152 Other Endorsements		-	-	-	-	-	-
16 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
17 Factoring guarantees		-	-	-	-	-	-
18 Other guarantees		526.090	378.870	904.960	482.563	473.638	956.201
19 Other suretyships		230	-	230	230	-	230
II. COMMITMENTS	(1)	18.932.774	966.589	19.899.363	18.187.773	1.341.029	19.528.802
21 Irrevocable commitments		18.932.774	757.931	19.690.705	18.187.773	1.175.935	19.363.708
211 Forward asset purchase commitments		121.005	433.442	554.547	619.400	842.453	1.461.853
212 Forward deposit purchase and sale commitments		-	-	-	-	-	-
213 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
214 Loan granting commitments		1.767.028	278.710	2.045.738	1.280.418	291.840	1.572.258
215 Securities underwriting commitments		-	-	-	-	-	-
216 Payment commitments for reserve deposits		-	-	-	-	-	-
217 Payment commitments for cheques		5.073.145	-	5.073.145	4.670.295	-	4.670.295
218 Tax and fund liabilities from export commitments		17.037	-	17.037	13.413	-	13.413
219 Commitments for credit card expenditure limits		10.312.329	17.089	10.329.418	9.883.048	13.672	9.896.720
2110 Commitments for credit cards and banking services promotions		41.774	-	41.774	37.663	-	37.663
2111 Receivables from short sale commitments		-	-	-	-	-	-
2112 Payables for short sale commitments		-	-	-	-	-	-
2113 Other irrevocable commitments		16.000.356	28.690	16.290.46	1.683.536	2.970	1.711.506
22 Revocable commitments		-	208.658	208.658	-	165.094	165.094
221 Revocable loan granting commitments		-	208.658	208.658	-	165.094	165.094
222 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		2.643.734	27.269.516	29.913.250	5.151.884	15.898.870	21.050.754
31 Derivative financial instruments held for risk management		-	-	-	-	-	-
311 Fair value risk hedging transactions		-	-	-	-	-	-
312 Cash flow risk hedging transactions		-	-	-	-	-	-
313 Net foreign investment risk hedging transactions		-	-	-	-	-	-
32 Transactions for trading		2.643.734	27.269.516	29.913.250	5.151.884	15.898.870	21.050.754
321 Forward foreign currency buy/sell transactions		1.617.866	3.779.936	5.397.802	787.780	1.115.702	1.903.482
3211 Forward foreign currency transactions-buy		955.488	2.180.906	3.136.394	405.623	621.465	1.027.088
3212 Forward foreign currency transactions-sell		662.378	1.599.030	2.261.408	382.157	494.237	876.394
322 Currency and interest rate swaps		894.813	22.499.038	23.393.851	4.251.671	14.489.241	18.740.912
3221 Currency swap-buy		232.970	10.482.142	10.715.112	-	8.732.436	8.732.436
3222 Currency swap-sell		661.843	10.506.610	10.812.453	4.251.671	4.400.005	8.651.676
3223 Interest rate swap-buy		-	933.143	933.143	-	678.400	678.400
3224 Interest rate swap-sell		-	933.143	933.143	-	678.400	678.400
323 Currency, interest rate and marketable securities options		131.055	182.383	313.438	112.433	138.604	251.037
3231 Currency call options		65.484	91.236	156.720	56.220	69.298	125.518
3232 Currency put options		65.571	91.147	156.718	56.213	69.306	125.519
3233 Interest rate call options		-	-	-	-	-	-
3234 Interest rate put options		-	-	-	-	-	-
3235 Marketable securities call options		-	-	-	-	-	-
3236 Marketable securities put options		-	-	-	-	-	-
324 Currency futures		-	-	-	-	-	-
3241 Currency futures-buy		-	-	-	-	-	-
3242 Currency futures-sell		-	-	-	-	-	-
325 Interest rate buy/sell futures		-	-	-	-	-	-
3251 Interest rate futures-buy		-	-	-	-	-	-
3252 Interest rate futures-sell		-	-	-	-	-	-
326 Other		-	808.159	808.159	-	155.323	155.323
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		391.435.141	80.671.037	472.106.178	322.143.546	72.531.854	394.675.400
IV. CUSTODIES		177.357.087	12.708.106	190.065.193	135.991.685	10.912.202	146.903.887
41 Assets under management		-	-	-	-	-	-
42 Custody marketable securities		68.622.317	352.794	68.975.111	44.041.971	355.831	44.397.802
43 Cheques in collection process		10.264.686	9.561.090	19.825.776	9.638.204	8.067.551	17.705.755
44 Commercial notes in collection process		78.926.097	277.564	79.203.661	59.338.391	309.893	59.648.284
45 Other assets in collection process		-	-	-	-	-	-
46 Underwritten securities		-	-	-	15	-	15
47 Other custodies		10.378	18.26	12.204	11.509	1.691	13.200
48 Custodians		19.533.609	2.514.832	22.048.441	22.961.595	2.177.236	25.138.831
V. PLEDGED ASSETS		214.078.054	67.962.931	282.040.985	186.151.861	61.619.652	247.771.513
51 Marketable securities		194.128	10.941	195.219	2.612.367	112.204	2.724.571
52 Collateral notes		6.926.851	699.726	7.626.577	5.646.399	533.530	61.799.929
53 Commodity		25.830	-	25.830	-	-	25.830
54 Warranty		-	-	-	-	-	-
55 Land and buildings		164.981.593	51.687.039	216.668.632	142.679.459	47.405.559	190.085.018
56 Other pledged assets		37.008.298	14.361.636	51.369.934	32.207.115	12.594.731	44.801.846
57 Pledges		3194.204	12.033.889	4.337.793	2.980.691	973.628	3.954.319
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		428.076.996	126.707.736	554.784.732	358.295.686	104.079.699	462.375.385

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

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

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

III. CONSOLIDATED STATEMENT OF INCOME

INCOME AND EXPENSES	Note	Audited	
		Current period 1 January-31 December 2014	Prior period 1 January-31 December 2013
I. INTEREST INCOME	(1)	11.718.970	9.391.175
11 Interest on loans		8.800.720	7.147.995
12 Interest received from reserve deposits		412	720
13 Interest received from banks		30.948	20.213
14 Interest received from money market placements		111	1.425
15 Interest income on marketable securities		2.694.188	2.089.823
15.1 Financial assets held for trading		5.522	5.397
15.2 Financial assets at fair value through profit and loss		-	-
15.3 Financial assets available-for-sale		851.913	794.618
15.4 Investments held-to-maturity		1.836.753	1.289.808
16 Finance lease income		120.336	104.299
17 Other interest income		72.255	26.700
II. INTEREST EXPENSE	(2)	6.385.518	4.397.625
21 Interest on deposits		5.147.030	3.800.927
22 Interest on borrowings		322.722	259.963
23 Interest on money market borrowings		542.820	103.819
24 Interest on bonds issued		278.922	180.911
25 Other interest expense		94.024	52.005
III. NET INTEREST INCOME [I - II]		5.333.452	4.993.550
IV. NET FEES AND COMMISSIONS INCOME		949.165	852.825
41 Fees and commissions income		1.414.162	1.159.547
41.1 Non-cash loans		186.032	159.371
41.2 Other		1.228.130	1.000.176
42 Fees and commissions expenses		464.997	306.722
42.1 Non-cash loans		3.242	3.678
42.2 Other		461.755	303.044
V. DIVIDEND INCOME	(3)	23.141	11.780
VI. NET TRADING PROFIT (NET)	(4)	77.240	246.791
61 Profit/loss from capital market operations		300.329	323.093
62 Profit/loss from financial derivative transactions		(1.416.795)	462.114
63 Foreign exchange gains/losses		1.193.706	(538.416)
VII. OTHER OPERATING INCOME	(5)	1.095.182	1.362.299
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		7.478.180	7.467.245
IX. LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	1.229.151	887.616
X. OTHER OPERATING EXPENSES(-)	(7)	3.413.481	3.085.162
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		2.835.548	3.494.467
XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-
XIII. PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES		10.343	11.915
XIV. GAIN/(LOSS) ON NET MONETARY POSITION		-	-
XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	2.845.891	3.506.382
XVI. TAX INCOME PROVISION (±)	(9)	(558.588)	(653.657)
16.1 Current tax provision		(955.292)	(301.317)
16.2 Deferred tax provision		396.704	(352.340)
XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	2.287.303	2.852.725
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Property and equipment income held for sale		-	-
18.2 Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-
18.3 Other income from terminated operations		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Property and equipment expense held for sale		-	-
19.2 Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-
19.3 Other expenses from discontinued operations		-	-
XX. INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	-	-
XXI. PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)	(9)	-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)	(10)	-	-
XXIII. NET PROFIT/(LOSS) (XVII+XXII)	(11)	2.287.303	2.852.725
Group's profit/loss		2.270.398	2.842.698
Minority shares profit/loss		16.905	10.027
Earnings/losses per share (Full TRY)		1.81632	2.27416

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

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

	Audited	Audited
	Current period	Prior period
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	1 January- 31 December 2014	1 January- 31 December 2013
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	584.354	(827.475)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	(16.970)	75.778
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)	-	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)	-	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS	(34.657)	20.357
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(97.645)	124.508
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	435.082	(606.832)
XI. PROFIT/LOSS	2.287.303	2.852.725
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	304.259	306.427
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	-	-
11.3 Transfer of hedge of net investments in foreign operations to income statement	-	-
11.4 Other	1.983.044	2.546.298
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	2.722.385	2.245.893

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

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Note	Effect of inflation adjustments on prior period capital	Share certificate cancellation premium	Share premium	Statutory reserves	Extra-ordinary reserves	Other reserves	Current period income (loss)	Prior period income (loss)	Valuation changes in marketable securities	Revaluation changes in prop. and int. assets	Bonus shares to shareholders	Hedging for foreign currency	Value change in pro. and equip. held in form of term dep.	Total equity excluding minority shares	Total equity
I. January 2013 - 31 December 2013															
Balance at end of prior period	1,250,000	1,220,451	-	914,952	-	4,957,790	66,880	2,642,347	35,980	4,063,633	-	-	-	11,495,494	4,762,115,000,256
II. Corrections according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21. The effect of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22. The effects of changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)	1,250,000	1,220,451	-	914,952	-	4,957,790	66,880	2,642,347	35,980	4,063,633	-	-	-	11,495,494	4,762,115,000,256
Changes within the period															
IV. Increase/decrease generated by merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.1. Increase/decrease generated by merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Hedging for investment made in foreign countries	-	-	-	-	-	-	-	-	(699,201)	-	-	-	-	(699,201)	(699,201)
VI. Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
62. Hedges for investment made in foreign countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Revaluation changes of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation changes of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-	-	-	-	-	7,669	-	1,952	-	-	1,952	1,952
X. Foreign exchange differences	-	-	-	-	-	-	67,763	-	-	-	-	-	-	67,763	67,763
XI. Changes after disposal of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Effect of changes in shareholder equity of investments and associates to bank's shareholders equity	-	-	39,009	(594)	(8,689)	-	-	-	-	-	-	-	-	29,726	147,933
XIII. Increase in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
141. Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
142. From internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Issuance of share certificates at end of period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Profit distribution	-	-	-	161,598	1,889,397	2,842,698	38,569	-	-	-	-	-	-	2,842,698	2,842,698
XIX. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
201. Transfers to legal reserves	-	-	-	(17,249)	(889,337)	(2,061,746)	(652,739)	-	-	-	-	-	-	(652,739)	(652,739)
202. Transfers to legal reserves	-	-	-	(10,750)	(2,842,347)	(2,842,347)	-	-	-	-	-	-	-	-	-
203. Other	-	-	-	1,075,546	6,838,436	149,403	2,842,698	74,549	(284,669)	-	2,183	-	-	13,208,068	162,947
Closing balance	1,250,000	1,220,451	39,009	1,075,546	6,838,436	149,403	2,842,698	74,549	(284,669)	-	2,183	-	-	13,208,068	162,947
I. January 2014 - 31 December 2014															
Balance at end of prior period	1,250,000	1,220,451	39,009	1,075,546	6,838,436	149,403	2,842,698	74,549	(284,669)	-	2,183	-	-	13,208,068	162,947
II. Increase or decrease generated by merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Hedging for investment made in foreign countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41. Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42. Hedges for investments made in foreign countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation changes of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation changes of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences	-	-	-	-	-	-	(16,879)	-	-	-	15,488	-	-	1,848	1,848
IX. Changes after disposal of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Effect of changes in shareholder equity of investments and associates to bank's shareholders equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Increase in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
121. Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122. From internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of share certificates at end of period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other	-	-	-	57	(28,681)	2,270,398	365	-	-	-	-	-	-	(28,349)	(28,349)
XVII. Profit distribution	-	-	-	177,070	2,324,782	64,854	-	-	-	-	-	-	-	2,752,698	2,752,698
XVIII. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
181. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
182. Transfers to legal reserves	-	-	-	17,070	2,324,782	(2,501,650)	-	-	-	-	-	-	-	(175,930)	(175,930)
183. Other	-	-	-	1,253,073	9,163,290	103,843	2,270,398	199,768	194,785	-	4,031	-	-	15,638,648	178,760
Closing balance	1,250,000	1,220,451	39,009	1,253,073	9,163,290	103,843	2,270,398	199,768	194,785	-	4,031	-	-	15,638,648	178,760

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

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 DECEMBER 2014

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

		Audited	Audited
		Current period	Prior period
	Note	31 December 2014	31 December 2013
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities	2.206.511	2.683.132
1.1.1	Interest received	11.570.543	8.847.321
1.1.2	Interest paid	(6.335.886)	(3.596.875)
1.1.3	Dividend received	11.993	9.718
1.1.4	Fees and commissions received	1.414.162	1.159.547
1.1.5	Other income	821.288	1.113.951
1.1.6	Collections from previously written off loans	603.708	553.401
1.1.7	Cash payments to personnel and service suppliers	(1.355.011)	(1.187.848)
1.1.8	Taxes paid	(723.349)	(711.373)
1.1.9	Other	(1) (3.800.937)	(3.504.710)
1.2	Assets and Liabilities Subject to Banking Operations	(6.008.751)	2.688.704
1.2.1	Net decrease in financial assets held for sale	(56.473)	20.562
1.2.2	Net (increase) decrease in financial assets at fair value through profit or loss	-	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions	(12.000)	(6.000)
1.2.4	Net (increase) decrease in loans	(17.215.914)	(18.988.536)
1.2.5	Net (increase) decrease in other assets	788.478	(7106.341)
1.2.6	Net increase (decrease) in bank deposits	7.084.142	2.614.830
1.2.7	Net increase (decrease) in other deposits	(3.850.890)	17.913.033
1.2.8	Net increase (decrease) in loans borrowed	(898.547)	7.021.741
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	(1) 8.152.453	1.219.415
I.	Net cash provided from banking operations	(3.802.240)	5.371.836
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II.	Net cash provided from/(used in) investing activities	2.666.750	(5.574.683)
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	-	(13.540)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	-	-
2.3	Fixed assets purchases	(475.483)	(330.565)
2.4	Fixed assets sales	129.524	259.362
2.5	Cash paid for purchase of financial assets available for sale	(5.387.343)	(12.045.773)
2.6	Cash obtained from sale of financial assets available for sale	7.066.089	7.781.686
2.7	Cash paid for purchase of investment securities	(3.826.270)	(5.077.884)
2.8	Cash obtained from sale of investment securities	5.433.161	3.865.533
2.9	Other	(13.880)	(13.502)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash used in financing activities	1.643.809	829.628
3.1	Cash obtained from loans borrowed and securities issued	3.019.801	3.601.467
3.2	Cash used for repayment of loans borrowed and securities issued	(1.100.000)	(2.250.000)
3.3	Bonds issued	-	-
3.4	Dividends paid	(275.992)	(552.793)
3.5	Payments for finance leases	-	-
3.6	Other	-	30.954
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(1) 263.031	638.106
V.	Net increase/(decrease) in cash and cash equivalents	771.350	1.264.887
VI.	Cash and cash equivalents at beginning of the period	(4) 6.519.581	5.254.694
VII.	Cash and cash equivalents at end of the period	(5) 7.290.931	6.519.581

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

TÜRKİYE HALK BANKASI A.Ş.

STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2014

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

VII. STATEMENT OF PROFIT DISTRIBUTION TABLE⁽¹⁾

	Audited Current period 31 December 2014	Audited Prior period 31 December 2013
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
11. Current Period Profit	2727255	3364.892
12. Taxes and Legal Duties Payables (-)	521487	614.049
12.1. Corporate Tax (Income Tax)	905.543	262.808
12.2. Withholding Tax	-	-
12.3. Other Taxes and Duties	(384.056)	351.241
A. Net Profit For The Period (1.1-1.2)	2.205.768	2.750.843
13. Accumulated Losses (-)	-	-
14. First Legal Reserves (-)	-	137.542
15. Other Statutory Reserves (-)	-	-
B. Net Profit Available for Distribution [(A-(1.3+1.4+1.5))]	-	2.613.301
16. First Dividend to shareholders (-)	-	62.500
16.1. To Owners of Ordinary Shares	-	62.500
16.2. To Owners of Privileged Shares	-	-
16.3. To Owners of Redeemed Shares	-	-
16.4. To Profit Sharing Bonds	-	-
16.5. To Holders of Profit and Loss Sharing Certificates	-	-
17. Dividends to personnel (-)	-	100.000 ⁽²⁾
18. Dividends to Board of Directors (-)	-	-
19. Second Dividend to Shareholders (-)	-	212.584
19.1. To Owners of Ordinary Shares	-	212.584
19.2. To Owners of Privileged Shares	-	-
19.3. To Owners of Redeemed Shares	-	-
19.4. To Profit Sharing Bonds	-	-
19.5. To Holders Of Profit And Loss Sharing Certificates	-	-
110. Second Legal Reserves (-)	-	31.259
111. Status Reserves (-)	-	-
112. Extraordinary Reserves	-	2.306.958
113. Other Reserves	-	-
114. Special Funds	-	-
II. Distribution of Reserves		
21. Appropriated Reserves	-	-
22. Second Legal Reserves (-)	-	-
23. Dividends to Shareholders (-)	-	-
23.1. To Owners of Ordinary Shares	-	-
23.2. To Owners of Privileged Shares	-	-
23.3. To Owners of Redeemed Shares	-	-
23.4. To Profit Sharing Bonds	-	-
23.5. To Holders of Profit and Loss Sharing Certificates	-	-
24. Dividends to Personnel (-)	-	-
25. Dividends to Board of Directors (-)	-	-
III. Earnings per Share		
31. To Owners of Ordinary Shares	17646	22007
32. To Owners of Ordinary Shares (%)	176.5%	220.1%
33. To Owners of Privileged Shares	-	-
34. To Owners of Privileged Shares (%)	-	-
IV. Dividend per Share		
41. To Owners of Ordinary Shares	-	0.2201
42. To Owners of Ordinary Shares (%)	-	22.01%
43. To Owners of Privileged Shares	-	-
44. To Owners of Privileged Shares (%)	-	-

⁽¹⁾ Due to regulations in Turkey, profit is not distributed over consolidated figures. Therefore, above table only includes the profit distribution of the Parent Bank. Profit distribution decisions are only made by Parent Bank's general assembly. General assembly has not been held yet as of the date when the Parent Bank's financial statements are formed.

⁽²⁾ Dividends to personnel which is added to 2013 net profit as a provision not sentenced in profit distribution, only shown in the table for information.

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

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The consolidated financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority, Turkish Financial Reporting Standards ("TFRS"), Communiqué on "Banks' Accounting Practice and Maintaining Documents" and other communiqués and interpretations of Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting.

Accounting policies applied and valuation methods used in the preparation of the consolidated financial statements are expressed in detail below.

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.

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

1. The Group's strategy on financial instruments:

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

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

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

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

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

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

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION

1. Basis of consolidation:

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

a. Basis of consolidation of subsidiaries:

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

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

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

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

b. Basis of consolidation of associates:

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

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

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

Equity method is an accounting method of associates by which book value of the associate is increased or decreased due to changes in the Parent Bank's share in the associates' equity and dividends received from associate is deducted from the share of Bank calculated as explained above.

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Accounting principles used by Demir Halkbank NV and Kobi Girişim Sermayesi AŞ which is a consolidated associate by the equity method of accounting, has the same accounting principles of the Parent Bank.

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures.

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

Accounting for business combinations

From 1 January 2010 the Group will apply IFRS 3 Business Combinations (2008) in accounting for business combinations. Business Combinations that occurred before 1 January 2010 had not been restated and the accounting policies applicable to those acquisitions are set out below. The new accounting policy in respect of business combinations is as follows.

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

Acquisitions on or after 1 January 2010

The Group measures goodwill at the acquisition date as the total of:

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

When this total is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss. When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquirer's employees (acquirer's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquirer's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions before 1 January 2010

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

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

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IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

Derivative transactions of the Group consist of foreign currency and interest rate swaps and forwards. The Group has no derivative instruments decomposed from the main contract.

Derivative financial instruments are recorded at fair value as of the contract date and valued at fair value in the following reporting periods. Although some derivative transactions are qualified as economical hedging items, they do not meet all the definition requirements of hedge accounting items. Therefore, under the Turkish Accounting Standard No: 39 "Financial Instruments: Recognition and Measurement" (TAS 39), these derivative instruments are recognized as held for trading and gains and losses of these instruments are associated with statement of income.

V. 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 TAS 39 "Financial Instruments: Recognition and Measurement".

In accordance with the related legislation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as an interest income only when they are collected.

VI. FEES 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.

Fees and commission expenses on borrowings that are paid to other institutions and incorporations for financial liabilities comprise operational costs. This fees 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 AND DISCLOSURES ON FINANCIAL ASSETS

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

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

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

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

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The financial instruments and their valuations methods based on their classification on the financial statements are set out below.

1. Cash 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.

2. Financial assets at fair value through profit and loss

a. Financial assets held for trading

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

Financial Assets Held For Trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. Valuation gains or losses are recognized in the profit/loss accounts. Interests gained from the retention of held for trading financial assets are recognized under the interest income and dividends gained from the shares is recognized under the dividend income in the income statement. If these assets are disposed of prior to their maturity periods, loss or gain from the disposal is recognized in the income statement by using interest income/expense accounts under profit/loss from the capital market operations.

b. Financial assets at fair value through profit and loss

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

The Group has not any financial assets at fair value through profit and loss as of 31 December 2014 and 31 December 2013.

3. Investments held to maturity

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

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4. Financial assets available for sale

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

5. 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 at the subsequent recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

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

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

Non-performing loans are classified in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No: 26333 dated 1 November 2006 and amended with the regulation published in the Official Gazette No: 28418 dated last 21 September 2012 and specific provisions are allocated for those loans. Specific provisions are reflected to "820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses" account. Provisions released in same year are recognized as a credit movement under the "Provision Expenses", released portion of the previous period provisions are recognized under the "Other Operating Income" account.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, the Group reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Group determines the related impairment amount.

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrance, future expected losses are not recognized.

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

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

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

Other than specific allowances, the Bank provides "general allowances" for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The Bank is providing 1% general allowance for cash loans and other receivables; 0,2% general allowances for non-cash loans. In accordance with the communiqué "The change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 28 May 2011 No: 27947 Official Gazette, banks are able to change the terms of the payment plans of their loans and other receivables monitored under standard and other receivables group given that those loans and receivables qualify for the prerequisites. However, if the changes made extend the initial payment plan, a general provision allocated accordingly with the related loans and other receivables given that it is no less than the 5 times of the predetermined ratio and for loans and other receivables followed under close monitoring provision cannot fall below 2,5 times of the designated ratio.

In accordance with the communiqué "The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 18 June 2011 No: 27968 Official Gazette, the Parent Bank applies general provision ratios as 4% for all consumer loans in first group and 8% for all consumer loans in second group respectively except for real estate and automobile loans in both groups.

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In accordance with the communiqué "The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 21 September 2012 No: 28418 Official Gazette, as of the recent month end prior to the effective date of the Communiqué, the Bank will provide the differences in general allowances for cash loans, close monitoring loans, letters of guarantees, bill guarantees and sureties and other non-cash loans with the rates stated in the first paragraph of Article 7 of the Communiqué until 31 December 2015.

In accordance with the communiqué "The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 8 October 2013 No: 28789 Official Gazette, as of the recent month end prior to the effective date of the Communiqué, the Bank will provide the differences in general allowances for all consumer loans except for real estate loans in both groups with the rates stated in the second paragraph of Article 7 of the Communiqué until 31 December 2015.

IX. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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.

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

Marketable securities subject to repurchase agreements are classified under "Available for Sale Financial Assets" or "Held to Maturity Investments" in the Group's portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under "Funds from Repurchase Transactions" 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 Reverse Repo Transactions" 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 AND DISCONTINUED OPERATIONS

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify a tangible fixed 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 programme 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 income statement.

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XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 3 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment 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. Leasehold improvements are depreciated over the lease period by straight line method.

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

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

	Estimated useful lives (Year)	Depreciation rate
Buildings	50	% 2
Safe-deposit boxes	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 mortgages, pledges or similar in cumbrances designated for the property, plant and equipment.

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

Investment properties are kind of property which is held by the Group to earn rent.

These are listed in the attached consolidated financial statements at acquisition costs less accumulated amortization and impairment provisions. The accounting policies mentioned for tangible assets are also valid for investment properties.

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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.

In the cases of the Group is renter, at the beginning of the lease operation the value of assets held under financial leases are recognized as financial lease receivables in the balance sheet. Interest income obtained by the difference between total financial lease receivables and investment value of assets held under financial leases is recorded in the income statement by distributing the receivables in the related accounting period with the constant interest rate. The interest income which is not accrued in the related period, is recognized in the account of unaccrued interest income.

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

XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

Insurance premium income is obtained subsequent the share of reinsurers in policy income is diminished.

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

XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

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

The provision for unearned premiums consists of the gross overlapping portion of accrued premiums for insurance contracts that are in effect to the subsequent period or periods of balance sheet date on a daily basis without a commission or any other discount.

In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision is recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer.

Claim provision is recognized for the accrued claims which are not paid in the current period or in the prior periods or for the claims realized with the expected costs but not reported.

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

Equalization provision is recognized in order to balance the fluctuations in the claim ratios.

Effective 1 January 2005, the Group's insurance subsidiaries adopted TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts has more fully addressed. TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts.

Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 revised.

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

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

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

XVIII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard No: 19 "Employee Benefits". According to related legislation and union contracts, the Parent 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 Group provides provision by estimating the present value of the future retirement pay liability. The retirement pay provision of the Parent Bank has been determined by the actuarial report of an independent valuation company. 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 include employees of the Parent Bank as well. Provisional article 23 of the Banking Act No: 5411 requires the Parent 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 fund foundations would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

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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 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 Cabinet 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, this period of 2 years has been raised to 4 years. According to the decree of Council of Ministers dated 24 April 2014 and numbered 28987, which was published on the Gazette on 30 April 2014, the related transfer period was prolonged one more year.

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 cash value of the liabilities will be calculated with the actuarial interest rate 9 %. 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 2014 and 31 December 2013, no technical deficit has been reported.

XX. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 31 December 2013 has been paid in April 2014 has been paid, accrued advance tax as of 31 December 2014 is going to be paid in February 2015.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

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

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

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority on each consolidated entity's non-consolidated financial statements. Deferred tax assets and liabilities are also offset.

Tax practices in the countries that foreign branches and financial institution 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 July and November, 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.

Tax practices for the subsidiaries which are subject to consolidation

Halk Gayrimenkul Yatırım Ortaklığı AŞ

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

Halk Banka AD Skopje

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

"Distributions" are split into two components:

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

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

(i) Tax on dividend distribution:

Tax on dividend distribution is considered to be income tax within scope of International Accounting Standards-Tax on Income ("IAS 12").

The timing of recognition of this type of income tax is to be consistent with the underlining dividend liability recognition (i.e., recognized when the dividend is paid and/or declared). As such no provisions are required for income tax arising from dividend distribution until the dividend is declared and/or paid.

When the tax on dividend distribution arises on interim (advance) dividend paid before the year end, the income tax charge is recognized and presented in the Statement of comprehensive income after profit and loss before tax as income tax expense.

When the tax on dividend distribution arises from retained earnings, it is recognized and presented in the Statement of changes in equity.

(ii) Tax on non deductible items:

Tax on non deductible items is not income tax and is out of scope of IAS 12. Accordingly, such tax expense is presented within the operating results, and related tax payable/receivable is presented within the other assets/other liabilities in the statement of financial position.

Recognition of tax provisions:

In case of tax contingencies, provisions are made in line with International Accounting Standards – Provisions, Contingent Liabilities and Contingent Assets adopted in the Republic of Macedonia ("IAS 37").

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

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

XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

Interest rate and liquidity risks are reduced by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitization and borrowing with collateral and bears higher interest than costs of those instruments. Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

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XXII. EXPLANATIONS ON SHARES AND SHARE ISSUE

Share issuances related to costs are accounted under shareholders' equity. Dividend income related with the equity shares are determined by the General Assembly of the Parent Bank.

The Parent Bank has not issued any shares in the current and prior period. In accordance with the decree of the Privatization High Council 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 Parent Bank shares were registered to the Board with the decree of the Capital Markets Board 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 decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

Halk GYO has applied to CMB by 29 August 2012 for the purpose of initial public offering of the increasing amount of B group of shares TRY 185.500 notional amount which is increased from TRY 477.000 issued capital of the Halk GYO to TRY 662.500 within TRY 1.500.000 registered capital ceiling. Application was approved in accordance with the decision promulgated by CMB's numbered 4/97 on 8 February 2013. As at 15 February 2013 there has been an initial public offering of B group shares of TRY 185.000 notional amount by restricting the existent shareholders for purchasing the new shares. After the collecting the demand the Company's shares started to be traded on Borsa İstanbul AŞ at 22 February 2013.

XXIII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

None.

XXV. EXPLANATIONS ON SEGMENT REPORTING

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

The report concerning parts of Group's business segmentation and related information is explained in section four, disclosure numbered XII.

XXVI. EXPLANATION ON OTHER MATTERS

None.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO

The capital adequacy ratio calculations are made in accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in Official Journal No 29111 of 6 September 2014. The consolidated basis capital adequacy ratio of the Group is %12,73 % as of 31 December 2014. (31 December 2013: 13,31%)

In the calculation process of credit risk, asset types, ratings and credit risk mitigators are taken into account. While simple approach is taken into account for banking book items, the Group uses comprehensive approach for trading book items in the credit mitigation process.

In the calculation process of capital adequacy ratio, the data which are compatible with current regulations are used. Furthermore, the market and operational risk are also taken into account within the framework of regulations.

The items which are deducted from shareholders' equity are not considered in the calculation of risk weighted assets (RWAs). Depleted and amortized assets are taken into consideration by net amounts which are calculated by the deduction of depreciation cost and provisions.

The amount subject to credit risk for non cash loans are considered by using the conversion rates which are defined in the 5th article of "Regulation On Measurement And Evaluation Of Capital Adequacy Of Banks". Besides, the provisions which are defined in "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to Be Set Aside" and taken place at the liability side of the balance sheet are also taken into consideration.

In the calculation of counterparty credit risk arising from trading account, the current exposure method is use.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO

1. Information on the consolidated capital adequacy ratio:

Current Period	The Parent Bank										Consolidated									
	%0	%10	%20	%50	%75	%100	%150	%200	%250	%0	%10	%20	%50	%75	%100	%150	%200	%250		
Surplus credit risk weighted	-	-	810.058	14.076.567	22.962.208	54.730.042	3.613.293	16.572.334	912.638	-	867.323	14.168.725	23.355.181	55.241.523	3.677.288	16.902.844	1.461.988			
Risk classifications:																				
Claims on sovereigns and Central Banks	40.918.786	-	2.856	3.385.027	-	-	-	-	-	41013434	-	2.856	3.385.027	-	30.087	-	-			
Claims on regional governments or local authorities	18.263	-	554.619	-	-	-	-	-	-	18.263	-	554.619	-	-	-	-	-			
Claims on administrative bodies and other non-commercial undertakings	28.273	-	199	-	-	527.150	-	-	-	28.273	-	199	-	-	527.150	-	-			
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Claims on banks and intermediary institutions	2.427.237	-	2.575.808	1.787.700	-	47.249	-	-	-	1.768.551	-	2.862.136	1.800.219	-	6.245	-	-			
Claims on corporates	768.725	-	242.822	-	-	48.274.749	-	-	-	752.016	-	242.822	-	-	50.494.579	-	-			
Claims included in the regulatory retail portfolios	1.497.528	-	159.191	-	-	30.426.898	-	-	-	1.497.528	-	159.191	-	-	30.030.251	-	-			
Claims secured by residential property	23.228	-	3.302	22.857.026	66.067	-	-	-	-	23.228	-	3.302	23.028.822	66.067	-	-	-			
Overdue loans	-	-	-	123.381	-	1162.077	-	-	-	-	-	-	123.381	-	1.268.159	-	-			
Higher risk categories decided by the Board	-	-	-	-	-	-	-	2.408.862	82.861.67	40.553	-	-	-	-	2.451.525	84.514.22	55.529			
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Securitization positions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Other receivables	3.242.822	-	511.482	-	-	123.312	4.059.446	-	-	3.245.02	3.274.721	511.482	-	142.923	2.252.716	-	529.256			

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	The Parent Bank										Consolidated									
	%0	%10	%20	%50	%75	%100	%150	%200	%250	%40	%10	%20	%50	%75	%100	%150	%200	%250		
Prior Period																				
Surplus credit risk weighted	769,511	12,410,776	18,463,190	42,895,656	2,831,976	16,252,590	55,233	-	792,814	12,487,852	18,849,767	42,968,682	2,888,553	16,514,052	84,843					
Risk classifications:																				
Claims on sovereigns and Central Banks	37,652,013	-	3,019	2,962,044	-	-	-	-	379,980,502	-	3,019	2,962,044	-	456,08	-	-	-			
Claims on regional governments or local authorities	12,789	-	146,101	-	-	-	-	-	12,789	-	146,101	-	-	-	-	-	-			
Claims on administrative bodies and other non-commercial undertakings	5,994	-	9,071	-	198,700	-	-	-	5,994	-	9,071	-	-	198,700	-	-	-			
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Claims on banks and intermediary institutions	905,334	-	2,847,484	1,249,649	-	777,6	-	-	484,712	-	2,963,742	1,274,584	-	1,937	-	-	-			
Claims on corporates	352,281	-	196,735	116,148	-	380,5789	-	-	334,475	-	196,992	116,166	-	40,659,21	-	-	-			
Claims included in the regulatory retail portfolios	1,360,345	-	121,908	-	24,348,943	581,744	-	-	1,360,345	-	121,908	-	-	24,863,632	596,462	-	-			
Claims secured by residential property	241,09	-	50,46	20,362,629	-	-	-	-	241,09	-	50,46	20,491,827	-	-	-	-	-			
Overdue loans	-	-	-	18,082	-	3,037,67	-	-	-	-	-	18,082	-	422,294	-	-	-			
Higher risk categories decided by the Board	-	-	-	-	-	1,887,984	8,126,25	22,033	-	-	-	-	-	-	19,257,02	8,257,026	3,937			
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Securitization positions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Other receivables	2,831,365	-	437,091	-	2,685,563	3,427,940	-	-	2,865,474	-	437,091	-	-	269,391	1,552,770	-	-			

¹⁾ As of 31 December 2014, overdue finance lease receivables amounting to TRY 106,062 is included in the 100% risk weighted of overdue loans above. (31 December 2013: TRY 117,696)

2. Consolidated Capital adequacy ratio summary:

	The Parent Bank			Consolidated		
	Current Period	Prior Period	Prior Period	Current Period	Current Period	Prior Period
A Capital to be employed for credit risk (Amount subject to credit risk*0.08) (I)	9,094,171	7,478,310	7,478,310	9,253,990	9,253,990	7,566,925
B Capital to be employed for market risk (II)	257,412	243,150	243,150	265,729	265,729	248,356
C Capital to be employed for operational risk (III)	810,323	712,998	712,998	875,751	875,751	748,688
Shareholders' equity	17,301,950	14,663,982	14,663,982	16,539,425	16,539,425	14,246,513
Shareholders' equity / ((I+II+III) * 12.5*100	13,62	13,91	13,91	12,73	12,73	13,31
Core Capital / ((CRCR+MRCR+OROR)*12.5)*100	12,92	-	-	12,04	12,04	-
Tier I Capital / ((CRCR+MRCR+OROR)*12.5)*100	12,96	-	-	12,09	12,09	-

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3. Information on equity items:

	Current Period
COMMON EQUITY TIER 1 CAPITAL	
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451
Share Premium	39.009
Share Cancellation Profits	-
Legal Reserves	10.520.206
Other Comprehensive Income according to TAS	194.785
Profit	2.410.166
<i>Net Current Period Profit</i>	<i>2.270.398</i>
<i>Prior Period Profit</i>	<i>139.768</i>
Provisions for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit Minority shares	4031
Minority shares	152123
Common Equity Tier 1 capital before regulatory adjustments	15.790.771
Common Equity Tier 1 capital: regulatory adjustments	
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)	-
Leasehold improvements on operational leases (-)	67.649
Goodwill and intangible assets and related deferred tax liabilities (-)	16.521
Net deferred tax assets/liabilities (-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Investments in own common equity (-)	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 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 Consolidated 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 (-)	-
Mortgage servicing rights (amount above 10% threshold) (-)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) (-)	-
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 Consolidated 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 (amount above 10% threshold) (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be defined by the regulator (-)	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions (-)	-
Total regulatory adjustments to Common equity Tier 1	84.170
Common Equity Tier 1 capital	15.706.601
ADDITIONAL TIER 1 CAPITAL	
Privileged stocks which are not included in common equity and share premiums	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 11.2014)	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained before 11.2014)	-
Additional shares in the capital of third parties	-
Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 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 Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital (-)	-
Other items to be Defined by the regulator (-)	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions (-)	-

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	Current Period
Total regulatory adjustments to Additional Tier 1 capital	-
Additional Tier 1 capital	-
Regulatory adjustments to Common Equity	66.080
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 (-)	66.080
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 (-)	-
Tier 1 capital	15.640.521
TIER 2 CAPITAL	
Directly issued qualifying Tier 2 instruments (that are approved by the regulatory) plus related stock surplus (Issued or Obtained after 01.01.2014)	-
Directly issued qualifying Tier 2 instruments (that are approved by the regulatory) plus related stock surplus (Issued or Obtained before 01.01.2014)	-
Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders	-
Generic Provisions	1.277.829
Additional shares in the capital of third parties	-
Tier 2 capital before regulatory adjustments	1.277.829
Tier 2 capital: regulatory adjustments	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 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 Core Capital and Tier II Capital of Consolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the regulator (-)	-
Total regulatory adjustments to Tier 2 capital	-
Tier 2 capital	1.277.829
CAPITAL	16.918.350
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	49.245
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the regulator (-)	329.670
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core 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 Consolidated 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 Core 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 Consolidated 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 Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
EQUITY	16.539.425
Amounts below the thresholds for deduction	
Remaining Total of Net Long Positions of the Investments in Own Fund Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital	15.113
Remaining total of net long positions of the investments in Tier I capital of Consolidated banks and Financial Institutions where the Bank owns more than 10% Or Less of the Tier I Capital	1.257.801
Remaining mortgage servicing rights	-
Net deferred tax assets arising from temporary differences	349.610

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	Prior Period
CORE CAPITAL	
Paid-in capital	1.250.000
<i>Nominal capital</i>	1.250.000
<i>Capital commitments (-)</i>	-
Adjustment to paid-in capital	1.220.451
Share premium	39.009
Share repeal	-
Legal reserves	8.063.847
Adjustment to legal reserves	-
Profit	2.917.247
<i>Net current period profit</i>	2.842.698
<i>Prior period profit</i>	74.549
Provisions for possible losses up to 25% of core capital	132.231
Profit on sale of associates, subsidiaries and buildings	-
Primary subordinated loans	-
Minority shares	162.947
Loss that is not covered with reserves (-)	-
<i>Net current period loss</i>	-
<i>Prior period loss</i>	-
Development cost of operating lease (-)	71.033
Intangible assets (-)	67.039
Deferred-assets for tax which exceeds 10% of core capital (-)	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-
Goodwill (Net) (-)	-
Total Core Capital	13.647.660
SUPPLEMENTARY CAPITAL	
General reserves	1.142.413
45% of increase in revaluation fund of movables	-
45% of increase in revaluation fund of fixed assets	-
Free shares from investment and associates, subsidiaries and joint ventures that is not recognized in profit	2.183
Primary subordinated loans which are ignored in the calculation of core capital	-
Secondary subordinated loans	-
45% of value increase fund of financial assets available for sale and associates and subsidiaries	(293.870)
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)	-
Minority shares	-
Total Supplementary Capital	850.726
CAPITAL	14.498.386
DEDUCTIONS FROM THE CAPITAL	251.873
Equity Shares in Banks and Financial Institutions Which Are Excluded from the Consolidation	-
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated debt and debt instruments purchased from such parties qualified as primary or secondary subordinated debt	-
Shareholdings in the banks and financial institutions which are accounted for under the equity pick up method but the assets and liabilities are not consolidated	220.732
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-
The net book value of properties exceeding 50% of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	29.717
Securitization Positions to be Deducted from Equity	-
Other	1.424
TOTAL SHAREHOLDERS' EQUITY	14.246.513

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a) Information on the provisional application elements in the calculation of equity:

	The Parent Bank		Consolidated	
	Amount recognized in regulatory capital	Total	Amount recognized in regulatory capital	Total
Minority Interest in Tier I Capital	-	-	152.123	178.760
Shares of Third Parties in Additional Core Capital	-	-	-	-
Shares of Third Parties in Tier II Capital	-	-	-	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained before 01.01.2014)	-	-	-	-

4. Information on assessment process of internal capital adequacy requirements:

The Parent Bank uses economic capital model in the process of internal capital adequacy assessment process. Calculations are done by considering the confidence interval which corresponds to the rating targeted by the Parent Bank. In the analyses, credit risk, market risk, operational risk and asset-liability management risks and correlation effect are taken into account, correlation effect is considered while risks are consolidated. The Parent Bank takes one year period into account in its calculations.

II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK

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

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

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

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

As prescribed in the Communiqué on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions", the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Credit limits are determined according to the audited statement of accounts. Guarantee factors are developed in accordance with the decision of the Parent Bank's Credit Committee and updated according to the top management's initiatives and changes in the economic conditions. The Group receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

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

As of 31 December 2014, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 18,91% and 24,12% of its total cash loans.

As of 31 December 2014, receivables of the Group from its top 100 and 200 non-cash loan customers are respectively 51,09 % and 62,15% of its total non-cash loans.

As of 31 December 2014, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 15,27% and %19,98% of its total balance sheet and off-balance sheet assets.

As of 31 December 2014, general loan loss provision related to the credit risk incurred by the Group in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 1.277.829 (31 December 2013: TRY 1.142.413).

Risk Classifications:	Current Period		Prior Period	
	Risk Amount ^(*)	Average Risk Amount	Risk Amount ^(*)	Average Risk Amount
Claims on sovereigns and Central Banks	44.431.404	43.998.647	40.991.173	32.572.898
Claims on regional governments or local authorities	572.882	214.352	158.890	243.383
Claims on administrative bodies and other non-commercial undertakings	555.602	389.362	294.865	221.166
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	6.437.151	5.013.469	4.724.965	4.759.379
Claims on corporates	51.489.417	45.879.970	40.807.554	35.357.656
Claims included in the regulatory retail portfolios	33.250.597	29.865.862	26.932.347	25.324.597
Claims secured by residential property	23.121.419	21.861.288	20.520.982	18.566.015
Overdue loans ^(**)	1.391.520	918.747	554.376	485.390
Higher risk categories decided by the Board	10.958.476	10.247.589	10.216.665	9.164.988
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	6.711.118	6.040.868	5.124.726	5.348.634

^(*) Includes the risk amounts after credit conversions.

^(**) As of 31 December 2014, overdue finance lease receivables amounting to TRY 106.062 is included overdue loans above. (31 December 2013: TRY 117.696)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

Risk Profile according to sectors:

Current Period	Risk Classifications ^{c)}										TC	FC	Total
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Overdue loans	Higher risk categories decided by the Board	Other receivables			
Agricultural	-	-	156	-	106,493	412,826	114,382	16,681	-	87,497	671,042	66,993	738,035
Farming and raising livestock	-	-	13	-	63,497	388,955	103,827	16,536	-	87,422	675,555	42,695	660,250
Forestry	-	-	-	-	-	3,564	898	12	-	75	4,544	5	45,49
Fishing	-	-	143	-	42,996	20,307	9,657	133	-	-	48,943	24,293	73,236
Manufacturing	-	80	131,918	-	22,975,662	7,201,538	8,798,816	917,009	-	128,353	22,047,898	181,054,78	401,533,76
Mining	-	80	100,634	-	359,330	106,248	12,872	69,755	-	-	479,030	278,889	759,919
Production	-	-	31,284	-	18,864,582	707,3188	8,438,849	846,909	-	128,353	20,864,904	14,518,261	35,383,165
Electric, gas and water	-	-	-	-	3,751,750	22,102	238,095	346	-	-	703,964	3,308,328	4,012,292
Construction	-	54	9	-	5,330,879	905,433	167,9688	60,999	-	224,407	6,032,294	216,9175	8,201,469
Services	42,464,943	220,383	215,390	6,437,151	19,366,534	211,365,558	12,166,959	281,641	-	306,391	72,179,129	30,416,821	102,595,950
Wholesale and retail trade	-	22	80,255	-	7,419,367	71,922,503	5,861,549	134,824	-	8,799	21,906,378	3,520,941	25,427,319
Hotel, food and beverage services	-	10	21	-	118,273	49,135	212,338	31,399	-	87	267,288	119,975	3,832,263
Transportation and telecommunication	-	-	31,859	-	2,231,664	5,255,532	555,226	9,087	-	646	6,023,275	2,060,739	8,084,014
Financial institutions	42,431,864	5,246	5,509	6,437,151	11,999,958	28,468	375,960	354	-	130,888	31,749,925	18,855,473	50,615,398
Real estate and renting services	11,198	213,000	28,971	-	6,468,205	256,2616	2,617,276	99,110	-	160,552	7,903,692	4,257,236	12,160,928
Selfemployment services	-	-	-	-	262	67,9573	118,245	1,580	-	5,344	792,471	12,533	805,004
Education services	1,513	82	38,661	-	266,209	69,307	163,752	1,115	-	2	387,315	153,326	540,641
Health and social services	20,368	20,23	30,114	-	593,596	127,424	35,2613	4,172	-	73	743,785	386,598	1,130,383
Other	1,966,461	352,365	208,129	-	3,709,849	3,594,242	361,574	115,190	10,958,476	5,964,470	26,464,520	776,236	27,230,756
Total	44,431,404	572,882	555,602	6,437,151	51,489,417	33,250,597	231,714,19	1,391,520	10,958,476	6,711,118	127,384,883	51,534,703	178,919,586

^{c)} Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

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

Prior Period	Risk Classifications ^{c)}										TC	FC	Total
	Claims on sovereigns and Central Banks	Claims on governments or local authorities	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on banks and intermediary institutions	Claims on corporates	Claims Included in the regulatory retail portfolios	Claims secured by residential property	Overdue loans	Higher risk categories decided by the Board			
Agricultural	-	7	79	-	82,200	316,514	76,817	21,827	-	59,563	496,325	60,682	557,007
Farming and raising livestock	-	7	79	-	57,234	299,505	66,022	21,729	-	59,484	462,339	41,721	504,060
Forestry	-	-	-	-	-	2,669	708	82	-	79	3,538	-	3,538
Fishing	-	-	-	-	24,966	14,340	10,087	16	-	-	30,448	18,961	49,409
Manufacturing	-	371	84,345	-	16,667,317	4,265,225	6,805,648	194,638	-	123,381	11,791,795	16,349,130	28,140,925
Mining	-	80	49,524	-	168,006	56,344	220,793	2,385	-	-	199,341	29,791	49,732
Production	-	291	34,821	-	14,842,592	4,190,951	6,411,124	192,107	-	123,381	11,364,429	14,420,838	25,795,267
Electric, gas and water	-	-	-	-	165,679	17,930	173,731	146	-	-	228,025	162,051	1,848,526
Construction	-	6	-	-	3,686,109	52,701,8	11,241,827	41,014	-	230,791	36,706,34	1,939,131	5,609,765
Services	38,866,216	88,733	150,849	4,724,965	12,346,901	12,740,959	7,207,467	173,729	-	210,084,7	47,813,477	30,587,889	78,400,666
Wholesale and retail trade	-	98	68,502	-	5,077,448	713,275,8	3,851,423	101,960	-	5,212	13,281,787	2,955,314	16,237,01
Hotel, food and beverage services	-	10	-	-	676,406	287,821	116,464,1	25,178	-	91	665,388	14,88,759	215,417
Transportation and telecommunication	-	-	19,467	-	1,481,035	3,208,553	316,100	25,178	-	604	3,660,768	1,390,169	5,050,937
Financial institutions	38,845,284	-	-	-	4,724,965	552,020	18,305	160,474	539	19,341,8	25,391,117	20,844,588	46,235,705
Real estate and renting services	3	88,015	18,559	-	3,943,762	1,534,765	1,304,772	112,398	-	155,902	3,745,898	3,311,178	70,570,76
Self-employment services	-	6	-	-	960	436,787	82,666	1,465	-	4,844	517,266	9,462	526,728
Education services	205	16	39,964	-	113,979	416,75	93,968	260	-	2	157,512	132,557	290,069
Health and social services	20,724	588	4,357	-	501,591	80,295	233,423	7851	-	74	393,741	45,162	848,903
Other	212,4957	69,773	59,592	-	80,250,27	90,822,631	5,306,223	123,168	102,16,665	2,610,144	34,681,396	2,936,784	37,618,180
Total	40,991,173	158,890	294,865	4,724,965	40,807,554	26,932,347	20,520,982	554,376	10,216,665	5,124,726	98,453,627	51,872,916	150,326,543

^{c)} Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

Distribution of maturity risk factors according to their outstanding maturities:

Current Period Risk Classifications	According to outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
1.Claims on sovereigns and Central Banks	11.032.224	9.003.802	3.912.359	4.224.958	16.253.826
2.Claims on regional governments or local authorities	8.235	567	3.781	9.656	550.643
3.Claims on administrative bodies and other non-commercial undertakings	146.526	141.688	123.348	86.120	57.978
4.Claims on banks and intermediary institutions	4.262.155	337.784	157.454	398.184	1.008.534
5.Claims on corporate	10.864.559	4.085.860	5.065.776	8.729.577	29.500.885
6.Claims included in the regulatory retail portfolios	1.439.860	1.973.099	3.921.144	8.297.880	41.390.960
7. Overdue loans ^(*)	1.391.520	-	-	-	-
8. Other receivables	4.988.481	195.627	485.034	419.300	622.676
Total	34.133.560	15.738.427	13.668.896	22.165.675	89.385.502

^(*) Commitments amounting TRY 3.827.526 are not included in the table above.

^(**) As of 31 December 2014, overdue finance lease receivables amounting to TRY 106.062 is included in the overdue loans above.

^(***) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

^(****) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporates and claims included in the regulatory retail portfolios.

Prior Period Risk Classifications	According to outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
1.Claims on sovereigns and Central Banks	8.952.583	7.681.052	4.140.188	5.073.100	15.144.250
2.Claims on regional governments or local authorities	11.722	4.760	13.769	49.373	79.266
3.Claims on administrative bodies and other non-commercial undertakings	79.123	82.071	14.075	24.350	95.246
4.Claims on banks and intermediary institutions	2.597.652	327.050	335.173	326.302	403.872
5.Claims on corporate	13.576.114	2.437.572	4.713.025	6.344.340	23.773.154
6.Claims included in the regulatory retail portfolios	1.564.452	1.983.345	3.758.355	5.289.306	31.533.086
7. Overdue loans ^(*)	554.376	-	-	-	-
8. Other receivables	3.620.843	272.734	133.439	488.525	609.185
Total	30.956.865	12.788.584	13.108.024	17.595.296	71.638.059

^(*) Commitments amounting TRY 4.239.715 are not included in the table above.

^(**) As of 31 December 2013, overdue finance lease receivables amounting to TRY 117.696 is included in the overdue loans above.

^(***) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

^(****) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporates and claims included in the regulatory retail portfolios.

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

In determining the risk weights for the exposures to banks which are settled abroad, Fitch Ratings' risk ratings are used.

Additionally, for the foreign exchange securities issued by Turkish Treasury and for the foreign exchange exposures to Turkish Central Government, Fitch Ratings' risk ratings are used.

Mapping Table	Credit Quality Grade	Fitch Ratings
Long term Credit Assessments	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below
Short term Credit Assessments	1	F1+ and F1
	2	F2
	3	F3
	4	F3 and below
	5	---
	6	---

Risk balances according to risk weights:

Current Period										
Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	Reductions from the shareholders' equity
1. Pre-Amount of Credit Risk Mitigation	44.644.889	-	3.838.171	16.784.212	40.083.739	62.080.833	2.451.525	8.451.422	584.795	529.175
2. Amount after Credit Risk Mitigation	48.376.014	-	4.336.617	28.337.449	31.140.241	55.241.523	2.451.525	8.451.422	584.795	529.175
Prior Period										
Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	Reductions from the shareholders' equity
1. Pre-Amount of Credit Risk Mitigation	41.258.345	-	3.486.593	4.119.279	42.694.294	48.551.367	1.925.702	8.257.026	33.937	389.945
2. Amount after Credit Risk Mitigation	43.068.400	-	3.964.070	24.975.703	25.133.023	42.968.682	1.925.702	8.257.026	33.937	389.945

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Risk balances according to risk weights:

Information according to sectors and counterparties:

Current Period	Loans			
	Non-performing loans ⁽¹⁾	Overdue ⁽²⁾	Value Adjustments	Provisions
Sectors/Counterparties				
Agricultural	85.785	8.279	560	69.203
<i>Farming and raising livestock</i>	78.103	7.431	522	61.664
<i>Forestry</i>	487	95	2	476
<i>Fishing</i>	7.195	753	36	7.063
Manufacturing	1.814.175	171.501	12.441	910.316
<i>Mining</i>	132.615	4.025	93	62.855
<i>Production</i>	1.680.279	167.340	11.938	846.525
<i>Electric, gas and water</i>	1.281	136	410	936
Construction	251.084	132.172	6.967	186.694
Services	963.206	299.603	12.817	702.894
<i>Wholesale and retail trade</i>	590.476	202.201	7.998	459.559
<i>Hotel, food and beverage services</i>	114.689	19.900	514	97.583
<i>Transportation and telecommunication</i>	39.297	36.768	936	29.821
<i>Financial institutions</i>	7.713	922	20	7.363
<i>Real estate and renting services</i>	187.138	13.396	607	92.797
<i>Self-employment services</i>	5.934	5.422	326	3.334
<i>Education services</i>	3.358	11.911	404	2.245
<i>Health and social services</i>	14.601	9.083	2.012	10.192
Other	604.796	282.522	15.895	564.301
Total	3.719.046	894.077	48.680	2.433.408

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

Previous Period	Loans			
	Non-performing loans ^(*)	Overdue ^(**)	Value Adjustments	Provisions
Sectors/Counterparties				
Agricultural	98.679	11.206	440	76.845
<i>Farming and raising livestock</i>	91.012	9.975	377	69.276
<i>Forestry</i>	636	69	4	554
<i>Fishing</i>	7.031	1.162	59	7.015
Manufacturing	752.896	1.019.463	56.987	553.042
<i>Mining</i>	10.515	4.391	5.520	8.126
<i>Production</i>	741.278	1.014.818	50.752	543.959
<i>Electric, gas and water</i>	1.103	254	715	957
Construction	167.844	155.956	3.387	118.896
Services	749.139	298.880	18.714	584.928
<i>Wholesale and retail trade</i>	523.705	191.348	7.587	411.641
<i>Hotel, food and beverage services</i>	111.390	18.855	536	86.822
<i>Transportation and telecommunication</i>	44.109	31.644	1.222	33.046
<i>Financial institutions</i>	10.448	1.733	48	9.910
<i>Real estate and renting services</i>	31.091	7.929	7.379	24.697
<i>Self-employment services</i>	6.358	5.681	172	4.886
<i>Education services</i>	1.834	1.910	63	1.573
<i>Health and social services</i>	20.204	39.780	1.707	12.353
Other	495.650	249.025	11.383	493.817
Total	2.264.208	1.734.530	90.911	1.827.528

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

^(**) Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.

Information about value adjustments and changes in the loan impairment:

Current Period	The opening balance	Provision amounts set aside during the period	The cancelation of the provisions	Other adjustments	Close out balance
1. Specific Provisions	1.827.528	879.361	273.481	-	2.433.408
2. General Provisions	1.142.413	135.445	29	-	1.277.829
Prior Period	The opening balance	Provision amounts set aside during the period	The cancelation of the provisions	Other adjustments	Close out balance
1. Specific Provisions	1.629.030	440.833	242.335	-	1.827.528
2. General Provisions	976.215	325.238	159.040	-	1.142.413

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

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Gross Maximum Exposure	Current Period	Prior Period
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	19.331.801	19.205.320
Due from banks	1.458.532	1.908.775
Money Market Receivables	302.107	230.684
Financial Assets at Fair Value through profit or loss	218.646	183.035
Financial Assets Available for Sale	9.168.734	9.811.340
Held to maturity Investments	17.869.082	18.973.598
Loans	101.831.153	84.968.927
Finance Lease Receivables (Net)	1.902.536	1.693.756
Factoring Receivables	361.345	325.332
Total	152.443.936	137.300.767
Contingent Liabilities	32.865.941	27.120.429
Commitments	19.899.363	19.528.802
Total	52.765.304	46.649.231
Total Credit Risk Exposure	205.209.240	183.949.998

Over due and individually impaired assets are not available in due from banks, financial assets at fair value through profit or loss, financial assets available for sale and held to maturity investments.

Corporate and Commercial Loans	Internal/External Valuation Grade	Total	Entrepreneur Firms	Internal/External Valuation Grade	Total
Risk rating group 1	AAA	114.987	High		
Risk rating group 2	AA	6.633.588	Risk rating group 1	1	2.388.643
Risk rating group 3	A	8.631.185	Risk rating group 2	2	2.431.316
Risk rating group 4	BBB	13.969.829	Standard		
Risk rating group 5	BB	14.759.696	Risk rating group 3	3	2.209.418
Risk rating group 6	B	13.189.706	Risk rating group 4	4	2.992.234
Risk rating group 7	CCC	7.411.636	Risk rating group 5	5	5.169.415
Risk rating group 8	CC	667.968	Below the standard		
Risk rating group 9	C	-	Risk rating group 6	6	5.933.606
			Risk rating group 7	7	5.125.252
Total		65.378.595	Total		26.249.884

⁽¹⁾ Prepared in accordance with the internal grading results of the Parent Bank

⁽²⁾ Includes the total of cash and non cash loans.

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Risk Grade (1-4)	Risk Group	Definition of risk group	Risk Grade (%)
1,00-1,40	AAA	The firm is an extremely positive firm with its financial and non financial criteria and it can pursue its high credibility in the long run.	100-86
1,41-1,80	AA	The firm is a positive firm with its financial and non financial criteria and it can pursue its high credibility in the long run.	85-73
1,81-2,00	A	The firm that has performed its optimization and has a high credibility in the short run and is a credible firm in the medium run.	72-67
2,01-2,20	BBB	The firm is a credible firm despite the fact that it cannot perform the optimization certain aspects of its financial and non financial criteria.	66-60
2,21-2,40	BB	The firm cannot retain optimization in the major parts of its financials and non financial criteria. It has speculative attributes but it's a credible firm in the short run.	59-53
2,41-2,60	B	Some of the financial and non financial criteria are negative. It carries highly speculative attributes. In the short run it is a credible firm dependent on the positive conjecture.	52-47
2,61-2,80	CCC	The major part of its financial and non financial criteria is negative and the firm is having difficulties in meetings its commitments. But it has guaranteed short run credibility dependent on the positive conjecture.	46-40
2,81-3,20	CC	The firm force acceptable risk limits when it's financial and non financial criteria considered together, and have poor credibility.	39-27
3,21-3,60	C	The firm has no credibility when its financial and non financial criteria considered together	26-13
3,61-4,00	D	The firm has no credibility under any condition.	12-0

Entrepreneur Loans Decision Module ("GKKM") is the rating module which is used for assessment of loan applications of companies which are classified by the Parent Bank as a small and medium sized enterprises (SME) Customers within the SME in GKKM are evaluated by both qualitative and quantitative characteristics of firm, the size of endorsement and requested amount of loan before bank creates score card forms for each customers Score card which categorize firms according to their risk, includes 1 to 7 rating group and 1 has the lowest risk. Guarantees for companies that can be assessed by GKKM, converted into cash during the time it takes to prevent probable loss of value and the conversion process is divided into two main groups according to the criteria. The conversion of cash collateral to compensate for any losses in a margin, "Liquid Collateral Value" is referred to as the facility where the customer the amount of collateral to be determined by risk group, and the collateral value of the liquid.

Carrying amount per class of financial assets whose terms have been renegotiated:

	Current Period	Prior Period
Loans^{(1), (2)}		
Corporate Loans	80,479	59,642
SME Loans	17,989	15,116
Consumer Loans	12,265	12,545
Other	64	64
Total	110,797	87,367

⁽¹⁾ Accruals are not included to the table above.

⁽²⁾ Presents loans accounted under in restructured or rescheduled loan accounts.

The net value and type of collaterals of the loans amounting TRY 1,588,045 followed under loans and other receivables under close monitoring section is below: (31 December 2013 : TRY 2,304,659).

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Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Real estate mortgage	959,346	1,817,757
Salary pledge, vehicle pledge and pledge of commercial undertaking	80,652	72,262
Financial collaterals (cash, securities pledge, etc.)	387	14,588
Cheque/bills	24,246	26,817
Suretyship	353,289	237,474
Other	170,125	135,761
Total	1,588,045	2,304,659

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

⁽²⁾ Income accruals amounting to TRY 20166 (31 December 2013: TRY 27906) are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 3,719,046 followed under non performing loans section is below: (31 December 2013: TRY 2,264,208)

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Cash	448	1,887
Mortgage	839,526	522,565
Pledge	181,137	48,963
Cheque,bills	4,955	5,044
Suretyship	1,967,625	1,156,880
Other ⁽²⁾	725,355	528,869
Total	3,719,046	2,264,208

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

⁽²⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK

In accordance with the Group's risk management policy framework to avoid the effect of market risk, the Bank has determined the management activities and has taken necessary precautions within the framework of "Regulation On Measurement and Evaluation Of Capital Adequacy Of Banks" published in Official Journal No 29111 of 6 September 2014 by.

The Parent Bank's Board of Directors set the risk limits by taking into account the Group's main risk factors and these limits are periodically revised in accordance with the market conditions and the Group's strategies. Furthermore, the Board of Directors ensure that, the necessary measures to be taken by risk management department and all other executives in respect of defining, measuring, monitoring and managing the risks exposed by the Group. The VAR based limits that are determined by the Board of Directors and the denominated interest rate risk of the Group's is limited to certain percentage of the shareholders' equity.

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

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The Value at Risk (VaR) that is calculated by using internal model methods besides standard method is validated by scenario analysis and stress tests. The VaR is calculated daily by using historical simulation and parametric approach and the results are reported the Executives.

a) Information related to consolidated market risk:

	Current Period	Prior Period
(I) Capital requirement to be employed for general market risk	193.635	179.534
(II) Capital requirement to be employed for specific risk	39.666	29.441
(III) Capital requirement to be employed for specific risk in securitization positions- Standard Method	-	-
(IV) Capital requirement to be employed for currency risk	20.215	34.091
(V) Capital requirement to be employed for commodity risk	-	-
(VI) Capital requirement to be employed for clearing risk	-	-
(VII) Total capital requirement to be employed for counterparty credit risk- Standard method	576	96
(VIII) Capital requirement to be employed for general market risk.	11.637	5.194
(IX) Total capital requirement to be employed for market risk	-	-
(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)	265.729	248.356
(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)	3.321.613	3.104.450

b) The Group's average market risk calculated as of the end of months in the related period:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	235.930	252.536	215.272	208.836	255.811	173.270
Share Risk	3.945	7.602	648	5.880	12.970	718
Currency Risk	39.161	107.288	20.215	28.690	34.091	21.455
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Options Risk	1.056	2.538	350	520	1.313	96
Counterparty Credit Risk	7.075	11.637	4.566	3.176	5.194	2.093
Amount Subject to Total Risk	287.167	381.601	241.051	247.102	309.379	197.632

Information about counterparty risk:

Counterparty credit risk is the risk that the counterparty to a transaction could default before the transaction's cash flows.

Over the counter derivatives, Credit Derivatives, Securities Financing Transactions, Long Settlement Transactions, Margin Lending Transactions are subject to counterparty credit risk calculations.

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The Group uses current exposure method in the calculation process of counterparty credit risk. The comprehensive financial collateral and simple financial collateral approaches are taken into account in the calculation process of counterparty credit risk of repo style transactions for trading and banking book activities, respectively.

Under the current exposure method, the Group calculates the current replacement cost by marking contracts to market, thus capturing the current exposure without any need for estimation, and then adding a factor ("add on") to reflect the potential future exposure over the remaining life of the contract.

The contracts made according to the attribute of the transaction are evaluated by taking into account ISDA and CSA frame for derivative transactions, GMRA frame for repurchase agreements. The risk is mitigated by receiving cash or other forms of collateral. In secured lending and repo transactions, the haircut amounts are reduced from the counterparty's limits.

The Bank does not take part in transactions and contracts requiring extra collateral in accordance with possible changes of credit rating. Especially, in the process of signing ISDA, CSA and GMRA contracts related to treasury transactions, it is cared about not accepting the conditional statements and invalidation of the contracts due to the reduction of Bank's rating. Because possible falls or rises in rating affects the current replacement cost, margin call agreements are used as a risk mitigator.

Gross positive fair value of contracts, the securities which are held and the net position of derivatives are disclosed below.

	Amount*
Contracts based on Interest rate	9.087
Contracts based on currency	115.135
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	124.222
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	48.152
The net position of derivatives	124.222

^(*) Counterparty risk related to the trading accounts is included.

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IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK

In the calculation of the Group's operational risk, the "Basic Indicator Method" is used. The amount subject to operational risk is calculated once a year in accordance with the Regulation on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 29111 on 6 September 2014. In the Basic Indicator Method, the amount subject to operational risk is calculated by multiplying 15% of the Group's average gross revenue over the previous three years with 12.5. Amount subject to operational risk is TRY 10.946.889 for the current period. (31 December 2013: TRY 9.358.597)

	2 PP Value	1 PP Value	CD Value	Total/Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	4.784.490	6.260.887	6.469.646	5.838.341	15	875.751
Amount subject to operational risk (Total*12,5)						10.946.889

V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK

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

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

Announced current foreign exchange buying rates of the Parent Bank as at 31 December 2014 and the previous five working days in full TRY are as follows:

	24.12.2013	25.12.2013	26.12.2013	27.12.2013	30.12.2013	31.12.2013
USD	2,2850000	2,2850000	2,2900000	2,2900000	2,3000000	2,3000000
CHF	2,3133000	2,3229000	2,3150000	2,3170000	2,3232000	2,3148000
GBP	3,5458000	3,5451000	3,5588000	3,5520000	3,5722000	3,5803000
JPY	0,0189476	0,0189933	0,0189938	0,0189528	0,0192656	0,0191923
EURO	2,7839000	2,7976000	2,7870000	2,7893000	2,7968000	2,7871000

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 31 December 2014 are as follows:

	Monthly average
USD	2,2680435
CHF	2,3198565
GBP	3,5404696
JPY	0,0189707
EURO	2,7922870

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Information related to the consolidated currency risk:

Current Period	EURO	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	2.842.138	10.815.452	2.514.954	16.172.544
Banks	264.566	833.376	216.115	1.314.057
Financial assets at fair value through profit and loss ⁽³⁾	46.013	46.593	155	92.761
Money market placements	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	755.617	1.842.075	73.224	2.670.916
Loans ⁽²⁾	10.663.712	17.577.621	554.841	28.796.174
Subsidiaries, associates and entities under common control ⁽⁵⁾	205.255	-	-	205.255
Held-to-maturity investments	-	1.508.067	68.170	1.576.237
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	36.773	36.773
Intangible assets	-	-	-	-
Other assets ⁽³⁾	831.505	878.948	39.460	1.749.913
Total assets	15.608.806	33.502.132	3.503.692	52.614.630
Liabilities				
Bank deposits	4.749.087	2.215.661	504.044	7.468.792
Foreign currency deposits	13.209.677	11.335.290	2.251.954	26.796.921
Money market balances	-	231.208	-	231.208
Funds provided from other financial institutions	6.023.392	6.784.834	29.958	12.838.184
Bonds issued	-	4.649.617	-	4.649.617
Sundry creditors	27.057	34.310	-35	61.332
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	129.319	146.495	40.665	316.479
Total liabilities	24.138.532	25.397.415	2.826.586	52.362.533
Net balance sheet position	(8.529.726)	8.104.717	677.106	252.097
Net off-balance sheet position				
Financial derivative assets ⁽⁴⁾	9.614.242	2.857.612	682.364	13.154.218
Financial derivative liabilities ⁽⁴⁾	724.885	10.738.530	1.219.039	12.682.454
Non-cash loans ⁽¹⁾	4.426.846	12.734.159	639.589	17.800.594
Prior period				
Total assets	20.408.469	26.557.729	3.082.249	50.048.447
Total liabilities	26.922.713	23.707.980	3.030.907	53.661.600
Net balance sheet position	(6.514.244)	2.849.749	51.342	(3.613.153)
Net off-balance sheet position				
Financial derivative assets	7.538.178	1.528.531	521.062	9.587.771
Financial derivative liabilities	963.916	4.396.238	436.598	5.796.752
Non-cash loans ⁽¹⁾	4.025.819	9.854.410	427.717	14.307.946

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

⁽²⁾ Includes TRY 1.047.457 of foreign currency indexed loans and their accruals. (31 December 2013: 861.262 TL)

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position/Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 35.077), foreign currency intangible assets (TRY 16.612), prepaid expenses (TRY 108) in assets; and derivative financial instruments foreign currency expense accruals (TRY 132.315) and shareholders' equity (TRY 190.311) and foreign currency minority shares (TRY 2.045) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include credit default swaps amounting to TRY 2.445 and forward precious metal purchase transactions amounted to TRY 805.714.

⁽⁵⁾ Macar Halkbank (TRY 2.063) and International Garagum Bank (TRY 250), followed as available for sale items in foreign currency, are presented in financials with their historical costs since they are non-monetary financial items.

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Foreign currency sensitivity:

The Group is exposed to currency risk in EURO and USD terms in balance sheet and also utilizes from derivative instruments in order to compensate for currency risk.

The following table sets the Group's sensitivity to a 10% increase and decrease in the TRY against USD, EURO and the other foreign currencies. 10% sensitivity rate used when reporting foreign currency risk internally to key management and represents the Parent Bank's management of assessment of the possible change in foreign exchange rates. Negative amounts represent value decrease in profit and loss or shareholders' equity due to 10% decrease in value of TRY against EURO or USD.

	Change in currency rate in %	Effect on profit/loss before taxation	
		Current period	Prior period
USD	% 10 increase	22.380	(1.796)
EURO	% 10 increase	35.963	6.002
Other	% 10 increase	14.043	13.581

The Group's sensitivity to foreign currency rates has increased due to the change of foreign currency position in the current period.

VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK

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

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

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

The Bank assesses the probability of any significant losses which can be caused by interest rate risk exposure as low.

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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-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	3.444.506	-	-	-	-	16.887.430	20.331.936
Banks and financial institutions	991.784	83.812	14.542	-	-	368.394	1.458.532
Financial assets at fair value through profit and loss	38.601	16.701	25.256	23.732	16	121.674	225.980
Money market placements	4.443	297.664	-	-	-	-	302.107
Financial assets available-for-sale	2.071.065	674.342	1.728.516	1.613.663	3.081.148	27.113	9.195.847
Loans	35.277.234	14.636.538	21.655.481	22.640.849	3.401.042	2.934.371	100.545.515
Held-to-maturity investments	8.456.256	517.854	2.167.358	2.216.886	4.510.728	-	17.869.082
Other assets(1)(2)	95.155	221.542	723.584	1.395.715	146.015	4.843.251	7.425.262
Total assets	50.379.044	16.448.453	26.314.737	27.890.845	11.138.949	25.182.233	157.354.261
Liabilities							
Bank deposits	9.289.406	2.277.003	201.468	-	-	5.414.668	17.182.545
Other deposits	43.066.190	18.922.779	7932.795	325.437	672	16.223.732	86.471.605
Money market balances	8.181.354	584.583	-	-	-	-	8.765.937
Sundry creditors	924.232	39.744	979.976	25.219	-	120.361	2.089.532
Bonds issued	68.912	491.227	950.550	2.865.352	1.715.353	-	6.091.394
Funds provided from other financial institutions(4)	1.294.679	4.868.097	5.336.585	2.339.739	334.591	8.083	14.181.774
Other liabilities(3)	1.925.178	175.644	1.382.168	8.304	-	19.080.180	22.571.474
Total liabilities	64.749.951	27.359.077	16.783.542	5.564.051	2.050.616	40.847.024	157.354.261
Balance sheet long position	-	-	9.531.195	22.326.794	9.088.333	-	40.946.322
Balance sheet short position	(14.370.907)	(10.910.624)	-	-	-	(15.664.791)	(40.946.322)
Off-balance sheet long position	115.011	840.031	33.634	426.575	-	-	1.415.251
Off-balance sheet short position	1.456	561.724	29.256	426.167	-	-	1.018.603
Total position	(14.254.440)	(9.508.869)	9.594.085	23.179.536	9.088.333	(15.664.791)	2.433.854

⁽¹⁾ TRY 309.467 of deferred tax assets is disclosed under the non interest bearing column in other assets and TRY 4.474 of deferred tax liability is disclosed under the non interest bearing column in other liabilities.

⁽²⁾ TRY 1.285.638 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

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Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 year s and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	44.863	-	-	-	-	19.976.532	20.021.395
Banks and financial institutions	1.609.825	41.900	3.597	-	-	253.453	1.908.775
Financial assets at fair value through profit and loss	71.262	34.757	33.361	38.591	5.064	2.285	185.320
Money market placements	5.894	224.790	-	-	-	-	230.684
Financial assets available-for-sale	3.144.728	577.210	919.915	2.231.002	2.938.485	16.609	9.827.949
Loans	27.002.168	14.937.717	17.089.045	20.117.591	3.397.759	1.987.967	84.532.247
Held-to-maturity investments	9.372.162	1.603.846	1.347.360	2.776.533	3.873.697	-	18.973.598
Other assets ⁽¹⁾⁽²⁾	146.848	275.099	522.559	997.360	158.806	3.755.642	5.856.314
Total assets	41.397.750	17.695.319	19.915.837	26.161.077	10.373.811	25.992.488	141.536.282
Liabilities							
Bank deposits	5.825.580	306.452	300.159	-	-	3.585.113	10.017.304
Other deposits	46.932.167	19.249.198	8.913.188	176.096	160	15.107.066	90.377.875
Money market balances	771.416	490.060	-	-	-	-	1.261.476
Sundry creditors	581.718	36.279	894.565	9.029	-	171.574	1.693.165
Bonds issued	38.663	30.694	1.001.133	1.763.434	1.317.742	-	4.151.666
Funds provided from other financial institutions ⁽⁴⁾	2.712.827	3.910.918	6.039.498	1.817.549	600.301	5.259	15.086.352
Other liabilities ⁽³⁾	1.235.127	99.493	486.191	9.640	-	171.179.93	18.948.444
Total liabilities	58.097.498	24.123.094	17.634.734	3.775.748	1.918.203	35.987.005	141.536.282
Balance sheet long position	-	-	2.281.103	22.385.329	8.455.608	-	33.122.040
Balance sheet short position	(16.699.748)	(6.427.775)	-	-	-	(9.994.517)	(33.122.040)
Off-balance sheet long position	12.410	10.146	6.893	-	-	-	29.449
Off-balance sheet short position	(12.020)	(10.535)	(6.896)	-	-	-	(29.451)
Total position	(16.699.358)	(6.428.164)	2.281.100	22.385.329	8.455.608	(9.994.517)	(2)

⁽¹⁾ TRY 16.771 of deferred tax assets is disclosed under the non-interest bearing column in other assets and TRY 10.837 of deferred tax liability is disclosed under the non interest bearing column in other liabilities.

⁽²⁾ TRY 436.680 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

⁽³⁾ Shareholders' equity balance is disclosed under the non-interest bearing column.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

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2. Average interest rates applied to financial instruments:

Current period	EURO	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,50	-	-	3,50
Due from other banks and financial institutions ⁽¹⁾	0,71	0,16	-	10,07
Financial assets at fair value through profit and loss	-	1,71	-	8,68
Money market placements	-	-	-	-
Available-for-sale financial assets	5,29	5,63	-	9,03
Loans ⁽²⁾	4,55	4,78	-	11,64
Held-to-maturity investments	-	5,80	-	8,86
Liabilities				
Bank deposits	0,40	0,80	-	9,59
Other deposits ⁽⁴⁾	1,87	2,13	0,25	9,03
Money market borrowings	-	0,95	-	9,18
Sundry creditors ⁽³⁾	-	-	-	3,56
Bonds issued	-	4,47	-	8,84
Funds provided from other financial institutions	0,50	1,57	-	7,33
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	0,10-0,50	-	-	3,50
Due from other banks and financial institutions	0,28	0,41	-	8,48
Financial assets at fair value through profit and loss	-	3,20	-	9,80
Money market placements	-	-	-	-
Available-for-sale financial assets	5,41	6,00	-	8,47
Loans	4,26	4,15	-	11,04
Held-to-maturity investments	-	5,89	-	8,95
Liabilities				
Bank deposits	0,53	1,29	-	8,83
Other deposits	2,82	2,64	0,25	8,19
Money market borrowings	0,55	1,09	-	6,00
Sundry creditors	-	-	-	3,56
Bonds issued	-	4,38	-	9,13
Funds provided from other financial institutions	1,15	1,68	-	7,95

⁽¹⁾ Interest rates are calculated using weighted average method for money placement amounts as of balance sheet date.

⁽²⁾ Interest rates are calculated using weighted average method for loans given as of balance sheet date.

⁽³⁾ 75% of the declared maximum deposits interest rate with a maturity of twelve months as of 31 December 2014.

⁽⁴⁾ Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 December 2014.

⁽⁵⁾ Required reserve ratio of the Central Bank of TRNC and Central Bank of Macedonia.

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3. The interest rate risk of the banking book items:

The Parent Bank's standard interest rate shock methods are being used on a daily basis in respect of measuring the risk arising from repricing mismatch of asset and liability items. The duration within the limits are determined by BRSA that obtained from the calculation intended for demand deposits by using core deposit and duration analysis is taken into account.

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

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

In defining the maturity of demand deposits, average durations which are calculated by statistical analysis are being used.

The impact on financial statements regarding interest rate instabilities stated below as divided by the Parent Bank's different currencies.

Current Period

Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains/Shareholders' Equity - Losses/Shareholders' Equity
1 TRY	500	(2.441.325)	(14,11%)
	(400)	2.533.249	14,64%
2 EURO	200	439.085	2,54%
	(200)	(476.404)	(2,75%)
3 USD	200	74.447	0,43%
	(200)	29.202	0,17%
Total (For negative shocks)		(1.927.793)	12,06%
Total (For positive shocks)		2.086.047	(11,14%)

Prior Period

Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains/Shareholders' Equity - Losses/Shareholders' Equity
1 TRY	500	(1.944.449)	(13,26%)
	(400)	2.029.290	13,84%
2 EURO	200	398.381	2,72%
	(200)	(429.990)	(2,93%)
3 USD	200	57.709	0,39%
	(200)	(11.397)	(0,08%)
Total (For negative shocks)		1.587.903	10,83%
Total (For positive shocks)		(1.488.359)	(10,15%)

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VII. EXPLANATIONS RELATED TO THE CONSOLIDATED POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Comparison		
	Balance Sheet Value	Fair Value Change	Market Value
1. Associates	226.118	-	-
Quoted in a stock exchange	-	-	-
2. Subsidiaries	37.859	37.859	-
Quoted in a stock exchange	-	-	-

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 core capital	Total	Included to total core capital	Included to core capital
1. Private equity investments	-	-	-	-	-	-
2. Share Certificates quoted in a stock exchange	-	-	-	-	-	-
3. Other share certificates	-	10.985	10.985	-	-	-
Total	-	10.985	10.985	-	-	-

VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK

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.

Meeting the liquidity needs of the Parent Bank, domestic and foreign markets are being used. Due to the fact that the Bank's liquidity need is at low levels, the bank may provide funding easily (CB, ISEM, interbank money market and other markets). When it is considered that local and foreign currency deposit account's interest rates are lower than the peer group's averages it can be realized that the Parent Bank will be able to increase its market share if necessary. The money market borrowing facilities and the Eurobond portfolio of the Parent Bank provides an important potential funding opportunity to the Parent Bank.

The main funding source of the Group is deposit accounts. Nonetheless, the securities portfolio is mainly composed of available for sale and held to maturity securities.

The Board of Directors of the Parent Bank monitors both the BRSA and contingency plan liquidity ratios. The liquidity opportunities which will be applied in case of a liquidity shortage are defined in the contingency plans.

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	5.750.107	4.388.698	5.789.761	4.315.185	87.932	253	-	20.331.936
Banks	368.394	991.408	83.812	14.542	-	376	-	1.458.532
Financial assets at fair value through profit and loss	11.170	56.904	45.667	56.384	38.836	9.685	7.334	225.980
Money market placements	-	4.443	297.664	-	-	-	-	302.107
Financial assets available-for-sale	-	170.799	571.281	836.440	2.641.656	4.948.558	27.113	9.195.847
Loans ⁽²⁾	1.331.240	7.358.003	8.542.769	31.653.418	43.913.241	77.468.844	-	100.545.515
Held-to-maturity investments	68.170	272.401	1.627.635	2.106.028	3.639.866	10.154.982	-	17.869.082
Other assets ⁽³⁾	467.996	117.672	228.737	703.617	1.395.056	136.928	4.375.256	7.425.262
Total assets	7.997.077	13.360.328	17.187.326	39.685.614	51.716.587	22.997.626	4.409.703	157.354.261
Liabilities								
Bank deposits	5.414.668	9.289.406	2.277.003	201.468	-	-	-	17.182.545
Other deposits	16.223.732	43.062.044	18.914.049	7.849.331	417.242	5.207	-	86.471.605
Funds provided from other financial institutions ⁽⁴⁾	17.430	1.344.763	1.354.462	4.408.662	5.109.320	1.947.137	-	14.181.774
Money market balances	-	8.181.354	584.583	-	-	-	-	8.765.937
Bonds issued	-	68.912	491.227	950.550	2.865.352	1.715.353	-	6.091.394
Sundry creditors	120.041	948.804	99.811	285.514	627.476	-	7.886	2.089.532
Other liabilities ⁽¹⁾	3.330.180	354.574	242.614	1.688.771	335.986	294.170	16.325.179	22.571.474
Total liabilities	25.106.051	63.249.857	23.963.749	15.384.296	9.355.376	3.961.867	16.333.065	157.354.261
Liquidity gap	(17.108.974)	(49.889.529)	(6.776.423)	24.301.318	42.361.211	19.035.759	(11.923.362)	-
Previous period								
Total assets	6.825.206	12.742.304	14.807.810	37.809.100	47.022.154	19.455.377	2.874.331	141.536.282
Total liabilities	22.103.258	54.959.959	21.354.924	18.957.867	6.479.275	3.576.989	14.104.010	141.536.282
Liquidity gap	(15.278.052)	(42.217.655)	(6.547.114)	18.851.233	40.542.879	15.878.388	(11.229.679)	-

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

⁽²⁾ TRY 1.285.638 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

⁽³⁾ Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses, deferred tax assets and receivables from NPL are disclosed in other assets under the undistributed column.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

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

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	74,105,831	21,424,794	8,272,519	4,270,400	5,207	(581,241)	103,654,150
Funds provided from other financial intuitions	1,310,282	1,374,915	4,535,413	5,294,145	2,026,821	(359,802)	14,181,774
Money market borrowings	8,185,745	585,000	-	-	-	(4,808)	8,765,937
Securities issued	42,047	683,316	993,497	3,597,344	1,758,422	(983,232)	6,091,394
Funds	671,523	114,622	390,449	343,079	310,068	(60,450)	1,769,291
Total	84,315,428	24,182,647	14,191,878	9,661,608	4,100,518	(1,989,533)	134,462,546

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	71,592,914	19,742,987	9,347,160	2,646,480	5,211	(557,741)	100,395,179
Funds provided from other financial intuitions	576,771	1,025,031	7,896,427	3,843,557	2,177,675	(433,109)	15,086,352
Money market borrowings	771,570	490,060	-	-	-	(154)	1,261,476
Securities issued	38,756	30,964	1,042,907	2,068,988	1,682,419	(712,368)	4,151,666
Funds	624,364	141,448	319,597	245,812	206,084	(48,763)	1,488,542
Total	73,604,375	21,430,490	18,606,091	6,423,005	4,071,389	(1,752,135)	122,383,215

Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

In accordance with the Communiqué on the "Measurement and Assessment of Liquidity of the Banks" published in the official gazette dated 1 November 2006 No: 26333, beginning from 1 June 2007 liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%. Liquidity ratio as at 31 December 2014 and 2013 are presented below:

	Current Period				Prior Period			
	First maturity Tranche(Weekly)		First maturity Tranche(Monthly)		First maturity Tranche(Weekly)		First maturity Tranche(Monthly)	
	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC
Average	244,17	169,38	157,94	115,56	266,58	222,10	171,77	135,40
Maximum	300,32	237,89	191,11	135,70	363,35	291,28	209,41	154,00
Minimum	192,86	143,86	128,79	102,33	185,12	183,18	132,01	121,99

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

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	447.863	924.736	735.850	1.306.080	-	3.414.529
Forward Contracts - Sell	445.641	100.785	735.784	1.255.610	-	2.537.820
Swaps - Buy	7.382.660	2.869.155	348.727	114.570	-	10.715.112
Swaps - Sell	7.460.853	2.915.569	345.286	90.745	-	10.812.453
Credit Default Swap - Buy	-	-	-	-	-	-
Credit Default Swap - Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	-	2.445	-	-	-	2.445
Forward Precious Metal - Sell	-	805.714	-	-	-	805.714
Money Buy Options	48.581	45.967	62.172	-	-	156.720
Money Sell Options	48.579	45.967	62.172	-	-	156.718
Swaps Interest - Buy	-	-	-	-	933.143	933.143
Swaps Interest - Sell	-	-	-	-	933.143	933.143
Total	15.834.177	7.710.338	2.289.991	2.767.005	1.866.286	30.467.797

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	864.130	325.844	493.614	78.487	-	1.762.075
Forward Contracts - Sell	854.856	180.495	491.752	76.157	-	1.603.260
Swaps - Buy	8.222.392	284.080	119.964	106.000	-	8.732.436
Swaps - Sell	8.185.666	269.741	105.094	91.175	-	8.651.676
Credit Default Swap - Buy	-	-	-	-	-	-
Credit Default Swap - Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	-	5.873	-	-	-	5.873
Forward Precious Metal - Sell	-	149.450	-	-	-	149.450
Money Buy Options	50.680	52.904	21.934	-	-	125.518
Money Sell Options	50.246	44.618	30.655	-	-	125.519
Swaps Interest - Buy	-	-	-	-	678.400	678.400
Swaps Interest - Sell	-	-	-	-	678.400	678.400
Total	18.227.970	1.313.005	1.263.013	351.819	1.356.800	22.512.607

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IX. EXPLANATIONS RELATED TO THE CONSOLIDATED SECURITIZATION POSITIONS:

Securitization positions:

None.

X. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK MITIGATION TECHNIQUES:

Credit risk mitigation techniques:

The Group does not apply any netting process on balance sheet and off balance sheet items.

The risk mitigators that are used in credit process are stated below:

- Financial collaterals (Government securities, cash, deposit pledge, gold, stock pledge)
- Guarantees
- Mortgage (In the implementation of the Basel II, although, risk mortgage loans evaluated as a class, in terms of valuation methods and concentrations they are also given in this section).

The financial collaterals are revaluated by daily basis by the Parent Bank. The credibility of guarantors is monitored within the framework of credit revision periods.

The value of the mortgages is being revalued during the credit period.

The revaluation of the mortgages whose value are more than TRY 3,000 or 5% of the Parent Bank's shareholders' equity are being made by the firms authorized by BRSA or Capital Market Board.

Only Treasury and the Group's guarantees are taken into account as risk mitigator within the framework of BRSA regulations. Besides, the credibility of Banks is reviewed periodically.

The volatility of mortgage portfolio is monitored closely by the Group and the market fluctuations are considered in credit activities.

Standard volatility adjustments are taken into account regarding to portfolios in which comprehensive approach is used.

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Information about guaranties according to risk classifications:

Risk Classifications	Amount	Financial guaranties	Other/Physical guaranties	Guarantees and credit derivatives
Claims on sovereigns and Central Banks	44.431.404	5.148.962	-	-
Claims on regional governments or local authorities	572.882	20.771	-	-
Claims on administrative bodies and other non-commercial undertakings	555.602	33.891	-	100
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	6.437.151	1.411.571	-	-
Claims on corporate	51.489.417	1.105.016	-	194.187
Claims included in the regulatory retail portfolios	33.250.597	1.762.597	-	95.872
Claims secured by residential property	23.121.419	26.541	-	-
Overdue loans	1.391.520	-	123.381	-
Higher risk categories decided by the Board	10.958.476	-	-	-
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	6.711.118	-	-	-
Total	178.919.586	9.509.349	123.381	290.159

⁽⁹⁾ In the determination of the amounts, the non-cash loans and other off-balance sheet items are taken into account after being multiplied by credit conversion rates.

XI. EXPLANATIONS RELATED TO THE CONSOLIDATED RISK MANAGEMENT TARGET AND POLICIES:

Risk management target and policies:

Credit Risk:

The Parent Bank's credit authorization limits are defined with respect to Head Office, Regional Directories and Branch Basis. Credit origination and marketing activities are completely separated. The main point here is about to the Loan Department that related to credit expansion performance should not placed in loan granting process. Credit allocation monitoring processes are carried out by Credit Risk Monitoring Department which is an independent unit. The risk measurement activities are being carried out by the Risk Management Department which reports to Audit Committee directly.

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In the process of credit assessment process, rating modules are used by the Group and risk mitigators are defined with respect to rating categories. Rating modules are subject to validation process and the discrimination power of the module is calculated periodically.

The expected loss amount is estimated by the Group and the Parent Bank analyses whether own funds will be able to compensate the loss. Furthermore, the effect of possible shocks is analyzed periodically by scenario analysis and stress tests.

The concentration limits are defined in respect of main and sub-sectors.

Overdue loans and their customer segmentations and sectors are periodically monitored.

Foreign Exchange Risk:

The Risk Management Department of the Parent Bank measures the foreign exchange risk of the Group.

The risks that arising from the exchange rate volatility are calculated by using either standard method or internal model methods by Risk Management Department on a daily basis.

The trading loss of the Group is restricted by using VaR based limits. Besides, stop loss limits are also defined for foreign exchange transactions. The Group defines limits with respect to the nominal short or long foreign exchange position.

Interest Rate Risk:

The activities regarding the measurement of the Group's interest rate risk are carried out by Risk Management Department.

The risks arising from the interest rate volatility are measured both for trading and banking book items. Whereas standardized method and internal models are used in the measurement process of trading items, standard interest rate shock method and duration analysis are used in the measurement process of banking book items.

The economic value decline which will be occurred due to the interest rate risk in the banking book is restricted by a certain percentage of shareholders' equity. Furthermore, the interest rate risk which will be raised from the trading book items is restricted by VaR based limits.

Liquidity Risk:

The Group's liquidity risk measurement activities are carried out by Risk Management Department.

Both BRSA and Basel III liquidity ratios are taken into account in liquidity risk measurement process. Moreover, the strategies that will be implemented in case of the Group's liquidity shocks are determined by liquidity contingency plan. The Parent Bank's duration mismatch of asset and liability items is monitored daily basis and the liquidity deficit which will be occurred due to the maturity mismatch is restricted by setting a limit.

XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION

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

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

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

Firms are composed of traders and small-scale retailers having real and legal entity status. Within the Parent 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 entities without having any commercial or professional purposes other than their individual demands in the Parent Bank's application.

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

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

- Accepting deposits,
- Issuance of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money transfer, insurance agency services,
- Rendering insurance agency transactions,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement composed by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering,
- Trading the capital market instruments issued for the purpose of performing intermediary services.

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.

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Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2014 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury/ Investment ⁽¹⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME/EXPENSES							
Interest income	1.715.601	1.287.454	11.227.287	9.084.905	215.339	(11.811.616)	11.718.970
Interest on loans	1006.164	1099.343	6.208.582	486.631	-	-	8.800.720
Interest income on marketable securities	-	-	-	2.663.196	30.992	-	2.694.188
Interest received from banks	-	-	-	276.70	3.278	-	30.948
Other interest income ⁽²⁾	709.437	188.111	5.018.705	5.907.408	181.069	(11.811.616)	193.114
Interest expense	1.117.412	726.899	8.866.132	7.409.332	77.359	(11.811.616)	6.385.518
Interest on deposits	590.991	160.751	3.935.302	459.986	-	-	5.147.030
Interest on borrowings	2.716	13.205	16.539	218.896	71.366	-	322.722
Interest on money market borrowings	-	-	-	542.820	-	-	542.820
Interest on marketable bonds issued	-	-	-	272.929	5.993	-	278.922
Other interest expense ⁽²⁾	523.705	552.943	4.914.291	5.914.701	-	(11.811.616)	94.024
Net interest income	598.189	560.555	2.361.155	1.675.573	137.980	-	5.333.452
Net fees and commissions income	184.082	129.290	584.842	143.861	(92.910)	-	949.165
Net trading profit/(loss)	-	-	-	63.971	13.269	-	77.240
Dividend income	-	-	-	19.602	3.539	-	23.141
Other income	7.660	68.259	267.991	267.087	494.529	-	1.105.525
Loans and other receivables' impairment loss	415.756	128.817	366.492	255.625	62.461	-	1.229.151
Other expenses	20.189	62.934	1.357.844	1.599.815	372.699	-	3.413.481
Income before taxes	353.986	566.353	1.489.652	314.654	121.247	-	2.845.891
Income tax provision	-	-	-	(525.563)	(33.025)	-	(558.588)
Net profit for the period	353.986	566.353	1.489.652	(210.909)	88.222	-	2.287.303
SEGMENT ASSETS							
Marketable securities	-	-	-	26.882.784	284.505	-	27.167.289
Derivative financial assets held for trading	-	-	-	103.141	20.479	-	123.620
Banks and money market receivables	-	-	-	1.751.421	9.218	-	1.760.639
Associates and subsidiaries (net)	-	-	-	263.977	-	-	263.977
Loans	14.953.573	16.297.820	62.060.930	8.518.830	-	-	101.831.153
Other assets ⁽¹⁾	601	11.029	812.486	22.870.743	2.512.724	-	26.207.583
TOTAL ASSETS	14.954.174	16.308.849	62.873.416	60.390.896	2.826.926	-	157.354.261
SEGMENT LIABILITIES							
Deposits	12.489.011	5.830.939	67.860.260	17.473.940	-	-	103.654.150
Derivative financial liabilities held for trading	-	-	-	176.425	8.304	-	184.729
Money market balances	-	-	-	8.765.937	-	-	8.765.937
Borrowing funding loans	13.976	213.542	318.214	12.255.378	1.380.664	-	14.181.774
Bonds issued	-	-	-	6.091.394	-	-	6.091.394
Other liabilities	266.765	222.978	3.460.307	1.299.105	47.717	-	5.296.872
Provisions and tax payable	34.336	30.294	129.752	2.471.491	696.124	-	3.361.997
Shareholders' equity	-	-	-	14.978.048	839.360	-	15.817.408
TOTAL LIABILITIES	12.804.088	6.297.753	71.768.533	63.511.718	2.972.169	-	157.354.261
OFF BALANCE SHEET ITEMS							
Guarantees and surety ships	10.644.543	8.156.253	8.067.904	5.909.892	87.349	-	32.865.941
Commitments	46.133	653.733	7.553.718	11.391.482	254.297	-	9.899.363
Derivative financial instruments	-	-	-	29.384.723	528.527	-	29.913.250

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury/investment column. In this context net of property, plant and equipment amounting TRY 1.683.915 (net) and deferred tax assets amounting TRY 309.467 in other assets are presented under the Treasury/Investment column.

⁽²⁾ Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.

⁽³⁾ Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ and Halk Faktoring AŞ transactions are shown in other column.

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Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2013 are presented in the table below.

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury/ Investment ⁽¹⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME/EXPENSES							
Interest income	1.220.629	947.019	8.852.094	7.017.914	145.950	(8.792.431)	9.391.175
Interest on loans	772.932	785.863	5.169.226	419.974	-	-	7.147.995
Interest income on marketable securities	-	-	-	2.062.286	27.537	-	2.089.823
Interest received from banks	-	-	-	20.213	-	-	20.213
Other interest income ⁽²⁾	447.697	161.156	3.682.868	4.515.441	118.413	(8.792.431)	133.144
Interest expense	688.595	517.992	6.972.619	4.964.185	46.665	(8.792.431)	4.397.625
Interest on deposits	394.611	152.082	3.048.753	205.481	-	-	3.800.927
Interest on borrowings	3.155	15.300	14.430	184.389	42.689	-	259.963
Interest on money market borrowings	-	-	-	103.819	-	-	103.819
Interest on marketable bonds issued	-	-	-	176.935	3.976	-	180.911
Other interest expense ⁽²⁾	290.829	350.610	3.909.436	4.293.561	-	(8.792.431)	52.005
Net interest income	532.034	429.027	1.879.475	2.053.729	99.285	-	4.993.550
Net fees and commissions income	179.745	98.288	582.839	6.166	(14.213)	-	852.825
Net trading profit/(loss)	-	-	-	243.668	3.123	-	246.791
Dividend income	-	-	-	9.629	2.151	-	11.780
Other income	38.254	41.594	290.240	434.105	570.021	-	1.374.214
Loans and other receivables' impairment loss	13.858	105.954	351.916	380.998	34.890	-	887.616
Other expenses	24.560	63.615	1.190.615	1.420.883	385.489	-	3.085.162
Income before taxes	711.615	399.340	1.210.023	945.416	239.988	-	3.506.382
Income tax provision	-	-	-	(616.302)	(37.355)	-	(653.657)
Net profit for the period	711.615	399.340	1.210.023	329.114	202.633	-	2.852.725
SEGMENT ASSETS							
Marketable securities	-	-	-	28,549,315	297,888	-	28,847,203
Derivative financial assets held for trading	-	-	-	139,664	-	-	139,664
Banks and money market receivables	-	-	-	2,118,646	20,813	-	2,139,459
Associates and subsidiaries (net)	-	-	-	257,655	-	-	257,655
Loans	13,130,413	12,780,356	51,364,586	7,693,572	-	-	84,968,927
Other assets ⁽¹⁾	1,582	11,057	883,741	22,035,152	2,251,842	-	25,183,374
TOTAL ASSETS	13,131,995	12,791,413	52,248,327	60,794,004	2,570,543	-	141,536,282
SEGMENT LIABILITIES							
Deposits	12,756,670	4,518,277	67,171,161	15,949,071	-	-	100,395,179
Derivative financial liabilities held for trading	-	-	-	43,852	9,640	-	53,492
Money market balances	-	-	-	1,261,476	-	-	1,261,476
Borrowing funding loans	20,257	315,600	417,038	12,965,143	1,368,314	-	15,086,352
Bonds issued	-	-	-	4,051,508	100,158	-	4,151,666
Other liabilities	111,541	201,343	2,939,419	1,141,664	144,417	-	4,538,384
Provisions and tax payable	21,488	21,027	120,307	1,950,006	565,890	-	2,678,718
Shareholders' equity	-	-	-	12,666,829	70,4186	-	13,371,015
TOTAL LIABILITIES	12,909,956	5,056,247	70,647,925	50,029,549	2,892,605	-	141,536,282
OFF BALANCE SHEET ITEMS							
Guarantees and surety ships	13,710,270	6,326,256	6,746,366	255,285	82,252	-	27,120,429
Commitments	36,854	500,440	6,763,240	12,021,668	206,600	-	19,528,802
Derivative financial instruments	-	-	-	20,904,334	146,420	-	21,050,754

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury/investment column. In this context net of property, plant and equipment amounting TRY 1.463.302 (net) and deferred tax assets amounting TRY 16.771 in other assets are presented under the Treasury/Investment column.

⁽²⁾ Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.

⁽³⁾ Halk Hayat Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ and Halk Faktoring AŞ transactions are shown in other column.

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XIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	152.165.767	137.682.447	143.573.535	129.695.734
Cash and Balances with the Central Bank of Turkey	20.331.936	20.021.395	20.331.936	20.021.395
Financial assets fair value changes reflected to income statement	225.980	185.320	225.980	185.320
Banks	1.458.532	1.908.775	1.458.532	1.908.775
Money market placements	302.107	230.684	302.107	230.684
Available for sale financial assets(1)	9.168.734	9.811.340	9.168.734	9.811.340
Held to maturity investments	17.869.082	18.973.598	19.079.880	18.492.161
Loans(2)	100.545.515	84.532.247	90.742.485	77.011.232
Finance Lease Receivables (Net)	1.902.536	1.693.756	1.902.536	1.709.495
Factoring Receivables	361.345	325.332	361.345	325.332
Financial Liabilities	134.967.516	122.641.330	136.529.174	121.650.358
Deposits	103.654.150	100.395.179	103.755.867	100.526.794
Derivative financial liabilities held for trading	184.729	53.492	184.729	53.492
Funds provided from other financial institutions	14.181.774	15.086.352	15.694.600	14.309.794
Money market borrowings	8.765.937	1.261.476	8.765.937	1.261.476
Securities issued	6.091.394	4.151.666	6.091.592	3.903.682
Miscellaneous payables	2.089.532	1.693.165	2.036.449	1.595.120

⁽¹⁾ As of 31 December 2014 TRY 27.113 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2013: TRY 16.609).

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

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

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

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Classification of Fair Value Measurement

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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

Current Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose	98.561	123.620	-	222.181
<i>Debt securities</i>	65.732			65.732
<i>Derivative financial assets held for trading purpose</i>		123.620		123.620
Bonds	7.334			7.334
Other Securities ⁽²⁾	25.495		-	25.495
Available-for-sale financial assets ⁽¹⁾	9.168.734	-	-	9.168.734
<i>Debt securities</i>	9.157.289	-	-	9.157.289
<i>Other Securities</i>	11.445	-	-	11.445
<i>Subsidiaries</i>	-	-	37.859	37.859
Total Financial Assets	9.267.295	123.620	37.859	9.428.774
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	184.729	-	184.729
Total Financial Liabilities	-	184.729	-	184.729

⁽¹⁾ As of 31 Decem(1) As of 31 December 2014, share certificates amounting to TRY 27113 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

⁽²⁾ As of 31 December 2014, marketable securities amounting to TRY 3.799 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose	41.984	139.664	-	181.648
Debt securities	34.862	-	-	34.862
Derivative financial assets held for trading purpose	-	139.664	-	139.664
Bonds	2.285	-	-	2.285
Other Securities ⁽²⁾	4.837	-	-	4.837
Available-for-sale financial assets ⁽¹⁾	9.811.340	-	-	9.811.340
Debt securities	9.801.333	-	-	9.801.333
Other Securities	10.007	-	-	10.007
Subsidiaries	-	-	30.604	30.604
Total Financial Assets	9.853.324	139.664	30.604	10.023.592

Financial liabilities at fair value through profit/loss:

Derivative financial liabilities held for trading purpose	-	53.492	-	53.492
Total Financial Liabilities	-	53.492	-	53.492

⁽¹⁾ As of 31 December (1) As of 31 December 2013 share certificates amounting to TRY 16.609 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

⁽²⁾ As of 31 December 2013, marketable securities amounting to TRY 3.672 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

Movement of financial assets at level three is as follows:

	Current Period	Prior Period
Beginning Balance	30.604	-
Purchases during the year	-	13.540
Bonus shares obtained profit from current year's share	13.000	-
Valuation differences	(5.745)	16.729
Transfers	-	335
Balance at the end of the period	37.859	30.604

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

The Parent Bank performs buying transactions on behalf of customers, and gives custody, administration and consultancy services.

The Group does not engage in transaction based on trust.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

(1) a) Cash and balances with the Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	755.299	244.836	627.718	188.357
Central Bank of Turkey	3.404.093	15.897.276	2.173.404	17.006.682
Other ⁽¹⁾	-	30.432	-	25.234
Total	4.159.392	16.172.544	2.801.122	17.220.273

⁽¹⁾ As of 31 December 2014, blocked reserve deposits kept in Central Bank of Macedonia amounted TRY 30.087 (31 December 2013: TRY 24.942).

Information on the account of Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	3.389.735	1.360.238	2.164.297	1.570.064
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits ⁽²⁾	14.358	14.537.038	9.107	15.436.618
Total	3.404.093	15.897.276	2.173.404	17.006.682

⁽¹⁾ Reserve deposits kept in Central Bank of Turkey.

⁽²⁾ Blocked reserve deposits kept in Central Bank of Turkey and Central Bank of Cyprus.

The banks operating in Turkey keep reserve deposits for Turkish currency liabilities in TRY, USD, EUR and/or standard gold at the rates between 5% and 11,5% according to their maturities (31 December 2013: between 5% and 11,5% according to their maturities), foreign currency liabilities in USD, EUR and/or standard gold at the rates between 6% and 13% according to their maturities (31 December 2013: between 6% and 13 % according to their maturities), respectively as per the Communiqué no.2011/11 and 2011/13 "Reserve Deposits" of the Central Bank of Turkey. Reserves are calculated and set aside every two weeks on Friday for 14-day periods. In accordance with the related communiqué, Central Bank of Turkey pays interests TL reserves, however do not pay interest for foreign currency reserves.

With the Board of Minutes No.827 dated 16 July 2012 of TRNC Central Bank's, required reserve ratio is between 5% and 8% for TRY liabilities and 8% for foreign currency liabilities.

As per the change at 21 October 2014, CBT started to pay interests at November 2014 on TL reserves with 500 or 700 basis points lower than the weighted average fund costs shown on the CBT website.

With the Board of Minutes No. 129 dated 2006 of Central Bank of Macedonia, required reserve ratio are 8% for MKD currency liabilities and 15% for foreign currency liabilities.

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

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

The Group has no financial assets at fair value through profit and loss blocked/given as collateral in the current period (31 December 2013: TRY 1.007).

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

None.

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	69.995	-	26.470
Swap transactions	-	44.193	-	112.900
Futures transactions	138	-	-	-
Options	8	763	3	291
Other	8.523	-	-	-
Total	8.669	114.951	3	139.661

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	98.565	567.451	62.158	581.974
Foreign banks	45.910	746.606	100.491	1.164.152
Branches and offices abroad	-	-	-	-
Total	144.475	1.314.057	162.649	1.746.126

b) Information on foreign banks:

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	480.019	1.021.610	-	-
USA and Canada	79.595	32.886	-	-
OECD Countries ⁽¹⁾	148.231	63.392	-	-
Offshore Banking Regions	-	-	-	-
Other	84.671	146.755	-	-
Total	792.516	1.264.643	-	-

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

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(4) Information on financial assets available-for-sale:

a) Financial assets available-for-sale blocked/given as collateral or subject to repurchase agreements:

a.1. Information on financial assets available-for-sale blocked/given as collateral:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	145.325	848.984	172.200	857.722
Total	145.325	848.984	172.200	857.722

a.2. Information on financial assets available-for-sale subject to repurchase agreements:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	1.286.912	-	4.638	-
Total	1.286.912	-	4.638	-

b) Information on financial assets available-for-sale portfolio:

	Current period	Prior period
Debt securities	9.169.408	9.994.476
<i>Quoted on a stock exchange</i>	9.169.408	9.994.476
<i>Not quoted</i>	-	-
Share certificates	45.995	35.505
<i>Quoted on a stock exchange</i>	6.267	-
<i>Not quoted</i>	39.728	35.505
Impairment provision(-)	19.556	202.032
Total	9.195.847	9.827.949

(5) Information on loans:

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

	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	174.840	-	167.537	-
Total	174.840	-	167.537	-

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

	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	Agreement conditions modified		Loans and other receivables (Total)	Agreement conditions modified	
		Payment plan extensions	Other		Payment plan extensions	Other
Cash loans						
Non-specialized loans	79,980,727	646,007	-	1,399,019	445,115	-
<i>Corporation loans</i>	47,532,006	509,301	-	1,096,974	439,054	-
<i>Export loans</i>	3,018,191	81,974	-	17,929	2,609	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	2,405,798	-	-	-	-	-
<i>Consumer loans⁽¹⁾</i>	22,900,598	51,462	-	200,866	3,452	-
<i>Credit cards⁽²⁾</i>	2,843,764	-	-	65,890	-	-
<i>Other</i>	1,280,370	3,270	-	17,360	-	-
Specialized lending	17,699,605	73,212	-	189,026	12,031	-
Other receivables	-	-	-	-	-	-
Accruals	1,256,972	9,220	-	20,166	5,860	-
Total	98,937,304	728,439	-	1,608,211	463,006	-

⁽¹⁾ Includes TRY 127,236 of personnel loans.

⁽²⁾ Includes TRY 47,604 of personnel credit cards.

Number of modifications made to extend payment plan	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
Extended by 1 or 2 times	640,316	440,578
Extended by 3,4 or 5 times	74,136	12,838
Extended by more than 5 times	4,767	3,730

^(*) Accruals amounting to TRY 9,220 are not included in the table above.

^(**) Accruals amounting to TRY 5,860 are not included in the table above.

Extended period of time	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
0-6 Months	291,279	34,444
6 Months-12 Months	210,293	26,153
1-2 Years	62,915	48,898
2-5 Years	140,844	237,452
5 Years and over	13,888	110,199

^(*) Accruals amounting to TRY 9,220 are not included in the table above.

^(**) Accruals amounting to TRY 5,860 are not included in the table above.

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c) Loans according to their maturity structure:

Current Period	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
Short term loans and other receivables	22.492.658	332.560	273.380	28.324
Non-specialized loans	21.986.196	305.605	269.892	27.965
Specialized lending	223.866	22.746	90	-
Other receivables	-	-	-	-
Accruals	282.596	4.209	3.398	359
Medium and long term loans and other receivables	75.716.206	395.879	871.826	434.682
Non-specialized loans	57.348.523	340.402	684.013	417.150
Specialized lending	17.402.527	50.466	176.905	12.031
Other receivables	-	-	-	-
Accruals	965.156	5.011	10.908	5.501
Prior Period				
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
Short term loans and other receivables	18.435.877	482.333	207.345	41.084
Non-specialized loans	18.074.669	459.373	204.677	40.588
Specialized lending	139.670	17.134	193	-
Other receivables	-	-	-	-
Accruals	221.538	5.826	2.475	496
Medium and long term loans and other receivables	62.886.695	394.777	622.826	1.461.310
Non-specialized loans	47.384.525	349.712	450.755	1.421.164
Specialized lending	14.740.876	40.296	164.788	22.494
Other receivables	-	-	-	-
Accruals	761.294	4.769	7.283	17.652

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d) Information on consumer loans, individual credit cards, personnel loans and credit cards:

	Short-term	Medium and long-term	Total
Consumer loans-TRY	333.521	21.970.039	22.303.560
<i>Real estate loans</i>	2.089	10.320.990	10.323.079
<i>Automobile loans</i>	975	111.953	112.928
<i>Consumer loans</i>	330.457	11.485.598	11.816.055
<i>Other</i>	-	51.498	51.498
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	2.479	270.555	273.034
<i>Real estate loans</i>	108	18.923	19.031
<i>Automobile loans</i>	117	352	469
<i>Consumer loans</i>	2.060	243.874	245.934
<i>Other</i>	194	7.406	7.600
Individual credit cards-TRY	2.133.185	1.206	2.134.391
<i>Installment</i>	820.381	-	820.381
<i>Non-installment</i>	1.312.804	1.206	1.314.010
Individual credit cards-FC	40	29.884	29.924
<i>Installment</i>	-	29.884	29.884
<i>Non-installment</i>	40	-	40
Personnel loans-TRY	5.218	119.130	124.348
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	5.218	119.130	124.348
<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	199	2.689	2.888
<i>Real estate loans</i>	2	1.742	1.744
<i>Automobile loans</i>	-	15	15
<i>Consumer loans</i>	185	918	1.103
<i>Other</i>	12	14	26
Personnel credit cards-TRY	47.021	6	47.027
<i>Installment</i>	17.833	-	17.833
<i>Non-installment</i>	29.188	6	29.194
Personnel credit cards-FC	47	530	577
<i>Installment</i>	-	530	530
<i>Non-installment</i>	47	-	47
Overdraft accounts-TRY (Retail customer)	378.249	-	378.249
Overdraft accounts-FC (Retail customer)	19.385	-	19.385
Total	2.919.344	22.394.039	25.313.383

⁰¹ Interest income accruals are not included in the table above.

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e) Information on commercial installments loans and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	4.857	877.017	881.874
<i>Business residential loans</i>	27	516.573	516.600
<i>Automobile loans</i>	4.830	264.407	269.237
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	96.037	96.037
Commercial installment loans- Indexed to FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans-FC	151.601	261.791	413.392
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	151.601	261.791	413.392
Corporate credit cards-TRY	697.222	-	697.222
<i>Installment</i>	445.299	-	445.299
<i>Non-installment</i>	251.923	-	251.923
Corporate credit cards-FC	2	511	513
<i>Installment</i>	-	511	511
<i>Non-installment</i>	2	-	2
Overdraft accounts-TRY (Commercial customer)	530.953	-	530.953
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	1.384.635	1.139.319	2.523.954

⁽¹⁾ Interest and income accruals are not included in table above.

f) Loan according to type of borrowers:

	Current period	Prior period
Public	2.642.267	2.116.135
Private	97.903.248	82.416.112
Total	100.545.515	84.532.247

g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	99.349.779	83.573.141
Foreign loans	1.195.736	959.106
Total	100.545.515	84.532.247

h) Loans granted to subsidiaries and associates:

None.

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i) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	214.256	245.747
Loans and receivables with doubtful collectability	580.108	131.601
Uncollectible loans and receivables	1.639.044	1.450.180
Total	2.433.408	1.827.528

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

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period	45.487	14.610	42.346
(Gross amounts before the specific provisions)	-	-	-
Loans and other receivables which are restructured			
Rescheduled loans and other receivables	45.487	14.610	42.346
Prior period	145.197	8.194	84.801
(Gross amounts before the specific provisions)	-	-	-
Loans and other receivables which are restructured			
Rescheduled loans and other receivables	145.197	8.194	84.801

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior period end balance	379.296	217.315	1.667.597
Additions (+)	1.984.069	17.983	56.494
Transfers from other categories of loans under follow-up (+)	-	1.673.089	520.284
Transfers to other categories of loans under follow-up (-)	1.810.592	382.781	-
Collections (-)	219.612	70.922	313.174
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	333.161	1.454.684	1.931.201
Specific provision (-)	214.256	580.108	1.639.044
Net balance on balance sheet	118.905	874.576	292.157

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period			
Balance at the end of the period	17.479	1.240.601	185.683
Specific provisions(-)	11.698	432.404	123.135
Net balance in the balance sheet	5.781	808.197	62.548
Prior period			
Balance at the end of the period	1.724	1.804	15.504
Specific provisions(-)	607	1.090	15.504
Net balance in the balance sheet	1.117	714	-

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	118.905	874.576	292.157
Loans to granted real persons and legal entities (Gross)	332.452	1.453.505	1.878.701
Specific provisions (-)	213.547	578.929	1.586.544
Loans to granted real persons and legal entities (Net)	118.905	874.576	292.157
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	709	1.179	52.500
Specific provisions (-)	709	1.179	52.500
Other loans and receivables (Net)	-	-	-
Prior period (Net)	133.549	85.714	217.417
Loans to granted real persons and legal entities (Gross)	379.154	215.149	1.617.110
Specific provisions (-)	245.605	129.435	1.399.693
Loans to granted real persons and legal entities (Net)	133.549	85.714	217.417
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	142	2.166	50.487
Specific provisions (-)	142	2.166	50.487
Other loans and receivables (Net)	-	-	-

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

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

The Parent Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted.

l) Explanations on write-off policy:

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

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m) Aging analysis of overdue but not impaired financial assets per classes of financial instruments:

Current Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	12.886	117	3.851	16.854
SME Loans	106.913	12.861	16.175	135.949
Consumer Loans	39.439	5.939	4.810	50.188
Credit cards	133.991	25.049	15.141	174.181
Total	293.229	43.966	39.977	377.172

^{ç)} Only the overdue loans those subject to outstanding principal payment amounting to TRY 516.905 are included.

Prior Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	45.318	11.849	417	49.327
SME Loans	92.435	19.073	15.644	127.152
Consumer Loans	36.454	5.913	4.201	57.342
Credit cards	122.995	20.934	10.949	152.361
Total	297.202	57.769	31.211	386.182

^{ç)} Only the overdue loans those subject to outstanding principal payment amounting to TRY 1.348.348 are included.

(6) Information on held-to-maturity investments:

a) Information on held-to-maturity investments blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value:

a.1. Held-to-maturity investments blocked/given as collateral:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills	10.769	-	-	-
Government bonds and similar securities	3.374.880	416.619	3.089.127	121.049
Total	3.385.649	416.619	3.089.127	121.049

a.2. Held-to-maturity investments subject to repurchase agreements:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	6.744.155	248.221	764.916	-
Total	6.744.155	248.221	764.916	-

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

	Current period	Prior period
Government bonds	17.790.143	18.966.304
Treasury bills	68.170	-
Other public sector debt securities	-	-
Total	17.858.313	18.966.304

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	17.869.082	18.973.598
<i>Quoted on a stock exchange</i>	<i>17.186.321</i>	<i>17.745.799</i>
<i>Not quoted</i>	<i>682.761</i>	<i>1.227.799</i>
Impairment provision (-)	-	-
Total	17.869.082	18.973.598

d) Movement of held-to-maturity investments within the year:

	Current period	Prior period
Beginning balance	18.973.598	13.643.091
Foreign currency differences on monetary assets	94.395	(30)
Purchases during the year ⁽¹⁾	4.234.250	10.414.943
Disposals through sales and redemptions ⁽²⁾	(5.433.161)	(5.084.406)
Impairment provision (-)/provision reversal (+)	-	-
Balance at the of the period	17.869.082	18.973.598

⁽¹⁾ Interest income accrual difference between 31 December 2014 amounting to TRY 1.546.425 and 31 December 2013 amounting to TRY 1.133.097 has been included in purchases row.

⁽²⁾ In accordance with the tainting rules defined in Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2013, the Parent Bank reclassified EUR 264.347 (TRY 606.491) and USD 342.113 (TRY 612.382) of financial assets from held to maturity investments portfolio to available for sale portfolio. Related amount was presented in "Disposals Through Sales and Redemptions" row.

⁽³⁾ In accordance with the rules defined in Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2013, the Bank reclassified TRY 4.039.794 thousands and USD 502.575 (TRY 982.535) thousands of financial assets from available for sales portfolio to held to maturity investments portfolio. Related amount was presented in "Purchases during the year" row.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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e) Information on held-to-maturity investments accounts:

The breakdown of the held to maturity securities of the Group is as follows:

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of Treasury of Republic of Turkey ⁽¹⁾	10.441.188	553.127	11.704.037	565.483	10.338.419	-	11.327.941	-
Obtained with the transfer	600.000	-	614.589	-	1.200.000	-	1.227.798	-
Reclassified from other securities portfolios ⁽¹⁾	3.731.605	928.818	3.974.219	942.584	5.167.817	937.622	5.274.255	945.657
Other	-	68.041	-	68.170	202	196.452	202	197.745
Total	14.772.793	1.549.986	16.292.845	1.576.237	16.706.438	1.134.074	17.830.196	1.143.402

⁽¹⁾ The Bank has reclassified TRY 5.022.329 from available for sale financial assets portfolio to held to maturity investments portfolio on 23 October 2013.

(7) Information on associates (Net):

a) Information on unconsolidated associates, reasons for not consolidating:

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

b) Information on unconsolidated associates:

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

Information related to the associates as sorted above:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	106.802	80.884	49.124	4.265	-	17.802	32.665	-
2.	58.459	24.707	34.286	962	-	2.423	2.644	-

⁽¹⁾ No investment is listed on the stock exchange.

⁽²⁾ The financial data of Kredi Kayıt Bürosu AŞ and Bankalar Arası Kart Merkezi AŞ is obtained from 31 December 2014 audited financial statements.

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c) Information on consolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demirhalkbank NV	Holland	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	33,12

Information related to the associates as sorted above:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	5.226.693	650.523	33.345	146.266	7.647	33.943	39.515	-
2.	46.518	46.214	21.652	2.365	-	508	152	-

¹⁾ No investment is listed on the stock exchange.

²⁾ The financial data of Demirhalkbank NV is obtained from 31 December 2014 unaudited financial statements, and the financial data of Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ is obtained from 31 December 2014 audited financial statements.

d) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	227.051	176.654
Movements during the period	(933)	50.397
Purchases	-	-
Bonus shares obtained profit from current year's share	-	-
Dividends from current year income	10.343	11.915
Sales	-	-
Transfers ¹⁾	-	(335)
Revaluation decrease (-)/increase	(11.276)	38.817
Provision for impairment (-)/reversals (+)	-	-
Balance at the end of the period	226.118	227.051
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

e) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	205.255	206.348
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	14.544	14.383

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f) Associates quoted to a stock exchange:

None.

(8) Information on subsidiaries (Net):

a) Information on subsidiaries:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Banka AD, Skopje	Halk Factoring AŞ
CORE CAPITAL								
Paid in Capital	64.000	94.000	183.000	697.900	272.250	5.000	109.685	40.000
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share Premiums	-	-	-	49.945	-	-	11.633	-
Share cancellation profits	-	-	-	(18.991)	-	-	-	-
Reserves	6.289	38.138	19.309	28.364	8.163	1.201	26.829	-
Other Comprehensive Income according to TAS	1.973	(3.157)	2.297	-	-	-	204	-
Profit/Loss	18.029	50.962	98.659	70.512	17.742	2.452	18.159	9.344
<i>Net Profit</i>	<i>18.122</i>	<i>50.962</i>	<i>90.304</i>	<i>61.347</i>	<i>5.142</i>	<i>2.328</i>	<i>12.045</i>	<i>8.585</i>
<i>Prior Period Profit/Loss</i>	<i>-93</i>	<i>-</i>	<i>8.355</i>	<i>9.165</i>	<i>12.600</i>	<i>124</i>	<i>6.114</i>	<i>759</i>
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit Minority shares	-	-	-	-	-	-	-	-
Leasehold Improvements (-)	-	-	441	-	-	-	2.160	97
Intangible Assets (-)	455	3.292	1.724	704	700	42	1.431	129
Total Core Capital	89.836	176.651	301.100	827.026	297.455	8.611	162.919	49.118
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	8.982	-
CAPITAL	89.836	176.651	301.100	827.026	297.455	8.611	171.901	49.118
DEDUCTIONS FROM THE CAPITAL	-	-	-	-	-	-	-	-
NET AVAILABLE CAPITAL	89.836	176.651	301.100	827.026	297.455	8.611	171.901	49.118

⁽¹⁾ The information is presented from financial statements subject to consolidation as of 31 December 2014.

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

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

Paid in capital (foreign) has been indicated as foreign currency in articles of incorporation and registered in trade registry.

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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 transferred with the General Assembly decision after distributable profit have been transferred to legal reserves.

Legal reserves are the status reserves which have been transferred 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.

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

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

c) Information on unconsolidated subsidiaries:

	Description	Address (City/Country)	Bank's share percentage, if different-voting percentage (%)
1.	Bileşim Alternatif Dağ. Kan. AŞ	İstanbul	100,00

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽²⁾
1.	28.469	18.089	4.093	560	702	2.248	2.562	37.859

⁽¹⁾ The financial data of Bileşim Alternatif Dağ. Kan. is obtained from 31 December 2014 unaudited financial statements.

⁽²⁾ The information is presented from valuation report as 31 December 2014.

d) Information on consolidated subsidiaries: (Net):

	Description	Address (City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1.	Halk Yatırım Menkul Değerler AŞ	İstanbul	99,96	99,96
2.	Halk Sigorta AŞ	İstanbul	89,18	93,49
3.	Halk Hayat ve Emeklilik AŞ	İstanbul	100,00	100,00
4.	Halk Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul	78,07	78,11
5.	Halk Finansal Kiralama AŞ	İstanbul	100,00	100,00
6.	Halk Portföy Yönetimi AŞ	İstanbul	75,00	99,99
7.	Halk Banka AD, Skopje	Macedonia	98,78	98,78
8.	Halk Faktoring AŞ	İstanbul	97,50	99,99

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e) Information related to the subsidiaries as sorted above ⁽¹⁾:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽²⁾
1.	469.908	89.836	1.970	27.896	2.459	18.122	8.713	134.557
2.	617.698	176.651	6.213	35.075	4.922	50.962	43.134	345.235
3.	635.019	301.100	3.577	53.198	28.268	90.304	77.404	826.332
4.	928.407	827.026	690.621	14.844	7.630	61.347	31.511	607.758
5.	2.058.711	297.455	1.102	125.691	-	5.142	16.503	409.660
6.	9.572	8.611	284	730	25	2.328	1.349	11.933
7.	1.120.437	171.901	31.650	59.875	6.150	12.045	5.626	-
8.	375.018	49.118	557	60.474	-	8.585	1.020	58.123

⁽¹⁾ The information is presented from financial statements subject to consolidation as 31 December 2014.

⁽²⁾ The information is presented from valuation reports as 31 December 2014. Halk Gayrimenkul Yatırım Ortaklığı AŞ has been evaluated by using quoted prices.

⁽³⁾ 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.

f) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period(before elimination)	2.334.263	1.794.160
Movements during the period	242.553	540.103
Purchases ⁽¹⁾	44.296	167.590
Bonus shares obtained profit from current year's share	140.007	85.867
Dividends from current year income	-	-
Sales	-	-
Transfer	-	335
Revaluation increase	58.250	286.311
Reversal of provision for impairment (-)	-	-
Share capital elimination of subsidiaries	(2.538.957)	(2.303.659)
Balance at the end of the period	37.859	30.604
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ Purchases amounting to TRY 44.296 consist payments amounting to TRY 41.382 due to purchase of 5,60 % shares of Halk Hayat ve Emeklilik AŞ, amounting to TRY 1.789 due to purchase of 19% shares of Halk Portföy Yönetimi AŞ, amounting to TRY 1.106 due to purchase of 2,50 % shares of Halk Faktoring AŞ and amounting to TRY 19 due to purchase of 0,02% shares of Halk Yatırım Menkul Değerler AŞ The Bank has purchased all of the non-publicly traded shares of Halk Hayat ve Emeklilik AŞ and Halk Sigorta AŞ and all of their shares in other related parties.

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

	Current period	Prior period
Banks	145.359	145.359
Insurance companies	1.171.567	1.021.407
Factoring companies	58.123	42.032
Leasing companies	409.660	406.645
Financing companies	-	-
Other financial subsidiaries	754.248	688.216

h) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock ^{(1) (2)}	952.993	914.612
Quoted foreign stock exchange	-	-

⁽¹⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa Istanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

⁽²⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul AŞ.

(9) Information on jointly controlled entities (joint ventures):

None.

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

a) Maturity structure of investments on financial lease:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	646.374	523.211	551.818	434.994
Between 1-4 years	1.189.060	1.028.472	1.017.878	883.033
More than 4 years	362.702	350.853	396.245	375.729
Total	2.198.136	1.902.536	1.965.941	1.693.756

b) Information on gross investments of financial lease:

	Current period	Prior period
Gross financial lease investment	2.198.136	1.965.941
Unearned revenues from financial lease	(295.600)	(272.185)
Total	1.902.536	1.693.756

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

	Current period	Prior period
Financial lease receivables with limited collectability	5.401	39.764
Financial lease receivables with doubtful collectability	65.237	32.588
Uncollectible financial lease receivables	151.128	94.799
Specific provisions	(115.704)	(49.455)
Total	106.062	117.696

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

None.

(12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Additions	Disposals	Transfers	Balance at the end of the period
Cost:					
Immovables	1.026.315	116.882	(4.087)	(8.133)	1.130.977
Tangible assets purchased through financial lease	32.253	176	(1.642)	-	30.787
Office machines	324.869	65.092	(15.685)	-	374.276
Fixed assets obtained due to non-performing loans	380.820	249.123	(121.736)	(105)	508.102
Lease hold improvements costs	146.831	31.673	(31.880)	115	146.739
Other	283.334	12.537	(12.372)	-	283.499
Total Cost	2.194.422	475.483	(187.402)	(8.123)	2.474.380
Accumulated depreciation(-)					
Immovables	241.746	14.305	(793)	(2.317)	252.941
Tangible assets purchased through financial lease	30.047	681	(1.629)	-	29.099
Office machines	159.743	47.927	(10.769)	-	196.901
Fixed assets obtained due to non-performing loans	8.685	4.158	(2.164)	(3)	10.676
Lease hold improvements costs	75.798	34.251	(30.959)	-	79.090
Other	204.801	16.149	(7.438)	-	213.512
Total accumulated depreciation	720.820	117.471	(53.752)	(2.320)	782.219
Provision for impairment (-)					
Immovables	5.616	-	(3.796)	35	1.855
Fixed assets obtained due to non-performing loans	4.684	2.037	(330)	-	6.391
Total provision for impairment (-)	10.300	2.037	(4.126)	35	8.246
Net Book Value	1.463.302	355.975	129.524	(5.838)	1.683.915

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Prior Period	Balance at the end of the prior period	Additions	Disposals	Transfers	Balance at the end of the period
Cost:					
Immovables	1,021,913	27,458	(16,498)	(6,558)	1,026,315
Tangible assets purchased through financial lease	36,824	274	(4,845)	-	32,253
Office machines	254,618	81,393	(11,142)	-	324,869
Fixed assets obtained due to non-performing loans	455,684	162,167	(237,125)	94	380,820
Lease hold improvements costs	150,428	27,311	(30,908)	-	146,831
Other	268,228	23,774	(8,165)	(503)	283,334
Total Cost	2,187,695	322,377	(308,683)	(6,967)	2,194,422
Accumulated depreciation(-)					
Immovables	229,868	14,016	(596)	(1,542)	241,746
Tangible assets purchased through financial lease	34,211	679	(4,843)	-	30,047
Office machines	125,859	43,956	(10,072)	-	159,743
Fixed assets obtained due to non-performing loans	8,862	3,873	(4,050)	-	8,685
Lease hold improvements costs	69,915	30,315	(24,432)	-	75,798
Other	187,122	21,720	(4,041)	-	204,801
Total accumulated depreciation	655,837	114,559	(48,034)	(1,542)	720,820
Provision for impairment (-)					
Immovables	6,520	-	(904)	-	5,616
Fixed assets obtained due to non-performing loans	7,997	2,389	(5,702)	-	4,684
Total provision for impairment (-)	14,517	2,389	(6,606)	-	10,300
Net Book Value	1,517,341	205,429	(254,043)	(5,425)	1,463,302

(13) Information on intangible assets:

Current Period	Balance at the end of the prior period	Additions	Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	86,107	28,210	1,736	-	112,581
Total Cost	86,107	28,210	1,736	-	112,581
Accumulated Depreciation(-)					
Other intangible assets	19,068	10,966	54	-	29,980
Total Accumulated Depreciation(-)	19,068	10,966	54	-	29,980
Net Book Value	67,039	17,244	1,682	-	82,601

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Prior Period	Balance at the end of the prior period	Additions	Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	67.522	21.069	2.484	-	86.107
Total Cost	67.522	21.069	2.484	-	86.107
Accumulated Depreciation(-)					
Other intangible assets	11.515	7.567	14	-	19.068
Total Accumulated Depreciation(-)	11.515	7.567	14	-	19.068
Net Book Value	56.007	13.502	2.470	-	67.039

(14) Information on investment property:

	Current Period	Prior Period
Cost		
Opening Balance	36.344	28.156
Acquisitions	-	8.188
Transfer	(11.658)	-
Disposals	-	-
Impairment Charge/Cancellation(-)	-	-
Ending Balance	24.686	36.344
Accumulated Depreciation		
Opening Balance		
Amortization Charge (-)	157	-
Disposals	-	-
Transfer	-	-
Impairment Charge/Cancellation (-)	-	-
Ending Balance	157	-
Net Book Value	24.529	36.344

(15) Information on tax assets:

a) Current tax assets:

None. (31 December 2013: None)

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b) Deferred tax assets:

	Current period	Prior period
Deferred Tax (Asset)/Liability		
Provisions ⁽¹⁾	176.684	127.384
Revaluation of Financial Assets	86.475	(124.952)
Other	41.834	3.502
Deferred Tax (Asset)/Liability:	304.993	5.934
Deferred tax accounted in shareholders' equity	(75.890)	21.755
Fair value differences for available for sale financial assets	(79.377)	25.436
Actuarial gains/losses	3.487	(3.681)

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

(16) Information on non-current assets held for sale:

	Current period	Prior period
Cost	11.072	8.164
Accumulated Depreciation (-) ⁽¹⁾	(2.296)	(1.193)
Net Book Value	8.776	6.971
Opening Balance	6.971	6.009
Acquisitions (Transfers) (Net)	8.639	6.967
Disposals (Net)	(5.741)	(5.822)
Impairment Charge/Cancellation(-)	10	198
Amortization Charge(-)(1)	(1.103)	(381)
Net Book Value	8.776	6.971

⁽¹⁾ The amount of accumulated depreciation belongs to asset held for sale in current period.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 1.502.478 and does not exceed 10% of the balance sheet total (31 December 2013: TRY 1.552.464).

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II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	3.931.504	-	391.405	23.615.774	1.337.988	399.488	580.948	106.619	30.363.726
Foreign currency deposits	4.622.648	-	2.099.744	11.578.260	2.704.533	1.255.831	3.015.945	111.91	25.288.152
Residents in Turkey	3.411.659	-	1.873.877	11.071.849	2.590.260	940.166	2.069.198	11.063	21.968.072
Residents abroad	1.210.989	-	225.867	506.411	114.273	315.665	946.747	128	3.320.080
Public sector deposits	2.386.024	-	1.493.653	2.559.538	272.145	2.244.198	4.347	-	8.959.905
Commercial inst. deposits	3.160.176	-	3.057.548	10.714.137	527.657	214.262	37.353	-	17.711.133
Other inst. deposits	614.611	-	76.643	1.220.875	49.041	543.638	135.112	-	2.639.920
Precious metals	1.508.769	-	-	-	-	-	-	-	1.508.769
Interbank deposits	5.414.668	-	5.706.230	4.390.775	1.522.737	23.740	124.395	-	17.182.545
Central Bank of Turkey	8	-	-	-	-	-	-	-	8
Domestic banks	14.862	-	5.454.488	1.113.546	361.532	19.106	4.304	-	6.967.838
Foreign banks	4.679.639	-	251.742	3.277.229	1.161.205	4.634	120.091	-	9.494.540
Participation banks	720.159	-	-	-	-	-	-	-	720.159
Total	21.638.400	-	12.825.223	54.079.359	6.414.101	4.681.157	3.898.100	117.810	103.654.150

a.2. Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	3.284.266	-	341.488	23.669.564	1.353.617	395.438	633.612	122.789	29.800.774
Foreign currency deposits	3.588.581	-	1.631.774	12.280.604	4.930.815	2.396.805	3.139.084	13.049	27.980.712
Residents in Turkey	2.125.249	-	1.516.879	11.920.017	4.807.360	1.995.467	2.197.551	12.923	24.575.446
Residents abroad	1.463.332	-	114.895	360.587	123.455	401.338	941.533	126	3.405.266
Public sector deposits	2.524.920	-	724.063	4.901.027	496.489	197.956	81.705	-	8.926.160
Commercial inst. Deposits	3.132.308	-	2.224.622	11.896.354	498.577	487.939	179.953	-	18.419.753
Other inst. Deposits	560.173	-	65.145	1.859.320	256.623	378.779	113.618	-	3.233.658
Precious metals	2.016.818	-	-	-	-	-	-	-	2.016.818
Interbank deposits	3.585.113	-	3.727.382	1.816.514	343.404	68.108	476.783	-	10.017.304
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	22.831	-	2.425.179	972.335	80.184	4.209	115	-	3.504.853
Foreign banks	3.129.531	-	1.302.203	844.179	263.220	63.899	476.668	-	6.079.700
Participation banks	432.751	-	-	-	-	-	-	-	432.751
Total	18.692.179	-	8.714.474	56.423.383	7.879.525	3.925.025	4.624.755	135.838	100.395.179

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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	19.038.326	18.203.362	11.249.274	11.528.066
Foreign currency saving deposits	6.234.492	5.836.594	8.181.125	7.332.125
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	92.647	86.977		
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	120.160	144.674
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	5.406	4.762
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	-	48.231	4	31.123
Swap transactions	-	135.720	-	22.024
Future transactions	-	-	-	-
Options	15	763	30	311
Other	-	-	-	-
Total	15	184.714	34	53.458

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(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	703.890	314.058	659.666	932.889
Foreign banks, institutions and funds	639.700	12.524.126	485.457	13.008.340
Total	1.343.590	12.838.184	1.145.123	13.941.229

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	685.036	7.186.701	619.697	7.851.679
Medium and long-term	658.554	5.651.483	525.426	6.089.550
Total	1.343.590	12.838.184	1.145.123	13.941.229

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

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

Main liability of the Group is deposit, which is composed of 29 % of saving deposits and 24 % of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Parent Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Group's 43% of banks deposits and 31% of other deposits consist of foreign currency deposits.

Information on funds provided from repurchase agreement transactions:

	Current period		Prior period	
	TRY	FC	TRY	FC
From domestic transactions	8.190.406	-	779.093	-
<i>Financial inst. and organizations</i>	8.111.292	-	713.833	-
<i>Other institutions and organizations</i>	39.752	-	33.987	-
<i>Real persons</i>	39.362	-	31.273	-
From overseas transactions	305	231.074	203	-
<i>Financial inst. and organizations</i>	-	231.074	-	-
<i>Other institutions and organizations</i>	-	-	-	-
<i>Real persons</i>	305	-	203	-
Accruals	5.435	134	236	-
Total	8.196.146	231.208	779.532	-

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(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills ⁽¹⁾	1,441,777	-	845,573	-
Bonds ⁽²⁾	-	4,649,617	87,706	3,218,387
Total	1,441,777	4,649,617	933,279	3,218,387

⁽¹⁾ As of 26 September 2014, the treasury bills amounting to TRY 750,000 with maturity of 175 days are issued by the Parent Bank. Also, as of 11 December 2014, the Parent Bank issued treasury bills amounting to TRY 1,000,000 with maturity of 175 days.

⁽²⁾ As of 19 July 2012, the bonds amounting to USD 750,000 with maturity of 5 years and as of 5 February 2013 the bonds amounting to USD 750,000 with maturity of 7 years and as of 4 June, 2014 the bonds amounting to USD 500,000 with maturity of 5 years are issued by Bank.

(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Parent Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Under secretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

a) Maturity structure of funds:

Current period		Prior Period	
Short-term	Long-term	Short-term	Long-term
19,404	1,749,887	17,957	1,470,585

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 1,438,049 and does not exceed 10% of the balance sheet total (31 December 2013: TRY 1,356,677).

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

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

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the Tax Procedural Code.

b) Explanation on finance lease payables:

None.

c) Explanations regarding operational leases:

The operational leasing agreements are signed for some branches. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "other assets". The Parent Bank does not have any commitments arising on the existing operational lease agreements.

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior period
General provision	1.277.829	1.142.413
Provisions for first group loans and receivables	1.141.397	972.257
<i>Additional provisions for the loans with extended payment plan</i>	<i>18.719</i>	<i>15.179</i>
Provisions for second group loans and receivables	48.680	90.911
<i>Additional provisions for the loans with extended payment plan</i>	<i>22.942</i>	<i>74.253</i>
Provisions for non cash loans	87.752	79.245
Other	-	-

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

None.

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

As of 31 December 2014, the Bank's specific provision for unindemnified non-cash loans balance is TRY 94.271 (31 December 2013: TRY 69.008).

d) Information on other provisions:

Total other provision balance amounting to TRY 252.183 (31 December 2013: TRY 253.319) consists of 94.271 (31 December 2013: TRY 69.008) for specific provisions for unindemnified non cash loans, TRY 85.109 (31 December 2013: TRY 26.222) for legal cases filed against the Bank, TRY 72.803 (31 December 2013: TRY 25.858) of other provisions.

e) Movement of employee termination benefits:

The Parent Bank's severance indemnity provision is calculated by an independent company by using the severance indemnity provision as of 31 December 2014 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation, according to TAS 19, is as follows;

	Current Period	Prior Period
Discount Rate	%8,60	%9,80
Inflation Rate	%6,00	%6,40
Wage growth	%2,60	%3,20
Estimated Real Wage Growth Rate	%6,20	%6,60

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

	Current Period	Prior Period
As of January 1	298.493	295.809
Charge for the year	25.479	25.997
Interest Expense	28.342	21.859
Actuarial gain/loss	36.245	(18.126)
Previous Charge for the last financial period	830	
Payment/The limitation of benefits/Loss(Gain) because of discharge	224	3.282
Benefits paid within the period (-)	(30.762)	(30.029)
Total	358.851	298.792

As of 31 December 2014, the Group's unused vacation provision is TRY 132.524 and severance indemnity provision for outsource firms is TRY 9.125. This amount is followed under employee benefits provision under liabilities (31 December 2013: TRY 113.617 TL for unused vacation provision; TRY 8.026 for severance indemnity provision for outsources firms).

As of 1 January 2013, the Group's actuarial gains and losses are recognized and accounted in shareholders' equity.

f) Liabilities on pension rights

f.1. Liabilities for pension funds established in accordance with "Social Security Institution":

None.

f.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees:

Based on the results of the actuarial report prepared as of 31 December 2014 and 31 December 2013, no technical deficit has been reported for Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı, T.C. Ziraat Bankası and T. Halk Bankası Çalışanları Emekli Sandığı Vakfı.

	Current period	Prior period
Life-Mathematical Provisions	217.823	225.567
Provisions for unearned premium claims	220.952	175.630
Provision for outstanding claims	216.239	134.474
Provisions for unexpired risk reserves	-	-
Other	704	612
Total	655.718	536.283

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(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2014, the Group's corporate tax payable is amounting to TRY 353.406 after setting off TRY 574.378 of prepaid taxes from TRY 927.784 of corporate tax liabilities tax provision.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	352.743	62.701
Income on securities tax	107.853	72.050
Property income tax	965	773
Banking and insurance transactions tax (BITT)	49.264	36.893
Foreign exchange transactions tax	11	11
Value added tax payable	4.648	277
Other	15.326	21.639
Total	530.810	194.344

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	364	421
Social insurance premiums-employer	571	402
Bank social aid pension fund premium-employee	7.176	5.205
Bank social aid pension fund premium-employer	9.810	7.205
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	14
Unemployment insurance-employee	23	17
Unemployment insurance-employer	48	41
Other	7.491	2.671
Total	25.483	15.976

b) Explanations regarding deferred tax liability:

As of 31 December 2014, the Group has TRY 4.474 of deferred tax liability. (31 December 2013: TRY 10.837)

(11) Information on liabilities regarding assets held for sale and discontinued operations:

None.

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

None.

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(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

	Current period	Prior period
Common stock	1.250.000	1.250.000
Preferred stock	-	-

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

None.

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

None.

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

None.

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

None.

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

The Group has sustainable profitability structure 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:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	10.984	-	16.729	-
Revaluation difference	163.656	20.667	(158.355)	(143.043)
Exchange rate difference	-	-	-	-
Total	174.118	20.667	(141.626)	(143.043)

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i) Information on legal reserves:

	Current period	Prior period
First Legal Reserves	776.033	630.421
Second Legal Reserves	473.685	442.849
Legal reserves appropriated in accordance with the law	3.355	2.676
Total	1.253.073	1.075.946

j) Information on the extraordinary reserves

	Current period	Prior period
Reserves appropriated by General Assembly	9.127.515	6.838.498
Retained Earnings	139.813	149.403
Accumulated Reserves	(195)	-
Foreign Currency Translation Differences (-)	-	-
Total	9.267.133	6.987.901

(14) a) Information on minority interest shares:

	Current Period	Prior period
Paid-in capital	141.953	134.835
Export Premium	11.085	11.085
Marketable Securities Revaluation Fund	172	(85)
Legal Reserves	1.125	707
Extraordinary Reserves	7.689	6.254
Retained Earnings	(506)	(186)
Other Profit Reserves	337	310
Net Period Income/Loss	16.905	10.027
Closing Balance	178.760	162.947

b) Movement of minority interest shares:

	Current Period	Prior period
Beginning Balance	162.947	4.762
Change in Minority Interest	(1.092)	148.158
Net Period Income/Loss	16.905	10.027
Closing Balance	178.760	162.947

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current period	Prior period
Commitments for credit card expenditure limits	10.329.418	9.896.720
Payment commitments for cheques	5.073.145	4.670.295
Loan granting commitments	2.045.738	1.572.258
Two days forward foreign exchange buy/sell transactions	554.547	1.461.853
Commitments for credit cards and banking services promotions	41.774	37.663
Tax and fund liabilities from export commitments	17.037	13.413
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	1.629.046	1.711.506
Total	19.690.705	19.363.708

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

b.1. Non-cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current period	Prior period
Letters of credit	3.923.602	3.825.259
Bank acceptance loans	3.068.156	1.944.803
Other guarantees	905.190	956.431
Total	7.896.948	6.726.493

b.2. Certain guarantees, tentative guarantees, surety ships and similar transactions:

	Current period	Prior period
Letters of certain guarantees	12.623.491	10.645.927
Letters of advance guarantees	1.973.059	1.697.143
Letters of tentative guarantees	915.139	747.085
Letters of guarantee given to customs offices	1.073.877	925.226
Other letters of guarantee	8.383.427	6.378.555
Total	24.968.993	20.393.936

c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	601.912	423.414
<i>Within one year or less original maturity</i>	211.977	70.295
<i>Within more than one year maturity</i>	389.935	353.119
Other non-cash loans	32.264.029	26.697.015
Total	32.865.941	27.120.429

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c.1) Non-cash loans sectoral risk concentrations:

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	30.725	0,21	916	0,01	18.638	0,14	1.210	0,01
<i>Farming and raising livestock</i>	17.406	0,12	916	0,01	14.453	0,11	1.120	0,01
<i>Forestry</i>	174	0,00	-	0,00	362	0,00	-	0,00
<i>Fishing</i>	13.145	0,09	-	0,00	3.823	0,03	90	0,00
Manufacturing	3.800.910	25,23	10.349.555	58,14	3.052.627	23,83	7.875.942	55,04
<i>Mining</i>	92.975	0,62	382.003	2,15	67.664	0,53	98.804	0,69
<i>Production</i>	2.440.417	16,20	7.690.657	43,20	2.120.143	16,55	6.811.081	47,60
<i>Electric, gas and water</i>	1.267.518	8,41	2.276.895	12,79	864.820	6,75	966.057	6,75
Construction	3.685.543	24,46	3.199.413	17,97	3.385.711	26,43	2.624.856	18,35
Services	7.418.626	49,26	4.024.788	22,61	6.246.790	48,76	3.601.003	25,16
<i>Wholesale and retail trade</i>	3.507.006	23,28	1.760.789	9,89	2.619.589	20,45	1.677.496	11,72
<i>Hotel, food and beverage services</i>	61.570	0,41	43.658	0,25	56.412	0,44	42.897	0,30
<i>Transportation and telecommunication</i>	117.045	0,78	250.984	1,41	98.138	0,77	236.564	1,65
<i>Financial Institutions</i>	2.781.196	18,46	600.150	3,37	2.567.595	20,04	598.306	4,18
<i>Real estate and renting services</i>	850.808	5,65	1.361.165	7,65	838.794	6,55	1.025.396	7,17
<i>Self-employment services</i>	9.841	0,07	1.131	0,01	9.511	0,07	1.268	0,01
<i>Education services</i>	17.399	0,12	4.911	0,03	8.131	0,06	8.918	0,06
<i>Health and social services</i>	73.761	0,49	2.000	0,01	48.620	0,38	10.158	0,07
Other	129.543	0,84	225.922	1,27	108.717	0,84	204.935	1,44
Total	15.065.347	100,00	17.800.594	100,00	12.812.483	100,00	14.307.946	100,00

c.2) Non-cash loans classified in Group I and II:

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	14.795.173	17.780.402	270.174	20.192
Letters of guarantee	14.136.407	10.550.809	270.174	11.603
Bank acceptances	121.450	2.943.982	-	2.724
Letters of credit	10.996	3.906.741	-	5.865
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	526.320	378.870	-	-

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c.3) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Risk Management	
	Current period	Prior period	Current period	Prior period
Types of trading transactions				
Foreign currency related derivative transactions (I)	27.238.805	19.538.631	-	-
Forward foreign currency buy/sell transactions	5.397.802	1.903.482	-	-
Currency buy/sell swap	21.527.565	17.384.112	-	-
Currency futures	-	-	-	-
Currency put/call options	313.438	251.037	-	-
Interest related derivative transactions (II)	1.866.286	1.356.800	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	1.866.286	1.356.800	-	-
Interest rate put/call options	-	-	-	-
Interest rate buy/sell futures	-	-	-	-
Other trading derivative transactions (III)(1)	808.159	155.323	-	-
A. Total trading derivative transactions (I+II+III)	29.913.250	21.050.754	-	-
Types of derivative transactions for risk management	-	-	-	-
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B. Total derivative transactions for hedging	-	-	-	-
Total derivative transactions (A+B)	29.913.250	21.050.754	-	-

(1) Other trading derivatives include credit default swap purchases and sale transactions amounting TRY 2.445 and TRY 805.714 respectively.

d) Information on contingent liabilities and assets:

The Group has provided TRY 85.109 (31 December 2013: TRY 26.222) of provision for the disputed legal cases filed by various persons and institutions.

e) Services supplied on behalf of others:

None.

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IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	2.246.196	119.631	1.677.994	124.983
Medium and long term loans	5.152.678	1.212.717	4.210.256	1.072.079
Interest on non-performing loans	68.922	576	62.109	574
Premiums from resource utilization support fund	-	-	-	-
Total	7.467.796	1.332.924	5.950.359	1.197.636

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

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	2.846	-	-	-
Domestic banks	17.141	4.721	11.530	3.845
Overseas banks	3.759	2.481	2.768	2.070
Head office and branches	-	-	-	-
Total	23.746	7.202	14.298	5.915

c) Interest income on marketable securities:

	Current period		Prior period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	4.831	691	4.783	614
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	723.711	128.202	668.112	126.506
Held-to-Maturity Investments	1.760.607	76.146	1.276.029	13.779
Total	2.489.149	205.039	1.948.924	140.899

d) Interest income from associates:

	Current period	Prior period
Interest income and commissions from associates	-	8

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(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	93.967	224.592	35.313	197.952
Domestic banks	60.018	17.425	26.941	17.726
Overseas banks	33.949	207.167	8.372	180.226
Overseas head office and branches	-	-	-	-
Other institutions	4.149	14	26.698	-
Total	98.116	224.606	62.011	197.952

b) Interest expenses to associates:

	Current period	Prior period
Interest expenses to associates	2.859	1.797

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	95.583	183.339	50.737	130.174
Total	95.583	183.339	50.737	130.174

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits							Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
TRY									
Bank deposits	108	254.219	73.131	15.800	1.511	-	-	344.769	
Saving deposits	40	26.402	2.103.906	111.956	31.836	44.026	8.010	2.326.176	
Public deposits	277	105.526	267.052	28.028	1.885	430	-	403.198	
Commercial deposits	320	196.066	807.939	42.657	17.888	3.462	-	1.068.332	
Other deposits	-	56.310	142.010	12.492	185.003	13.977	-	409.792	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	745	638.523	3.394.038	210.933	238.123	61.895	8.010	4.552.267	
Foreign currency									
Deposits	655	46.141	265.195	91.610	59.840	86.106	-	549.547	
Bank deposits	1	45.194	21	-	-	-	-	45.216	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	-	-	-	-	-	-	-	
Total	656	91.335	265.216	91.610	59.840	86.106	-	594.763	
Grand total	1.401	729.858	3.659.254	302.543	297.963	148.001	8.010	5.147.030	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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(3) Information on dividend income:

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	3.335	2.145
Other	19.806	9.635
Total	23.141	11.780

(4) a) Information on trading profit/loss (Net):

	Current period	Prior period
Profit	17.908.235	13.021.384
Profit from the capital market operations	301.261	333.534
Profit on derivative financial instruments	3.258.940	2.532.046
Foreign exchange gains	14.348.034	10.155.804
Loss (-)	17.830.995	12.774.593
Loss from the capital market operations	932	10.441
Loss on derivative financial instruments	4.675.735	2.069.932
Foreign exchange losses	13.154.328	10.694.220

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	3.258.940	2.532.046
Effect of the change in foreign exchange on profit	3.245.225	2.512.148
Effect of the change in interest rate on profit	13.715	19.898
Loss on derivative financial instruments (-)	4.675.735	2.069.932
Effect of the change in foreign exchange on loss	4.669.174	2.060.160
Effect of the change in interest rate on loss	6.561	9.772
Profit/loss on derivative financial instruments	(1.416.795)	462.114

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses ⁽¹⁾	428.843	645.300
Life insurance income	523.378	591.444
Receivable from the asset sale on credit terms	70.129	86.627
Rent income	7129	23.283
Other income	7.775	15.645
Total	1.095.182	1.362.299

⁽¹⁾As of 31 December 2014, the Bank reversed the general reserve amounting to TRY 132.231 which had been recognized as expense on previous periods.(31 December 2013 TRY 196.069)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	879.361	439.980
<i>Group-III loans and receivables</i>	241.854	248.212
<i>Group-IV loans and receivables</i>	556.587	111.299
<i>Group-V loans and receivables</i>	80.920	80.469
General loan provision expenses	135.445	325.238
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	13
<i>Financial assets at fair value through profit and loss</i>	-	-
<i>Financial assets available for sale</i>	-	13
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Jointly controlled entities (joint ventures)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Other	214.345	122.385
Total	1.229.151	887.616

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	1.329.790	1.158.645
Reserve for employee termination benefits	56.204	52.854
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	113.313	110.686
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	9.489	7.567
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	2.398	1.365
Amortization expenses of assets that will be disposed of	4.158	3.873
Impairment expense for property and equipment held for sale	25	59
Other operating expenses	1.057.108	1.088.145
<i>Operational leasing expenses</i>	150.018	131.490
<i>Maintenance expenses</i>	22.967	26.271
<i>Advertisement expenses</i>	145.922	149.566
<i>Other expenses</i>	738.201	780.818
Loss on sales of assets	10.746	1.487
Other	830.250	660.481
Total	3.413.481	3.085.162

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

The Group's income before tax is due from continuing activities. TRY 5.333.452 of the income before tax consists of net interest income, TRY 949.165 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is amounting to TRY 2.845.891.

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

For the year ended 31 December 2014, the Bank's tax provision amounting to TRY 558.588 consists of TRY 955.292 of current tax charge and TRY 396.704 of deferred tax income.

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

For the year ended 31 December 2014; the Bank's net operating income after tax is amounting to TRY 2.287.303.

(11) Information on net profit/loss from continuing and discontinued operations:

a) Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Group's performance for the period between 1 January 2014 and 31 December 2014.

b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.

c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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

Explanations on inflation adjustments for equity items:

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

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

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

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

The "net increase/(decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 8.152.453 thousands for the year 2014. (31 December 2013 1.219.415) The "other" item under operating income composes of fees and commissions paid and other operating income excluding employee costs and other operating expenses, and amounts to TRY 3.800.937 thousands cash out for the year 2014.(31 December 2013 3.504.710 Cash Outflow)

For the year ended 31 December 2014, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 263.031 increase (31 December 2013: TRY 638.106, increase).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

(2) Items of cash and cash equivalents, accounting policies used in the determination of those items:

Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.

(3) The effect of any change in accounting policies:

None.

(4) Period beginning cash and cash equivalents balance:

	Current period	Prior period
Cash	20.021.395	12.517.078
Cash in TRY and foreign currency	816.075	693.316
Central Bank and others ⁽¹⁾	19.205.320	11.823.762
Cash equivalents	2.133.459	2.750.971
Demand and Time Deposits Up to 3 Months	1.902.775	2.588.437
Money Market Placements	230.684	162.534
Total cash and cash equivalents	22.154.854	15.268.049
Reserve deposits in Central Bank	(15.470.667)	(9.870.896)
Bank blockage balance ⁽²⁾	(161.784)	(140.697)
Accruals on money market placement	(211)	(34)
Accruals on banks	(2.611)	(1.728)
Cash and Cash Equivalents	6.519.581	5.254.694

⁽¹⁾ Others items include cheques received and blocked reserve deposits kept in Central Bank of Macedonia.

⁽²⁾ Technical reserves of Halk Hayat ve Emeklilik AŞ amounting to TRY 135.677, which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked. Technical reserves of Halk Sigorta AŞ amounting to TRY 26.107 which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked.

(5) Period ending cash and cash equivalents balance:

	Current Period	Prior Period
Cash	20.331.936	20.021.395
Cash in TRY and foreign currency	1.000.135	816.075
Central Bank and others ⁽¹⁾	19.331.801	19.205.320
Cash Equivalents	1.742.639	2.133.459
Demand and Time Deposits Up to 3 Months	1.440.532	1.902.775
Money Market Placements	302.107	230.684
Cash and Banks	22.074.575	22.154.854
Reserve deposits in Central Bank	(14.579.877)	(15.470.667)
Bank blockage balance ⁽²⁾	(199.262)	(161.784)
Accruals for money market placement	(1.606)	-
Accruals for reserve deposits	-	(211)
Accruals for banks	(2.899)	(2.611)
Total Cash and Cash Equivalents	7.290.931	6.519.581

⁽¹⁾ Others items include cheques received and blocked reserve deposits kept in Central Bank of Macedonia.

⁽²⁾ Technical reserves of Halk Hayat ve Emeklilik AŞ amounting to TRY 182.627, which is given as collateral to Republic of Turkey Prime Ministry Undersecretariat of Treasury, holds blocked. Also, Halk Sigorta AŞ has blockage balance amounting to TRY16.635 which is given as collateral to Republic of Turkey Prime Ministry Undersecretariat of Treasury.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE PARENT BANK

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

a) Current period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Parent 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	-	1.119	-	-	-	-
Closing balance	-	1.878	-	-	-	-
Interest and commissions income	-	6	-	-	-	-

b) Prior period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Parent 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	-	2.726	-	-	-	-
Closing balance	-	1.119	-	-	-	-
Interest and commissions income	-	8	-	-	-	-

c.1. Deposits held by the Parent Bank's risk group:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Parent Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Beginning balance	34.651	23.690	-	-	-	-
Closing Balance	27.020	34.651	-	-	-	-
Interest expense on deposits	2.859	1.797	-	-	-	-

c.2. Forward and option contracts and similar transactions with the Parent Bank's risk group:

None.

(2) Disclosures for risk group:

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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The Parent Bank's branches may operate as insurance agencies of Halk Sigorta AŞ ile Halk Hayat ve Emeklilik AŞ and business agencies for Halk Yatırım Menkul Değerler AŞ. Besides, Halk Portföy Yönetimi AŞ is engaging in fund management of the Parent Bank's funds.

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

	Amount	% compared to the amounts in the financial statements
Cash loans	-	-
Non-cash loans	1.878	%0,01
Deposits	27.020	%0,03
Forward and option contracts	-	-
Banks and financial institutions	-	-

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

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

Explained in b).

d) Transactions accounted under the equity method:

Demir-Halkbank NV, operating in Netherlands, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ qualified as investments in associates of the Parent Bank, are accounted for in the accompanying consolidated financial statements by the equity method of accounting.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 19,564 as of 31 December 2014 (31 December 2013: TRY 15,867).

VIII. EXPLANATIONS ON THE PARENT BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

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

	Quantity	Number of employees	Country	Total Assets	Legal Capital
Domestic Branches	895	17.265			
Agencies Abroad	2	2	Tahran/İRAN		
		1 ^(*)	Londra/İNGİLTERE		
Overseas Branches	4	23	Lefkoşa/KKTC	319.075	-
		10	Gazimagosa/KKTC	40.603	-
		9	Girne/KKTC	46.281	-
		2	Paşaköy/KKTC	393	-
Off-shore Branches	1	3	Manama/BAHREYN	5.531.026	-

^(*) Regarding personnel has worked for Halk Yatırım AŞ.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

The Parent Bank opened 23 domestic branches during the year.

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

With the Decision No.2014/129 of Privatization High Council(PHC) 90% (ninety percent) or upon request %100 (hundred percent) of the shares of Halk Hayat ve Emeklilik A.Ş., the subsidiary of Türkiye Halk Bankası Anonim Şirketi ("Halkbank") will be made available for privatization through tender via "Block Sale" method and the remaining 10% (ten percent) of Halk Hayat ve Emeklilik AŞ shares will be available for sale to the buyer of the shares with the price specified in the tender. With the PHC Decision numbered 2014/130 and dated 29 December 2014 89,18% of the shares in the capital of the Halk Sigorta A.Ş. the subsidiary of Halkbank, held by Halkbank and 4,31% of the shares of Halk Sigorta AŞ held by Halk Yatırım Menkul Değerler AŞ corresponding to a total of 93,49% of the shares of Halk Sigorta A.Ş will be made available for purchase through tender via "Block Sale" method.

Tender announcement about the related sentence has announced by the Republic of Turkey Prime Ministry Privatization Administration at 19 January 2015, and the process continues.

The treasury bills amounting to USD 500.000.000 with maturity of 6 years, with maturity 11 February 2021, with 4,835% interest rate, with coupon rate of 4,75% per every six months approved by the Capital Markets Board at 3 February 2015. The bank issued the bonds at 11 February 2015.

It was announced within the context of public disclosure dated 16 January 2015 in order to provide high quality banking services internationally and increase presence in the Balkan Region, even though the tender process for the purchase of %76,76 shares of Cacanska Banka A.D. operating in Serbia had been finalized on 2 December 2014, due to ongoing expectations about the potential of the banking sector and the economy of Serbia, the interest about the purchase of shares of Cacanska Banka A.D. is decided to be maintained.

Capital Markets Board of Turkey and Banking Regulation and Supervision Agency approved the Amendment of the Articles of Association regarding the increasing the Bank's paid-up capital TRY 1.250.000.000 to TRY 2.250.000.000 by TRY 1.000.000.000 in cash (right issue). The Amendment of the Articles of Association will be subject to approval of the Ministry Of Customs and Trade. Following the approval by the Ministry, the Amendments will be on the agenda of the Bank's General Assembly.

SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE PARENT BANK'S OPERATIONS

The General Management of the Bank has been authorized by the Board of Directors to manage and finalize the process for the partial or complete sales of the shares which are owned directly or indirectly in the equity of subsidiaries Halk Sigorta A.Ş and Halk Hayat ve Emeklilik A.Ş. through Prime Ministry Privatization Administration according to Law Regarding the Implementation of Privatization numbered 4046. Activities on the sales process are continued under the coordination of Prime Ministry Privatization Administration.

SECTION VII: INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

The consolidated financial statements as of and for the year ended 31 December 2014 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 17 February 2015 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

DIRECTORY

Trade Registration Number

862070
Istanbul Trade Registry Office

Web Site

www.halkbank.com.tr

Corporate e-mail

halkbank.ir@halkbank.com.tr

Call Center

Halkbank Dialog 444 0 400
SME Dialog 444 0 401

Head Office (Main)

Barbaros Mahallesi, Şebboy Sokak
No: 4 34746
Ataşehir/İSTANBUL-TURKEY
Telephone: +90 (216) 503 70 70

- Department of Retail Loans
- Department of Retail Products Marketing
- Department of Support Services
- Department of Foreign Operations
- Department of Artisans Banking
- Department of Financial Institutions and Investor Relations
- Department of Treasury Operations
- Department of Treasury Management Mid-Office
- Department of Legal Affairs
- Department of Premises Construction and Appraisal
- Department of Delivery Channels Management
- Department of Payment Card Systems
- Department of SME Loans-2
- Department of SME Marketing-1
- Department of SME Marketing-2
- Department of SME Marketing-3
- Department of Loans Policies Application
- Department of Loans Risk Monitoring
- Department of Loan Risk Liquidation-2
- Department of Corporate Marketing
- Department of Operational Strategy and Innovation Management
- Department of Subsidiaries and Affiliates Management

- Department of Money and Capital Markets
- Department of Project Evaluation, Financial Analysis and Intelligence
- Department of Project Finance
- Department of Commercial Loans-2
- Department of Commercial Marketing-1
- Department of Commercial Marketing-2
- Department of International Banking and Structured Finance

Head Office (Support Unit)

Söğütözü Mah. 2180 Cadde
No: 63 06510
Çankaya/ANKARA-TURKEY

- Department of Budget and Performance Management
- Department of Staff Training
- Department of Financial Accounting and Reporting
- Department of Internal Control
- Department of Human Resources
- Department of SME Loans-1
- Department of Loans Risk Liquidation-1
- Department of Corporate Loans
- Department of Deposit Management and Marketing
- Department of Cash Management
- Department of Organization
- Department of Risk Management
- Department of Branch Operations
- Department of and Publicity and Public Relations
- Department of the Board of Inspectors
- Department of Commercial Loans-1
- Department of Tax Management and Accounting
- Board of Directors Office Services

Head Office (Support Unit)

Büyükdere Cad. No: 82
34387 Gayrettepe/İSTANBUL-TURKEY

- Department of Infrastructure Operation and Management
- Department of Technological Architecture Management
- Department of Software Development

International Network of Halkbank

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Telephone: (+973) 175 37711
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Köşklü Çiftlik Mah. Osmanpaşa Cad.
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Fax: (+392) 227 4571

Gazimağusa Branch

İsmet İnönü Bulvarı Hasipoğlu Residence ve Güney Business Center A Blok No: 7
Gazimağusa/KKTC
Telephone: (+392) 365 6701
Fax: (+392) 365 6706

Girne Branch

Yukarı Girne Mah. Hakkı Borataş Cad.
Girne/KKTC
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Paşaköy Satellite Branch

28'inci Mknz. P. Tüm. K.İği
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