

# 2015

 **HALKBANK**

2015 ANNUAL REPORT

# CONTENTS

## **CORPORATE PROFILE**

- 10** Corporate Profile
- 12** Halkbank in Brief
- 12** Amendments to the Articles of Association in 2015
- 13** Shareholding Structure
- 14** Key Financial Indicators and Ratios
- 16** Halkbank's Historical Development
- 20** Halkbank Milestones
- 22** Halkbank's Vision, Mission, Objectives and Corporate Values
- 23** Halkbank's Strategies

## **ASSESSMENT OF THE MANAGEMENT**

- 24** Chairman's Assessment
- 26** General Manager's Assessment
- 30** Board of Directors and the Supervisory Board
- 31** Executive Management

## **REVIEW OF OPERATIONS IN 2015**

- 32** Pioneering Products
- 36** Review of Operations in 2015
- 82** Halkbank's Subsidiaries and Affiliates
- 88** Annual Report Compliance Statement

## **MANAGEMENT AND CORPORATE GOVERNANCE**

- 89** Amendments to the Articles of Association in 2015
- 90** Board of Directors and the Supervisory Board
- 94** Executive Management
- 98** Organizational Chart
- 100** Committees
- 107** Executives of the Internal Systems Units
- 108** Report of the Board of Directors
- 109** Human Resources Practices
- 110** Transactions with the Risk Group
- 110** Information on Support Services Providers
- 111** Profit Distribution Policy
- 112** Report of the Supervisory Board
- 114** Corporate Governance Principles Compliance Report

## **FINANCIAL INFORMATION AND ASSESSMENT ON RISK MANAGEMENT**

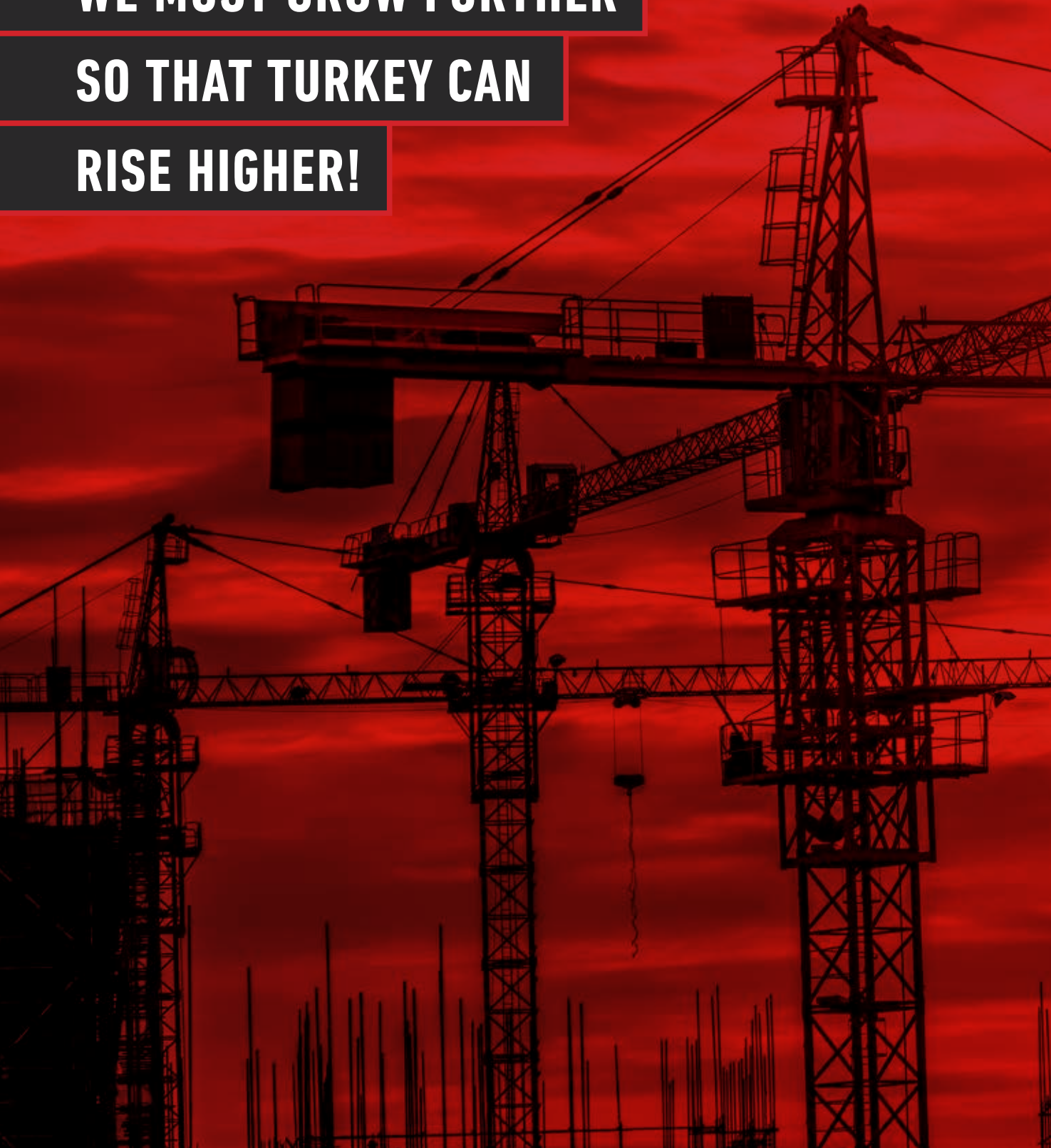
- 124** Audit Committee's Assessment on the Operation of the Internal Control, Internal Audit and Risk Management Systems and Information about Its Activities in 2015
- 128** Financial Standing, Profitability and Debt-Servicing Capability
- 130** Risk Management Policies by Risk Types
- 131** Ratings Notes
- 132** Five-Year Summary Financial Information
- 133** Unconsolidated Independent Auditor's Report
- 255** Consolidated Independent Auditor's Report
- 386** Directory

## **THE RISING STAR OF THE GLOBAL BANKING INDUSTRY**

We are proud to figure in the highest ranks of The Banker's listing of the world's most prestigious and robust banks. Today, Halkbank is a brand known across the world. In addition, Halkbank is a brand closely associated with trust. That is because we continue to stand by our clients under any market conditions and wherever they are located in the world. We continue to work toward our mission of supporting Turkey's growth and **adding more value** to its real economy.



**WE MUST GROW FURTHER  
SO THAT TURKEY CAN  
RISE HIGHER!**



TOTAL ASSETS (TRY BILLION)

20.8% INCREASE

2011	91.1
2012	108.3
2013	139.9
2014	155.4
2015	187.7

Conducting business operations in line with the mission of providing uninterrupted support to productive Turkey for the last 77 years, Halkbank's total assets expanded 20.8% in 2015 to **TRY 187.7 billion.**



A large crowd of people is gathered on a city street, filling the frame from the foreground to the background. The image has a strong blue color cast. In the foreground, several individuals are visible, including a man in a light-colored shirt and glasses on the left, and a man in a dark jacket in the center. The crowd extends far down the street, with people of various ages and appearances. Buildings line the street, and some decorations are visible. The overall atmosphere is one of a significant public gathering.

**WE MUST RAISE MORE FUNDS  
SO THAT TURKEY BELIEVES  
IN ITS FUTURE!**

TOTAL DEPOSITS (TRY BILLION)

17.8% INCREASE

2011	66.2
2012	80
2013	100.8
2014	103.7
2015	122.1

Continuing to support Turkey with its deep-rooted banking know-how and diversified product portfolio, Halkbank's total deposits rose to **TRY 122.1 billion** during the year.





**WE MUST PROVIDE MORE SUPPORT TO  
SPUR DEVELOPMENT IN EVERY AREA  
OF THE ECONOMY!**



LOANS (TRY BILLION)

24.5% INCREASE



Always supportive of the growth efforts of craftsmen, tradesmen and SMEs and the arduous work of farmers, Halkbank's total loans increased to **TRY 126.7 billion.**

**WE MUST BECOME MORE EFFICIENT  
SO THAT TURKEY CONTINUES  
TO MOVE FORWARD!**



NET PROFIT (TRY BILLION)

5% INCREASE



Operating in line with its profitability- and efficiency-focused financial strategy, Halkbank's net profit increased to **TRY 2.3 billion.**



## CORPORATE PROFILE



### SUPPORT FOR PRODUCTIVE TURKEY

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.



### SUPPORT FOR SOCIAL WELFARE

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.

**ESNAF VE SANATKARA DESTEK BÖYLE OLUR!**

İste Halkbank'tan esnaf ve sanatçılara yönelik destek. Sizleri Türkiye'nin ilk büyük '74' lere basılan faiz oranını ve 5 yıla varan vadeli ödeme ve getiri kredileriyle koruyarak serbest işletme ve zamanı. Size en yakın Halkbank şubesinde ya da Etnel Sanatkarlar Kredi ve Yatırım Kooperatifine ulaşın, sizin tarafınıza uygun olan hizmetleri alabilirsiniz.

**HALKBANK**

www.halkbank.com.tr / 444 8 401 Halkbank

## SUPPORT FOR CUSTOMERS

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.

**BU ÜLKE İÇİN ÜRETENİN, BU ÜLKEYİ BÜYÜTENİN YANINDAYIZ.**

Kurduğumuz günden beri esnafın gücü, dev yatırım projelerinin destekçisiyiz. Tam 77 yıldır üreten Türkiye'nin bankası olmaktan gurur duyuyoruz.

**HALKBANK**

halkbank.com.tr

## SUPPORT FOR SMES

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

## HALKBANK IN BRIEF

HALKBANK RANKS AMONG THE

**MOST WELL-RESPECTED, CONSISTENTLY GROWING**

BRANDS OF EMERGING TURKEY.

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 77-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

38.7% of the Bank's total loan portfolio to SMEs, Halkbank continues to be their primary supporter in Turkey.

As of year's end 2015, Halkbank operates with a global approach, through 944 domestic and 5 overseas branches, 2 overseas representative offices, 3,585 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, 77-year-old institution that ranks among the longest established, pioneering and most respected brands in progressing Turkey.

## AMENDMENTS TO THE ARTICLES OF ASSOCIATION IN 2015

Article 6 of the Bank's Articles of Association was amended. The old and new texts of the Articles of Association can be found on page 89 of this report.



## SHAREHOLDING STRUCTURE

Türkiye Halk Bankası A.Ş. has shifted to the registered capital system, upon a resolution adopted at its Ordinary General Assembly dated March 27, 2015. The Bank's registered capital ceiling is TRY 7,500,000,000 and its issued 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*	611,090,221	48.8872177
Other**	84,279	0.0067423
<b>Total</b>	<b>1,250,000,000</b>	<b>100.00000000</b>

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

\*\* The shares in the amount of TRY 81,658 under the "Other" group belong to our shareholders whose shares do not trade on the Exchange (though these shareholders have been dematerialized them in their own accounts); TRY 2,621 of the shares in the "Other" group belong to the shareholders whose shares are monitored under the DESA - Dematerialized Unknown Shareholder Account (KAYDBOH) due to the ongoing legal action.

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

WE MAINTAINED OUR GROWTH MOMENTUM WITH

**SUCCESSFUL FINANCIAL RESULTS.**

### HALKBANK'S POSITION IN THE SECTOR

MARKET SHARE (%)	2014	2015
Total Assets	7.8	8.0
Loans	8.0	8.4
Securities	8.1	7.8
Deposits	9.2	9.2
Shareholders' Equity	7.1	7.4
Profit	9.0	8.9

#### TOTAL ASSETS MARKET SHARE (%)

2013	8.1
2014	7.8
2015	8.0

#### LOANS MARKET SHARE (%)

2013	8.0
2014	8.0
2015	8.4

#### DEPOSITS MARKET SHARE (%)

2013	10.0
2014	9.2
2015	9.2

KEY FINANCIAL INDICATORS (TRY MILLION)	2014	2015	Change (%)
Total Assets	155,423	187,729	20.8
Liquid Assets	21,560	25,838	19.8
Loans	101,767	126,745	24.5
Securities	26,844	28,155	4.9
Total Deposits	103,708	122,146	17.8
Shareholders' Equity	16,536	19,424	17.5
Net Interest Income	5,112	5,663	10.8
Net Fee and Commission Income	1,023	1,194	16.8
Gross Profit	2,727	2,856	4.7
Net Profit	2,206	2,315	5.0

KEY RATIOS (%)	2014	2015
Interest Bearing Assets/Total Assets	82.5	82.9
Loans/Total Assets	65.5	67.5
Non-performing Loans/Total Loans (Gross)	3.55	3.06
Demand Deposits/Total Deposits	20.8	16.8
Loans/Deposits	98.1	103.8
Average Return on Assets	1.5	1.3
Average Return on Equity	14.4	12.9
Capital Adequacy Ratio	13.6	13.8

## TOTAL ASSETS (TRY BILLION)

20.8% INCREASE

2013 139.9

2014 155.4

2015 187.7

## LOANS (TRY BILLION)

24.5% INCREASE

2013 84.8

2014 101.8

2015 126.7

## TOTAL DEPOSITS (TRY BILLION)

17.8% INCREASE

2013 100.8

2014 103.7

2015 122.1



## HALKBANK'S HISTORICAL DEVELOPMENT

FOR 77 YEARS, HALKBANK HAS BEEN PROVIDING

**SUPPORT TO THE MANUFACTURERS**

AND EMPLOYMENT CREATORS.

**With great advancements Halkbank has made in recent years, the Bank continues to strengthen its distinguished position leveraging on its vast nationwide branch network, superior product and service quality, and professional approach to SME banking.**

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's establishment was decided 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 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. From the beginning of 1964, the Bank started working actively to expand both the deposit base and lending.



## THE BIGGEST PUBLIC OFFERING

Halkbank's secondary public offering went down in financial history as the largest ever on Borsa Istanbul, and the third largest public offering in Europe in 2012.

## DIVERSIFIED LENDING PRODUCTS

Halkbank is capable of meeting any demand with its diversified range of loan for investment, production, domestic and foreign trade, and retail finance.

## SPECIAL PRODUCTS FOR SMES

On the basis of loan agreements reached with chambers of commerce and industry across Turkey, the Bank provides SMEs all kind of facilities with a vast range of loans and products.

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 acquisition, Halkbank entered into the process of reorganization in 2000 to operate more effectively in the current, internationally competitive banking environment while preparing itself for privatization. In 2001, the Bank acquired Emlak Bankası with 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 USD 1.8 billion. Bids placed by domestic and international investors for the Bank's floated shares totaled TRY 17.3 billion (USD 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 corporate investors and domestic individual investors were each allocated 10%. Halkbank completed its secondary offering, recorded as the largest public offering on the Borsa Istanbul A.Ş. and the third-largest in Europe, with the smallest discount to date, marking yet another notable achievement for the Bank.

### Support to "Productive Turkey" via 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.

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 World Bank, 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 specific requirements, local and regional needs through credit agreements with chambers of commerce and industry throughout Turkey.

## HALKBANK'S HISTORICAL DEVELOPMENT

### HALKBANK'S USE OF ADVANCED TECHNOLOGY

## SERVES AS A POWERFUL

## COMPETITIVE ADVANTAGE.

**Not simply a credit card offering but rather a credit card platform that enables partnerships with other banks, Paraf helps Halkbank provide to special services that are customized according to the personal preferences and needs of customers.**

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 provide better service to SMEs and meet their specific 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 enabled the cardholders to 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." Having introduced numerous firsts to the sector with distinctive promotional campaigns and innovative features, Paraf posted significant increases in card numbers and market share. At the Visa 2014 Achievement Awards, Halkbank was designated "The Bank with the Largest Growth in Visa Credit

## FLEXIBLE TECHNICAL INFRASTRUCTURE

With its flexible technical infrastructure and top-notch organization, Halkbank ensures that customers can carry out banking transactions via any platform they prefer.

Card Shopping Volume.” As of year-end 2015, Paraf boasted 3.8 million credit cards, 282 thousand POS devices and 278 thousand contracted merchants.

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 according 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,

## A STRONG REGIONAL BANK

In keeping with its goal of becoming a strong regional bank in the Balkans, Halkbank expanded its operations into Serbia, after having established a presence in Macedonia.

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.

In order to facilitate customer banking transactions across all platforms, Halkbank uses all technology infrastructure and processes as needed in today’s world and financial services industry.

### 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 under the name 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.

In 2015, Halk Banka A.D. Skopje expanded its branch network from 21 to 34 locations across 16 cities in Macedonia. In addition, it increased its workforce to 431 employees, up from 260. During the same period, Halk

## “PARAF” ON THE RISE

Paraf, a market standout with their exclusive features, boasted 3.8 million credit cards.

Banka A.D. Skopje’s loan book grew from EUR 90 million to EUR 335 million, while total deposits went up from EUR 90 million to EUR 336 million. As a result of this strong performance, Halk Banka established itself as the fifth largest bank in the sector with total assets of EUR 490 million.

In March 2015, Halkbank acquired a 76.76% stake in Cacanska Banka A.D., Cacak, which has branches in various regions of Serbia. Halkbank renamed the newly acquired bank Halkbank A.D., Beograd. In the coming years, Halkbank plans to continue seizing opportunities that arise in the Balkans, to establish a strong regional presence there, and function as a bridge between Turkey and that burgeoning area.

### 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 2015, the Bank’s number of employees totaled 17,104.



## HALKBANK MILESTONES

FOR THE BENEFIT OF TURKEY,

**WE HAVE BEEN MOVING FORWARD ON OUR**

JOURNEY TO SUCCESS FOR 77 YEARS.

**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, 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 EUR 558 million and USD 207.5 million with the participation of 46 banks from 23 countries and successfully completed a USD 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 held 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 EUR 562 million and USD 259 million with the participation of 41 banks from 19 countries and placed the Bank's second Eurobond issue which amounted to USD 750 million. The Bank also issued TRY 2.5 billion in bank bonds.

## 2014

Halkbank revolved its EUR 511.5 million and USD 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 USD 500 million. Additionally, the Bank issued TRY 2.75 billion in corporate bonds.

Paraf Credit Card garnered Halkbank the "Bank with the Largest Growth in Visa Credit Card Shopping Volume" designation at the Visa 2014 Achievement Awards.

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

## 2015

In March 2015, Halkbank acquired a 76.76% stake in Cacanska Banka A.D., Cacak, which has branches in various regions of Serbia. Halkbank renamed the newly acquired bank Halkbank A.D., Beograd.

Halkbank ranked high in The Banker's survey on the world's most reliable banks. Halkbank placed 102<sup>nd</sup> on the list which ranks 250 world banks for robustness and reliability, based on a range of criteria that includes asset quality, liquidity, risk environment, and profitability.

In 2015, Halkbank once again rolled over its syndication loan, securing EUR 640 million and USD 179 million. Furthermore, the Bank issued its fourth bond (Eurobond) worth USD 500 million in international markets, and a bond worth TRY 3.5 billion in the domestic markets.

## HALKBANK'S VISION, MISSION, OBJECTIVES AND CORPORATE VALUES

### 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

## OUR STRATEGIES

**1**

EXPANDING THE ARRAY OF SPECIALLY-DESIGNED **PRODUCT AND SERVICE** OPTIONS WHILE CONDUCTING TRADITIONAL BANKING ACTIVITIES

**2**

OFFERING SUPERIOR PRODUCTS AND SERVICES TO THE **SME**, AND MEDIUM AND UPPER-INCOME RETAIL CUSTOMER SEGMENTS

**3**

EMBRACING A HIGH-QUALITY, **CUSTOMER-ORIENTED** SERVICE APPROACH

**4**

**ENSURING EFFECTIVENESS** IN ALL CRITICAL BUSINESS PROCESSES, ESPECIALLY IN LENDING AND FINANCIAL RISK MANAGEMENT

**5**

**ENSURING EFFICIENCY** IN ALL BUSINESS PROCESSES IN ORDER TO ACHIEVE A RICH PRODUCT LINE, TRANSACTION-SYSTEM SECURITY, RAPID AND HIGH-QUALITY TRANSACTIONS, AND COMPETITIVE PRICING

**6**

ENSURING THE CONTINUOUS DEVELOPMENT AND **MOTIVATION** OF EMPLOYEES VIA CAREER AND PERFORMANCE MANAGEMENT SYSTEMS

**7**

INSTILLING THE CORPORATE IDENTITY IN BOTH INTERNAL AND **EXTERNAL CUSTOMERS**

**8**

**PROVIDING HIGH-QUALITY** INTERNATIONAL BANKING SERVICES THROUGH AN EXTENSIVE NETWORK OF OVERSEAS BRANCHES



## CHAIRMAN'S ASSESSMENT

IN 2015, WE FIGURED AMONG THE CORPORATIONS

**THAT CONTRIBUTED THE MOST TO THE**

TURKISH ECONOMY.



### **THE BANK OF "PRODUCTIVE TURKEY"**

In line with our mission of becoming the preferred bank of "Productive Turkey," we did our utmost in 2015 to participate in projects that we believe will add value to our country, just as we have done over the past 77 years.

Esteemed Stakeholders,

As the 2015 drew to a close, the Federal Reserve's interest rate policy stood out as the most important agenda item for the world economy in the last quarter. The Fed's decision in December to raise the benchmark rate by 0.25 points to the 0.25-0.50% range – the first rate rise since 2006 – has ushered in a whole new era. In the resolution, the Fed pointed to the considerable improvement in the US labor markets, and the near certainty that inflation will reach the medium term target of 2%. Meanwhile, the indicator for volatility in the EUR-USD exchange rate hit its lowest rate since February.

In 2015, the US dollar started to appreciate more rapidly against other currencies as a result of the ongoing recovery in US economy. In the meantime, oil prices continued to head downwards, leading to mounting losses of oil exporting countries. On the other hand, the unfavorable inflation and growth figures in the Eurozone continued. Although the European Central Bank (ECB) has initiated its quantitative easing program, the results witnessed to date in the Europe's economy leave much to be desired. There are different viewpoints as to whether ECB will continue with quantitative easing and lower interest rates; however, the direct impact of the Eurozone's contraction on the Turkish economy persists.

Despite the fluctuations in global financial markets, escalating geopolitical tensions in neighboring economies, economic challenges faced by our biggest trade partner, the EU, and the slowing Chinese economy, Turkey managed to post 4% growth in the third quarter. Similarly, the Central Bank of Turkey reported that the current account deficit in November fell USD 3,689 million year-on-year, down to USD 2,105 million, in another favorable development. As a result of the macroeconomic stability which became visible in economic indicators in the final quarter of the

year, the consumer confidence index rose 22.9% over the prior month, demonstrating its highest monthly increase ever.

As the Turkish economy closed the year 2015 with hope-inspiring dynamism, the new government introduced a new development program. This program's promises of reforms in science, technology, savings, investment climate, the economy, finance and trade, social policy and industrial relations created expectations among investors of a much favorable business environment in the future. During this period, the Turkish banking system with its robust financial structure, remained the driving force of economic expansion. According to Banking Regulation and Supervision Agency (BDDK) data, the banking industry's total assets climbed to TRY 2,357 billion in 2015, up TRY 363 billion over the prior year.

Boasting a solid financial structure, high asset quality and prudent risk management policies, Turkey's banking industry is a crucial factor for economic stability in the country. Meanwhile, Halkbank remained one of the largest contributors to the Turkish economy in 2015, in line with its strategic focus on profitability and productivity. As has always been the case over the last 77 years, we have done our utmost to participate in projects that add value to the country, in keeping with our mission of becoming the bank of "Productive Turkey."

Halkbank continues to establish international business partnerships that promise a better future for Turkey, thanks to its 77 years of know-how and well-experienced staff. To this end, we signed a syndicated loan agreement – in two tranches with maturity terms of 364 and 367 days – arranged by a consortium composed of 37 financial institutions from 18 countries. We also signed a EUR 200 million loan agreement with European Investment Bank (EIB) to provide financing to SMEs and

large-size enterprises, and another worth USD 200 million with World Bank to finance these same client segments. Thanks to these funds, which we have raised due to our strong international reputation, we bolstered our well-respected position in the banking sector while also once again confirming the growing clout of Halkbank.

While delivering banking services in line with our core principles and in the most efficient and productive way, we continue to add value for our customers, shareholders and employees, as we extend wide ranging support to Turkey, from economic development to social advancement. We bolster our financial structure, which makes us an internationally respected institution, with projects that will contribute to the betterment of our nation and people. In September, we took a further step in this direction when we became the main sponsor of an initiative that provides free, educational tablet PCs to the children of martyred security personnel, in cooperation with the Ministry of Family and Social Policies, during the celebration of a religious holiday.

Esteemed stakeholders,

With our vast range of banking products and services, we work tirelessly to contribute to Turkey's journey of growth and development. In our opinion, each manner of support or resource we provide is an investment in Turkey's future. We march toward the future with great confidence, thanks to our esteemed supporters like you. who accompany us on this journey and further strengthen our international standing. We believe that Halkbank will move our country forward even further in the coming year, and achieve new accomplishments with your strong support and presence.

Sincerely,

**R. Süleyman ÖZDİL**  
Chairman

## GENERAL MANAGER'S ASSESSMENT

WE ARE IMMENSELY PROUD TO BE A KEY

**COMPONENT OF TURKEY'S ECONOMIC STABILITY**

WITH OUR SOUND OPERATIONS.



### **CONTINUED LEADERSHIP IN SME BANKING**

While maintaining our leadership position in SME banking, we develop innovative products, services and customized solutions to respond to the needs of our corporate and individual clients.

Owing to fiscal discipline and the private sector's prudent borrowing policies, the Turkish current account deficit remained below European norms in the second half of 2015. Global developments that reduced the foreign trade deficit led to a significant improvement in the current account balance. The Turkish banking sector left behind another year of relative success thanks to its robust capital structure and stable total asset size.

The Fed announced a limited interest rate rise in December; at present, it is not clear whether it will raise interest rates again in 2016. In any case, the possibility of a rate increase before the expected date is a risk that triggers capital outflows from emerging markets and lessens the opportunity to take out US dollar denominated loans.

The new government emphasized that the Central Bank of Turkey (CBT) will continue to independently decide on the monetary policy tools that it will use to achieve price stability.

After the Fed's rate rise, the CBT did not make any interest rate decisions that would interfere with the pace of economic reform. The Central Bank refrained from taking any radical measures in this regard, choosing instead to keep interest rates at their present level at year-end 2015.

Although year-on-year growth expectations for the third quarter hovered around 2.7%, the Turkish economy surprised the markets by expanding 4%. The European Commission's winter economic outlook forecast 3.1% growth for Turkey in 2015. We believe that Turkey will maintain this pace of growth and its position among the world's fastest developing economies, thanks to a robust banking system and stable macroeconomic policies.

An analysis of the Bank's financial results for fiscal year 2015 shows that they are in step with our overall performance targets. The support we provide to Turkey's production potential, export competitiveness, and employment capacity directly reflects

our own expansion. We are immensely proud to be a key component of the country's economic stability thanks to the operations we conduct in line with our productivity- and efficiency-focused strategy.

As the "Bank of Productive Turkey," we are also working to transfer our ever-growing domestic market strength, experience and know-how to neighboring countries, in keeping with our strategy to become an effective international player as well. As we look to execute our expansion strategy, we are taking decisive steps in this direction in the nearby region. Over the last two years, we have expanded the Halk Banka A.D. Skopje branch network across 16 Macedonian cities from 21 locations up to 34. In 2015, we acquired a 76.76% stake in Serbia's Cacanska Banka, and renamed it Halkbank A.D. Beograd. As we believe this acquisition will lead to a rise in Turkish trade with and investments in Serbia, Halkbank is keen to become a bridge, bringing these two countries closer together.



## GENERAL MANAGER'S ASSESSMENT

# HALKBANK DRAWS STRENGTH FROM ITS DEEP-ROOTED EXPERIENCE IN THE BANKING INDUSTRY.

**As a result of arduous efforts, the Bank posted one of the highest returns on equity sector-wide, closing fiscal year 2015 with net profit of TRY 2.3 billion.**

With our Serbian banking operations, we will add to our achievements in Macedonia. While delivering banking services that will support Turkish business operations in Serbia, we will also be transferring a successful example of Turkish banking to this country. Meanwhile, we are interested in other Balkan markets, too. In the coming year, we will continue to seize all opportunities in the Balkans and take further steps to become a strong bank in that burgeoning region.

In 2015, SME banking became one of the most important business lines of Turkey's banking industry. In the January-October period, total loans extended to SMEs went up 21% year-over-year to TRY 382.6 billion, while the number of SME workplaces rose at an annualized rate of 4.4% in the year to August 2015. Posting successful results in all areas of its operations, Halkbank continued to provide significant support to the real economy. In 2016, the Bank plans to maintain its leadership in SME banking, and deliver innovative products, services and customized solutions that respond to the needs of corporate and individual customers.

We play a pioneering role in the sector by developing unique solutions with our innovative spirit and forward-looking approach to banking. We believe that due to the adoption of policies to increase the share of manufacturing in GDP and promote production, SME loans will further gain in importance in 2016. With our 77 years of know-how in this key business area, we plan to continue standing by SMEs and providing the real economy financing under favorable terms.

Paraf represents the Bank's dynamic spirit, breathing new life into the personal shopping experience. We are greatly pleased to be collecting the fruits of our innovative efforts. Delivering a wide array of innovations, features and benefits to cardholders, Paraf garnered Halkbank the "Bank with the Largest Growth in Visa Credit Card Shopping Volume" designation at the Visa 2014 Achievement Awards. As of year-end, the Paraf family boasted 3.8 million cards outstanding, 282 thousand POS devices and 278 thousand contracted merchants, while continuing to grow more and more.



**Continuing to extend loans apace throughout the year, the Bank's total cash loans increased 24.5% to TRY 126.7 billion while commercial loans – which includes SME loans – went up 30.3% to TRY 99.7 billion.**

As a result of these focused efforts, ranking among the sector's most profitable banks in terms of return on equity in 2015, Halkbank reported net profit of TRY 2.3 billion for the year. Total assets rose 20.8% year-over-year to TRY 187.7 billion, while total deposits grew 17.8% to TRY 122.1 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 24.5% in 2014 to TRY 126.7 billion; meanwhile, commercial loans, including SME loans, rose 30.3% to TRY 99.7 billion.

Esteemed stakeholders,

As a result of these efforts, the Bank is receiving very favorable feedback from the international financial community, which motivates and encourages us to even work harder. The Bank has one of the highest returns on equity among banks listed on Borsa Istanbul. In addition, international investment analysts increasingly issue positive recommendations and analyses about the Bank.

Halkbank draws great strength from its deep-rooted experience in the banking industry. We are aware that every investment or effort undertaken for Turkey is based on common admiration and immense sacrifice for this country. Our dream of a Productive Turkey always drives us to work harder to achieve this objective. The Halkbank family plans to continue playing a key role in projects that will take this strength into the future and serve the betterment of our country and people.

We extend our thanks to our shareholders who vitalized Halkbank family with the support and faith.

Sincerely,

**Ali Fuat TAŞKESENLIOĞLU**  
General Manager

## BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



**Recep Süleyman ÖZDİL (1)**  
Chairman

**Süleyman KALKAN (2)**  
Vice Chairman  
Independent Board Member

**Ali Fuat TAŞKESENLİOĞLU (3)**  
Board Member and General Manager

**Emin Süha ÇAYKÖYLÜ (4)**  
Board Member

**Dr. Nurzahit KESKİN (5)**  
Board Member

**Dr. Ahmet YARIZ (6)**  
Board Member

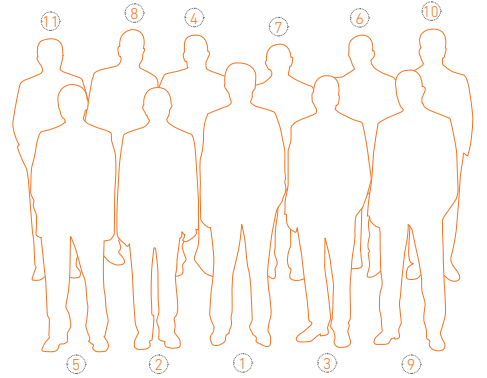
**Yunus KARAN (7)**  
Board Member

**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 TAŞKESENLİOĞLU (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

**Selahattin SÜLEYMANOĞLU (9)**  
Deputy General Manager

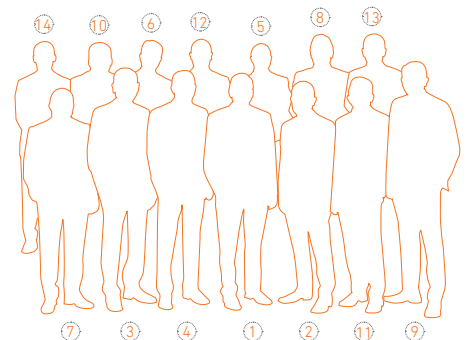
**Erol GÖNCÜ (10)**  
Deputy General Manager

**Mustafa AYDIN (11)**  
Deputy General Manager

**Ömer Faruk ŞENEL (12)**  
Deputy General Manager

**Salim KÖSE (13)**  
Deputy General Manager

**Ali Ulvi SARGON (14)**  
Chairman of the Board of Inspectors





## PIONEERING PRODUCTS

WE LEAD THE WAY IN MANY AREAS WITH OUR

**FORWARD-LOOKING APPROACH TO BANKING.**



### EIB SME-4 LOAN

As a result of the loan agreement signed between the Bank and the European Investment Bank, the "EIB SME-4 Loan" was created for firms that require financing.



### WORLD BANK ENERGY EFFICIENCY LOAN

As part of the loan agreement executed between the World Bank and the Bank, the "World Bank Energy Efficiency Loan" was developed to finance energy and energy efficiency projects.



### SME-TRADESMEN SUPPORT PACKAGES

The Bank's SME and Tradesmen Support Packages were promoted via various media channels, including TV, radio, newspapers and online.





### FRANCHISE LOAN

The Bank created a "Franchise Loan" to financing loans to individuals or companies that want to establish a new business in the franchising model or enter this business model.



### ENTREPRENEUR LOAN

"The Entrepreneur Loan" was designed to encourage entrepreneurial activity, boost employment, facilitate the start-up process and aid economic growth.



### TRADESMEN ZERO INTEREST LOAN

"The Tradesmen Zero Interest Loan" was developed to support professions that are on the verge of disappearing by providing funds to entrepreneurs lacking sufficient capital, well-educated tradesmen, artisans and craftsmen.

## PIONEERING PRODUCTS

# HALKBANK PROVIDES SUPPORT TO THE REAL ECONOMY WITH ITS EXTENSIVE RANGE OF PRODUCTS.

**Plaka Teminatlı Kredi ile şoför esnafımızın yolu açık.**

Plaka Teminatlı Kredi; ticari plaka, hak almak veya satıcıya parsellemek isteyen şoför esnafımız için uygun koşullarla Halkbank'ta.

**HALKBANK**

### LICENSE-GUARANTEED LOAN

"The License-Guaranteed Loan" was designed to support commercial drivers who want to purchase or renew a commercial license or public transport line.

**Halkbank'tan 77. Yıla Özel HALK GÜNÜ İHTİYAÇ KREDİSİ:**

% 0,95' ten başlayan faiz oranları, 50 bin TL'ye kadar kredi fırsatı.

**HALKBANK**

### HALK DAY GENERAL PURPOSE LOAN

On the 77<sup>th</sup> anniversary of the founding of the Bank, the "Halk Day General Purpose Loan" campaign was conducted to provide loans at interest rates from 0.95% and up to TRY 50,000.

**Halkbank'tan En Tatlı Bayram Hediyesi, ERKEN GELEN BAYRAM KREDİSİ**

50 bin TL'ye kadar Erken Gelen Bayram Kredisi, %0,99'dan başlayan faiz oranları ve erken geri ödeme seçenekleriyle Halkbank'ta sizi bekliyor.

**ERKEN GELEN BAYRAM KREDİSİ KALİTELERİ**

Kredi Türü	Yatırım Süresi	Yatırım Miktarı	Yatırım Türü	Yatırım Türü
Erken Gelen Bayram Kredisi	12	50.000 TL	12	12
Erken Gelen Bayram Kredisi	18	50.000 TL	18	18
Erken Gelen Bayram Kredisi	24	50.000 TL	24	24
Erken Gelen Bayram Kredisi	36	50.000 TL	36	36
Erken Gelen Bayram Kredisi	48	50.000 TL	48	48
Erken Gelen Bayram Kredisi	60	50.000 TL	60	60

**HALKBANK**

### EARLY HOLIDAY CELEBRATION LOAN

"Early Holiday Celebration Loan", which became traditional, was launched to meet customers' seasonal cash needs.

**Yaz keyfi, avantajlı Yaz Tarifesi Kredileri ile bambaşka!**

Yaz tatili, tatil, seyahat ve konut kredileri için en uygun ödeme seçenekleri, cazip faiz oranlarıyla Halkbank'ta. Herkes Halkbank Şubelerine gelin, ihtiyaçlarınızı ertelemeyin.

**YAZ TARİFESİ İZMİR/ANTALYA/AYDINLIK/İSTANBUL/İZMİR**

Kredi Türü	Yaz Tarifi	Yaz Tarifi	Yaz Tarifi	Yaz Tarifi	Yaz Tarifi
1	2	3	4	5	6
7	8	9	10	11	12
13	14	15	16	17	18
19	20	21	22	23	24
25	26	27	28	29	30
31	32	33	34	35	36
37	38	39	40	41	42
43	44	45	46	47	48
49	50	51	52	53	54
55	56	57	58	59	60
61	62	63	64	65	66
67	68	69	70	71	72
73	74	75	76	77	78
79	80	81	82	83	84
85	86	87	88	89	90
91	92	93	94	95	96
97	98	99	100	101	102
103	104	105	106	107	108
109	110	111	112	113	114
115	116	117	118	119	120
121	122	123	124	125	126
127	128	129	130	131	132
133	134	135	136	137	138
139	140	141	142	143	144
145	146	147	148	149	150
151	152	153	154	155	156
157	158	159	160	161	162
163	164	165	166	167	168
169	170	171	172	173	174
175	176	177	178	179	180
181	182	183	184	185	186
187	188	189	190	191	192
193	194	195	196	197	198
199	200	201	202	203	204
205	206	207	208	209	210
211	212	213	214	215	216
217	218	219	220	221	222
223	224	225	226	227	228
229	230	231	232	233	234
235	236	237	238	239	240
241	242	243	244	245	246
247	248	249	250	251	252
253	254	255	256	257	258
259	260	261	262	263	264
265	266	267	268	269	270
271	272	273	274	275	276
277	278	279	280	281	282
283	284	285	286	287	288
289	290	291	292	293	294
295	296	297	298	299	300

**HALKBANK**

## SUMMER TARIFF CAMPAIGN

In order to help customers meet their cash demands for the summer season under convenient terms, the Bank organized the "Summer Tariff Campaign."

**SICACIK KIŞ KREDİSİ AYDA 364 TL TAKSİTLE.**

Düşük faizli, 364 TL taksitli\* Sıcacık Kış Kredisi, Halkbank'ta sizi bekliyor.

**SICACIK KIŞ KREDİSİ MÜŞTERİ HAKLARI**

Kredi Türü	Yaz Tarifi	Yaz Tarifi	Yaz Tarifi	Yaz Tarifi	Yaz Tarifi
1	2	3	4	5	6
7	8	9	10	11	12
13	14	15	16	17	18
19	20	21	22	23	24
25	26	27	28	29	30
31	32	33	34	35	36
37	38	39	40	41	42
43	44	45	46	47	48
49	50	51	52	53	54
55	56	57	58	59	60
61	62	63	64	65	66
67	68	69	70	71	72
73	74	75	76	77	78
79	80	81	82	83	84
85	86	87	88	89	90
91	92	93	94	95	96
97	98	99	100	101	102
103	104	105	106	107	108
109	110	111	112	113	114
115	116	117	118	119	120
121	122	123	124	125	126
127	128	129	130	131	132
133	134	135	136	137	138
139	140	141	142	143	144
145	146	147	148	149	150
151	152	153	154	155	156
157	158	159	160	161	162
163	164	165	166	167	168
169	170	171	172	173	174
175	176	177	178	179	180
181	182	183	184	185	186
187	188	189	190	191	192
193	194	195	196	197	198
199	200	201	202	203	204
205	206	207	208	209	210
211	212	213	214	215	216
217	218	219	220	221	222
223	224	225	226	227	228
229	230	231	232	233	234
235	236	237	238	239	240
241	242	243	244	245	246
247	248	249	250	251	252
253	254	255	256	257	258
259	260	261	262	263	264
265	266	267	268	269	270
271	272	273	274	275	276
277	278	279	280	281	282
283	284	285	286	287	288
289	290	291	292	293	294
295	296	297	298	299	300

**HALKBANK**

## WARM IN WINTER LOAN CAMPAIGN

The Bank offered retail customers the Warm in "Winter Loan Campaign" product.

**Dönüşümlü Mevduat Hesabı**yla değişmeyen tek şey kazancınız!

Halkbank Dönüşümlü Mevduat Hesabı ile faiz getirisini elbette TL, USD, Euro, para birimleriniz arasında dönüşüm yaparak piyasalardaki hareketlilikten faydalanın. İstediğiniz her an faizden kazanın.

**HALKBANK**

## CONVERTIBLE DEPOSIT ACCOUNT

The Bank developed the "Convertible Deposit Account" so that customers can switch their money in time deposit accounts between the currencies TRY/USD/EUR to benefit from any opportunities related to exchange rate fluctuations.

## REVIEW OF OPERATIONS IN 2015

### CORPORATE AND COMMERCIAL BANKING



#### 31.7% OF INCREASE IN CORPORATE AND COMMERCIAL LOANS

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 2015, Halkbank also evaluated and finalized large-scale project finance options for the Bank's clients.

#### LOANS (TRY BILLION)

# 24.5% INCREASE

2014

101.8

2015

126.7

### ARTISANS-SME BANKING



#### 23.3% OF INCREASE IN SME LOANS

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.

#### TOTAL DEPOSITS (TRY BILLION)

# 17.8% INCREASE

2014

103.7

2015

122.1

## RETAIL BANKING



### RETAIL LOANS UP 7.1%

Adopting a customer-focused-retail banking approach, Halkbank aims to deliver the best solutions to meet rapidly changing needs with a continually upgraded technology infrastructure, extensive service network and 77 years of banking know-how.

#### TOTAL EQUITY (TRY BILLION)

# 17.5% INCREASE

2014

16.5

2015

19.4

## INTERNATIONAL BANKING



### 2 THOUSAND CORRESPONDENT BANKS

As an active bank in trade finance for many years, Halkbank delivers its customers the best services with its vast correspondent network, deep experience and know-how in this area. In line with its customer-focused approach, the Bank has continued its efforts to develop new products, expand its operations to new markets, and provide financing under the most convenient terms.

#### TOTAL ASSETS (TRY BILLION)

# 20.8% INCREASE

2014

155.4

2015

187.7



REVIEW OF OPERATIONS IN 2015

HALKBANK'S MARKETING POLICY IS BUILT ON A

**CUSTOMER-FOCUSED SERVICE APPROACH**

AND THE PRINCIPLE OF CONTINUOUS

CUSTOMER SATISFACTION.



## CORPORATE AND COMMERCIAL BANKING



## Halkbank's corporate and commercial banking businesses continued to grow rapidly in 2015.

### 31.7% INCREASE

In 2015, Halkbank extended to registered corporate and commercial segment clients a total of TRY 51.4 billion in cash loans, up 31.7% from the prior year, excluding rediscount.

### Customer-focused service approach and continuous customer satisfaction

Halkbank's marketing strategy is built on a customer-focused service approach and the principle of continuous customer satisfaction. In its relations with customers, the Bank first identifies their needs, and then provides products that effectively respond to these needs in order to ensure customer satisfaction. In 2015, Halkbank continued its corporate and commercial segment efforts in line with this strategy, and determined the best financing options for client applications that request large sums.

### Rapid growth in corporate and commercial loans

The Bank's corporate and commercial branches, SME branch locations, and mixed branches that report to regional offices continued to provide services with a workforce and product range suited to their customer profile.

The rapid growth in the corporate and commercial banking segment continued in 2015, with lending reaching a wider customer base thanks to new customers to the portfolio. During the year, Halkbank extended to registered corporate and commercial segment customers a total of TRY 51.4 billion in cash loans, up 31.7% over the prior year, excluding rediscount. The Bank also provided non-cash loans of TRY 34.4 billion, up 20.1% year-on-year.

### Relationships with international financial institutions

In 2015, 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. As a result, the Bank was able to provide financing cost-effectively for the investments of many clients.

## REVIEW OF OPERATIONS IN 2015

# HALKBANK OFFERS TOP-QUALITY

## BANKING SERVICES.

**Halkbank's structured financing loans portfolio, including cash and non-cash loans, totaled USD 5.1 billion as of year-end 2015.**

### 43 CORPORATE AND COMMERCIAL BRANCHES

Halkbank continued to offer top-quality banking services to corporate and commercial segment customers via 6 corporate and 37 commercial branches in 2015.

### 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.

As an industry heavyweight and a major player in Turkey's economy, Halkbank has participated in the financing of numerous projects with significant public benefit. These include the Istanbul New Airport, the Gebze-Izmir Highway and Bridge Crossing, Northern Marmara Highway and Bridge Crossing. Halkbank favors Build-Operate-Transfer projects in particular in the mega projects, a model in line with the Bank's lending policies.

### Structured Finance Loan Portfolio as Cash and Non-cash: USD 5.1 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 2015 through direct lending relationships with individual companies and participation in bank consortiums. As of year-end, the Bank originated a total of USD 1.2 billion in structured finance loans as cash and non-cash for 15 projects that passed feasibility and creditworthiness assessments. Halkbank's structured finance loan portfolio as cash and non-cash totaled USD 5.1 billion at end-of-year 2015.

### High Quality Banking Services

Targeting customer satisfaction and profitability, Halkbank continued to deliver high quality banking services to business customers with 6 corporate and 37 commercial branches in 2015.





# Büyük hedefler sağlam destek ister.

Kurulduğumuz günden beri büyük hayaller kuran,  
büyük başarıların peşinden koşan, Türkiye için çalışan  
esnafın, KOBİ'nin, sanayicinin en büyük destekçisiyiz.  
Tam 77 yıldır Üreten Türkiye'nin Bankası olmaktan  
gurur duyuyoruz.

 **HALKBANK**

> Üreten Türkiye'nin Bankası

REVIEW OF OPERATIONS IN 2015

HALKBANK SME BANKING DELIVERS

**SOLUTIONS DESIGNED TO BOOST THE  
COMPETITIVENESS OF SMES**

AND SUPPORT THEIR SUSTAINABLE GROWTH.



## ARTISANS – SME BANKING



**While planning out its operations, Halkbank carefully analyzes the specific structure and needs of each sector.**

**38.7%**

Halkbank's SME loans accounted for 38.7% of its total cash loan portfolio in 2015.

In line with its mission of providing financing to tradesmen, artisans and professionals, Halkbank has continued to support SMEs operating in every field since the Bank's establishment 77 years ago. The objective is to create value for SMEs and to support Turkey's real economy as much as possible.

As the pioneer of SME Banking in Turkey, Halkbank shapes its products, services, organizational structure and business processes around a customer-focused approach.

In 2015, Halkbank SME Banking placed a special focus on delivering top quality and rapid services, analyzing customer needs accurately, formulating special solutions for each customer, and providing ease of access to products and services.

By making additional efforts in SME Banking, which has lately faced intensive competition, Halkbank boosted its market share in SME loans from 11.75% at year-end 2014 to 12.42% at year-end 2015.

In 2015, Halkbank's SME loans accounted for 38.7% <sup>(\*)</sup> of the Bank's total cash loans.

Understanding that providing support to SMEs is key to supporting the national economy, Halkbank carefully analyzes the specific structure and needs of each sector while planning out its operations.

Delivering its sector-specific solutions to SME customers by means of financial products and services in line with its overall strategy, Halkbank offers loans at convenient terms for each sector.

(\*) 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 2015

# SOME TRY 15 MILLION IN LOANS EXTENDED

## TO 500 ENTREPRENEURS.

**Halkbank SME Banking delivers effective solutions to SMEs help them boost their competitiveness and maintain sustainable growth.**

### FRANCHISE LOAN

Halkbank offers the Franchise Loan to those who want to set up their own business or who seek to enter a new business in the franchising model.

### PRODUCTS AND SERVICES

#### Supporting the Entrepreneurial Spirit

In accordance with its mission of supporting entrepreneurs and embracing social responsibility, Halkbank offered Young, Bold, Master and Inventor Entrepreneur Loan products to those who want to start their own enterprise with bright business ideas.

Entrepreneurs can file a loan application over an online platform dedicated to SMEs, access the information they need and find answers to their questions on Entrepreneur Expert.

Halkbank extended about TRY 15 million in loans to around 500 entrepreneurs via this platform in 2015.

#### Franchise Loan

Halkbank offers the Franchise Loan to those who want to start up their own business using the franchising model, or who would like to apply the franchise model to their current business.

The Bank's Franchise Loan is designed to help the franchisee cover the participation fee to be paid to the franchiser, the procurement of needed fixtures to be installed in the

workplace, the interior design of the operating area as well as all other financing needs of the new enterprise.

Offered with convenient interest rates and maturity terms, the loan helps the franchisee meet the franchise participation fee and any other expenses for the opening of the workplace.

#### Halkbank QR-Code Cheque

In order to ensure the security of cheque payments, and to render commercial transactions faster, easier and more practical, Halkbank started to provide customers with the QR-Code Cheque, developed by Credit Registry Agency (KKB), of which the Bank is a founding member.

When the QR code on the Halkbank QR-Code Cheque is scanned by the Findeks Mobile Application, the user can immediately access information on the authenticity of the cheque and the payment performance of the cheque-drawers.

Halkbank QR-Code Cheque also helps control the accuracy of the pages of the cheque book while providing access to the cheque-drawer's summary cheque report and cheque payment performance. As a result, commercial transactions are performed with greater reliability.



### License-Guaranteed Loans for Commercial Drivers

In order to help taxi, taxi van and minibus driver members of chambers, associations or unions finance their purchases of licenses, commercial lines, commercial vehicles or service buses, or take out business loans, Halkbank created the product License-Guaranteed Loans for Commercial Drivers.

Lending products such as the License/Line Purchase Loan, License-Guaranteed Business Loan, License-Guaranteed Vehicle Purchase Loan, Service Bus Purchase Loan are offered to commercial drivers with maturity terms of up to 60 months.

### EUR 200 Million for SME and Large Enterprise Investments

Halkbank secured EUR 200 million from the European Investment Bank (EIB) to be extended to SMEs and large-size enterprises as business and investment loans, or in financing energy efficiency and renewable energy projects. At least 50% of this sum has been allocated to SME financing with a minimum 15% going to firms and investment initiatives located in regions with development priority. Some EUR 50 million of the fund was transferred to Halkbank's subsidiary Halk Finansal Kiralama A.Ş., to be used for the same purpose.

The objective of the loan program is to support the production, efficiency, employment and growth of SMEs and large-size enterprises and to support their investments and operations in Turkey, while narrowing the development gaps among different regions of the country. Furthermore, the lending program also includes the financing of renewable energy and energy efficiency projects.

### Halkbank, Advisor Bank of SMEs

In addition to extending the most convenient financial support to SMEs, Halkbank also analyzes their needs accurately and stands by them with other types of assistance. To this end, Halkbank designed a customized website for SMEs – [www.halkbankkobi.com.tr](http://www.halkbankkobi.com.tr) – where small and medium enterprises can easily visit the page titled "Ask an Expert" to receive rapid responses on issues of concern that require expertise. Halkbank SME Experts respond to the inquiries of those who visit the platform. These experts also author monthly magazines with articles of relevance to the platform's members, providing guidance to SMEs and entrepreneurs. The magazine articles inform them on everyday economic issues and broaden public awareness on sector-specific matters, such as the availability of grants and subsidies.

The platform introduces the Bank's products and services, while enabling visitors to easily apply for the product and services on offer. Serving around 30 thousand unique users via this platform, Halkbank has received 25 thousand applications for products and services from both members and non-member visitors. In 2015, some 1,250 firms were extended a total of TRY 60 million SME Web Loans, an innovative product that allows SME clients to obtain loans online without having to visit a physical branch.

In addition, Halkbank provides round-the-clock support to SMEs over the dedicated phone line 0850 222 0 401 SME Dialog. This hot line allows clients to obtain information on the Bank's products and services, make appointments, and receive other support services without visiting a branch.

### Partnerships

Halkbank SME Banking delivers solutions designed to boost the competitiveness of SMEs and support their sustainable growth. The Bank secures funding from international financial institutions; partners with Turkish regional development agencies, organized industrial zones, commercial and industrial chambers; and cooperates with KOSGEB.

## REVIEW OF OPERATIONS IN 2015

### LOAN SUPPORT TO

## TRADESMEN AND CRAFTSMEN

**Halkbank is the first bank to cooperate with development agencies to support regional economic and social development.**

### OPERATING LOAN

Halkbank offers tradesmen and craftsmen Treasury-supported operating loans with one-, three-, or six-monthly payback periods.

#### Agreement for Partnership with Entrepreneurs signed with Gebze Technical University

Halkbank signed an Agreement for Partnership with Entrepreneurs with Gebze Technical University in order to encourage entrepreneurs and create new jobs. Under the agreement, individuals who want to set up their own business, or who have established a business less than one year ago, can apply to receive loans from Halkbank.

#### Halkbank-BTSO Loan Agreement

Halkbank signed an agreement with Bursa Chamber of Commerce and Industry (BTSO) to extend loans to BTSO member firms. The agreement is designed to address BTSO members' specific needs, including operating capital, noncash loans and export loans.

As part of the agreement, BTSO member enterprises that have been awarded grants for use at international trade fairs or in commercial visits will be extended the BTSO Global Fair Agency Support Loan.

#### Halkbank-KOSGEB Partnership Program

Halkbank, which not only provides products and services required by SMEs but also participates in partnerships which serve SMEs, signed new partnership agreements with KOSGEB in 2015.

#### KOSGEB Operating Capital Loan Interest Support

As part of the Operating Capital Loan Interest Support Agreement, signed by Halkbank and KOSGEB, SMEs active in the Ermenek, Başyayla and Sarıveliler districts of Karaman province, which are registered in the KOSGEB database and that have updated SME Declarations, were granted loans under special terms.

#### SME Financial Support Program

As part of the SME Financial Support Program Agreement signed by Halkbank and KOSGEB, loans are being extended to SMEs under favorable maturity and interest rate terms.



Under the SME Financial Support Program, enterprises officially registered in the KOSGEB database with updated declarations can access special products and services. These include the 60-month Operating Loan, Energy Efficiency Loan, Export Loan, R&D Innovation Loan, all under favorable terms and conditions.

Also as part of the program, firms that have received certification from KOSGEB's applied entrepreneurship programs or that have obtained grants from KOSGEB's entrepreneurship support programs are offered loans at special terms and rates.

#### **KOSGEB Kayseri Organized Industrial Zone Loan Interest Rate Support**

Under the Energy Efficiency Enhancement Program mentioned in the government's 10<sup>th</sup> Development Plan, Halkbank and KOSGEB signed the Operating Capital Loan Interest Rate Support agreement. This agreement is designed to help enterprises operating in the Kayseri Organized Industrial Zone Loan replace low efficiency electric engines with high efficiency ones. Firms are provided with financial support under convenient terms, with all interest covered by KOSGEB.

Individuals or legal entities that are active in the Kayseri Organized Industrial Zone and which have Energy Efficiency Study Reports are eligible to participate in the program.

#### **Partnership with Development Agencies**

Halkbank is the first bank to establish partnerships with Turkish development agencies to support regional economic and social development. Under the development agency agreements, Halkbank organizes the cash flow to individuals whose projects were deemed worthy of financial support by the SME Financial Support Program.

Furthermore, enterprises are also given the opportunity to obtain Development Agency Co-Financing Loans. In 2015, the Bank continued to sign new deals with development agencies.

#### **Support for tradesmen and craftsmen**

In line with its founding mission, Halkbank continues to meet the financing needs of tradesmen, craftsmen and artisans, who make up an important part of society today, under the most favorable terms possible, while providing them with effective, top-quality banking services.

The Bank continues its support to tradesmen and artisans to meeting the financial requirements of this key social group in the fastest, most efficient way by using cutting edge technologies.

#### **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 981 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.



## REVIEW OF OPERATIONS IN 2015

### SUPPORTING TRADESMEN WITH

## TREASURY LOANS

**Treasury-supported loans to tradesmen and craftsmen rose from TRY 12,520 million at end-2014 to TRY 16,159 million at end-2015, up 29%.**

Under the initiative in which loans with Treasury-subsidized interest rate payments are extended by Halkbank to tradesmen and artisan customers, those active in professions that are near extinct and those with certificates of mastership who set up new businesses will enjoy 100% interest rate discount as of January 1, 2015. Starting from December 1, 2015, tradesmen and artisans who secure loans of up to TRY 30,000 to finance machinery, equipment, fixture purchases, workplace modernization, raw materials or working capital purchases – as well as “Young Entrepreneur” tradesmen and artisans – will enjoy a 100% interest rate discount. Meanwhile, loans that continue into 2015 and loans not included in the 100% discount received 50% interest rate payment support from the Treasury.

Under the Treasury-supported loans for tradesmen and artisans program in 2015, loans with a maximum maturity of one year had an interest rate of 8% and those with a longer maturity term had an interest rate of 10%.

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).

#### **Some 353,627 tradesmen, craftsmen and artisans received loans in 2015.**

Total Treasury-supported loans to tradesmen and artisans rose from TRY 12,520 million at end-2014 to TRY 16,159 million at end-2015, up 29%.

As of year-end 2015, total Treasury-supported loans extended to tradesmen and craftsmen under ESKKK guarantee amounted to TRY 15,502 million, while Treasury-subsidized loans without ESKKK guarantee granted directly by the Bank totaled TRY 656 million.

<sup>(\*)</sup> In direct, Treasury-supported loan allocations, non-manufacturing enterprises are not eligible for banking and insurance transaction tax (BSMV) exemptions.

**12.42%**

Halkbank boosted its market share in SME loans from 11.75% as of year-end 2014 to 12.42% as of year-end 2015.



### In 2015, the Bank allocated TRY 14.6 million worth of zero interest rate loans.

In 2015, total 100%-interest rate discount or zero interest rate loans amounted to TRY 14.6 million. Some 20% of these loans went to tradesmen and craftsmen operating in professions nearing extinction, 36% were extended to craftsmen and artisan customers with certificates of mastership setting up new businesses, and the remaining 44% went to those in this segment who took out zero interest rate loans of up to TRY 30,000.

The individual upper limits of Treasury-supported operating loans to ESKKK partners were set at TRY 75 thousand to TRY 150 thousand according to the risk groups of the cooperatives in 2015. Meanwhile, the individual upper limits of direct, Treasury-supported allocations remained at TRY 100 thousand to TRY 150 thousand according to the customers' risk groups.

The Chamber and Tradesmen Chamber Data Check, normally carried out manually during cooperative loan allocations at Bank branches, started being run automatically by the system from May 5, 2015 on, with customers having active accounts being granted cooperative loans.

In 2015, the regulation on cooperative loans stated that the concerned tradesmen and craftsmen ought not to have received any grants from KOSGEB; as a result, a Data Sharing Agreement was signed between the Bank and KOSGEB. As such, branches became able to run this check online, over the Bank portal as of June 2, 2015.

Furthermore, in line with a Council of Ministers resolution in 2015, the payment installments for Treasury-Supported Tradesmen Loans from the Bank were postponed for the duration of one year for all those tradesmen and craftsmen affected by the 2014 mining accidents in Ermenek, Karaman and Soma, Manisa. This resolution also covered tradesmen and craftsmen affected by flooding in Artvin's districts of Arhavi, Borçka and Hopa, without any additional interest accrued.

REVIEW OF OPERATIONS IN 2015

HALKBANK EMBRACES

**A CUSTOMER-FOCUSED APPROACH TO**

RETAIL BANKING.

## RETAIL BANKING



## Halkbank aims to develop the most appropriate solutions to meet rapidly changing needs.

With an advanced technology infrastructure upgraded every fiscal year, an extensive service network, and 77 years of banking experience, Halkbank embraces a customer-focused approach to retail banking, and delivers the solutions best suited to meet rapidly changing needs.

Aiming to provide conventional retail banking products in addition to numerous financial products and services designed to meet customer needs, Halkbank's retail loan volume increased to TRY 27 billion, accounting for 21.3% of total cash loans.

### Ground-breaking differentiated general purpose loans

A central pillar of Halkbank's Retail Banking operations is developing new products that respond to ever-changing customer needs and fluctuating market dynamics while meeting the Bank's performance objectives. Halkbank's strategic priorities include boosting product and service quality, and diversifying the product offering to capture more market share.

In 2015, the Bank rolled out an array of diversified loan products. These include the "Medicine Festival Loan" for the healthcare sector, "Loan 155" for police officers, and "Teachers'

Day Loan" for the education sector. The Bank's now traditional general purpose loan campaigns continued, such as the "Halk Day General Purpose Loan," "Early Festival Celebration Loan," "Spring Opportunities General Purpose Loan" and "Warm in Winter Loan." Other general purpose loan products priced according to specific customer segments were Payroll 24, Public Sector, Pensioners and Private Sector employees.

### 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.

Retirees whose pension payment accounts are at Halkbank or who promise to transfer their pension account to the Bank were offered the "Çınar Retirement Loan," which comes with a low interest rate or free allocation options. In addition, the Bank introduced the "Bağ-Kur Retirement Loan" to assist to those Bağ-Kur (Social Security) would-be-pensioners who cannot gain pensioner status due to overdue premium debts. Pensioner customers could benefit from this service in accordance with their premium debts.

## TRY 27 BILLION

Halkbank's consumer loan portfolio – comprised of general purpose, vehicle and housing loans – totaled TRY 27 billion at end-2015.

## REVIEW OF OPERATIONS IN 2015

### AN EXTENSIVE RETAIL BANKING

## PRODUCT RANGE

**Halkbank participated in approximately 150 branded housing projects in large cities, especially in Istanbul.**

#### Special Solutions for Salary Payment Clients

For those clients who receive their salary payments through Halkbank, the Bank conducted "Instant Loan" assessment studies throughout the year. Thus, wage payment customers quickly had access to loans specially pre-allocated for them.

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 views housing loans as the basis of a long-term relationship of trust with customers. To this end, the Bank continued with the "My Sweet Home" scheme during the year and launched "Summer Tariff Campaign" in summer months to help customers buy their own homes.

Halkbank developed differentiated solutions at the request of retail homebuyers as well as residential construction companies. The Bank participated in nearly 150 branded residential development projects in Istanbul and other large metropolitan areas.

#### Retail loan application over ADC

Halkbank helps customers make swift applications for the loans they need over alternative distribution channels – such as SMS, Internet Branch, Dialogue and the website – and thus receive rapid responses. In addition, work is ongoing to enable customers to obtain the loan disbursement via alternative distribution channels, without having to visit the branches.

#### Corporate Salary Payment

Halkbank continued to grow the salary payment intermediation business and gained new clients with high potential in 2015.

As of year-end 2015, 1.1 million individuals received their salary payments via Halkbank.







## 1.1 MILLION SALARY PAYMENT RECIPIENTS

Halkbank continued to grow the salary payment intermediation business and gained new clients with high potential in 2015. As of year-end 2015, 1.1 million individuals received their salary payments via Halkbank.

### Innovative insurance products shaped by customer needs

Insurance products that are developed in line with the banking industry's corporate structure, financial support, vast product range, customer trust and multiple distribution channel strategies, are offered to customers via the Bank and its subsidiaries Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. As part of this effort, "Mine Workers Obligatory Individual Accident Insurance," "SigorTam Complementary Health Insurance," "Long Term Life Insurance" and "Halk Premium Private Pension Plan" products were developed for customers.

In addition to "Loan Unemployment Insurance," a first in Turkey, Halkbank also continued to market "Salary Differential Insurance," another groundbreaking innovation in the Turkish market. Other innovative offerings by the Bank included the "Halk Urgent Support Insurance," "SME Urgent Support Insurance" products. During the year, Halkbank added further momentum to the sales of "Individual Annual Death," "Life with Paraf" and "Halk Life and Education" insurance products.

Private Pension System plans designed for Payroll 24 customers featured traffic and housing insurance policies at special price tariffs.

In order for tradesmen and merchants to continue with their Treasury-sponsored loans they obtain from the Bank, the following products were continued to sale: "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."

Efforts to integrate the systems of Halkbank and Halk Hayat ve Emeklilik A.Ş. were completed during the year. Now, customers are able to visualize, modify or apply for Private Pension System or life insurance policies via the Call Center or the Internet Branch.

## REVIEW OF OPERATIONS IN 2015

INNOVATIVE,

## COMPETITIVE AND CUSTOMIZED PRODUCTS

**As part of the Artan ParafPara application, Paraf Klasik, Gold and Platinum cardholders can earn 50% more points from their monthly expenses.**



### Paraf era in credit cards

At the expiration of its program partnership cooperation in December 2012, Halkbank launched its new in-house credit card brand Paraf 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 2015.

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 İSPARK, a subsidiary company of the Istanbul Metropolitan Municipality, to offer a free car parking benefit.

Paraf cardholders can now also use İSPARK's parking lots, multistory parking garages and İSPARK 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 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 Parafly and Parafly Platinum customers a TRY 25 discount on their dining expenses at both domestic and overseas airports on days they have a flight five times a month.

## THE PARAFLY CARD

All Paraf and Parafly cardholders enjoy 50% off valet parking services at Sabiha Gökçen Airport.



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 prior to the due date indicated on the statement without incurring any interest charges or fees.

Paraf introduced another exclusive service in 2015 by launching "ParafÜstü" in the first part of the year. ParafÜstü allows Paraf and Parafly cardholders to earn up to TRY 25 in discounts with their purchases at contracted merchants.

Paraf continued to increase its customer benefits in third quarter 2015. All Paraf and Parafly cardholders now enjoy a 50% discount on valet parking services at Sabiha Gökçen Airport.

Additionally, Parafly Platinum cardholders can receive discounts of up to TRY 100 when they purchase domestic or overseas flight tickets for infants by using their ParafPara or Avans ParafPara points via the Seyahat Hattı (Travel Line).

Halkbank aims to increase its market share and ultimately improve profitability by making swift and accurate lending decisions, in line with the Bank's retail loan growth targets, and given the current market and competitive environment.

To this end, the Bank carried out system development efforts during the year on the NBSM Retail Loan Decision Module – adopted by all Halkbank branches in 2014 – to standardize the Bank's 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 result, the Bank can communicate loan decisions to customers within a matter of minutes.

### 88% of banking transactions performed via ADCs

Halkbank used non-branch delivery channels intensively in 2015 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, 88% of Halkbank's banking transactions were performed through alternative distribution channels (ADC). Halkbank continually undertakes efforts to improve and expand its alternative distribution channels, which save time and reduce costs both for customers and for the Bank. In 2016, 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.

## REVIEW OF OPERATIONS IN 2015

### EFFICIENT USE OF ALTERNATIVE

## DISTRIBUTION CHANNELS

**In 2015, Halkbank Call Center's inbound call volume rose 24% over the prior year, the number of transactions handled by the Center went up by 16%, and its workforce increased 25%.**



#### **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 called, which helped cut costs. The Bank also collected customer mobile telephone information through the ATM channel and thus updated the client contact database efficiently.

Halkbank also continued to renew Loan Life Insurance and Housing Insurance policies. The Bank undertook new product sales by actively marketing the "Complementary Health Insurance" and "Halk Life Insurance" offerings. Efforts are ongoing to market other insurance products via ADCs in 2016.

The Bank continued monitoring activities for credit cards, overdraft deposit accounts and retail loans. In addition, work is underway on the "Collection Management System," which will help the Bank manage all its collection processes end-to-end. The system is planned to be commissioned in the second half of 2016.

During the year, Halkbank placed outgoing calls to customers to update their e-mail address information. It also collected e-bank statement orders from credit cardholders to reduce bank statement postal delivery costs.



Halkbank placed a special focus on aligning its ADCs with new legislation. Work was carried out on permission marketing, which will have a significant impact on the Bank. Halkbank made extensive use of SMS and e-mail channels for mass promotional campaign announcements.

**The number of the Call Center's active customers went up by 27% in 2015.**

In 2015, the Call Center's inbound call volume rose 24% over the year, the number of transactions handled by the Center was up by 16%, and its workforce increased 25%. Using both in-house and external resources, nearly 19.4 million outbound calls were made to inform customers about the Bank's product and service offering; to market and sell products and services; and to collect payments.

In line with customer feedback in 2015, Halkbank revamped the Voice Response System. As part of this effort, the Bank renewed identification-confirmation processes with a balanced approach to ease of use and productivity; improved current and new self-service transactions to minimize customer

effort; and optimized menus to reduce errors and maximize ease of access. The credit card automatic payment order was included in the Voice Response System. Work on the Pensioner Hotline Voice Response System, customized for retired customers, was also completed. The feature that allows the Voice Response System to recognize customers by their phone numbers and address them by name was expanded to the TOKİ and Collection hotlines. The dialogue is transferred by the customer service representative to the password/keyword creation menu; customers can connect back to the same representative at the end of the process under certain conditions to complete the transaction. To make the process easier for customers, work was completed to allow customer service representatives to enter the expiry date of the credit card used in the voice response system in the interface. Work is underway to offer customers calling the Call Center a number of personalized options based on certain scenarios.

Additionally, the Bank continued efforts to increase incoming calls to numbers which start with 850 in order to enjoy cost and operational advantages.

Pursuant to the Law on Regulating Electronic Commerce dated November 5, 2014 and numbered 6563, which requires companies to obtain customer approval before carrying out marketing campaigns, the Bank upgraded the front office, outgoing call, outsourcing and voice response systems.

Work is ongoing on various aspects of the Call Center's functionality, features and systems. These include: social media and web chat infrastructure; the transfer of branch calls to the Call Center; voice technologies that allow content and quality assessment on the dialogue by customer service representatives during incoming calls; a system that allows customers to hang up while waiting in queue and then dials them when their turn arrives; an integration enabling online video chat with the Call Center; and the analysis of voice direction and voice confirmation technologies.



## REVIEW OF OPERATIONS IN 2015

### INNOVATIONS IN INTERNET AND

## MOBILE BANKING

**In 2015, the Happy Customer Center received over 900 thousand customer problems, complaints and demands, up 3.2% over the prior year. On average, these were resolved in 30 hours.**

#### 10% INCREASE

The number of active Internet Banking customers went up by 10% over the previous year, reaching 925 thousand.

In 2015, the Happy Customer Center received over 900 thousand customer problems, complaints and requests, up 3.2% year-on-year. These were resolved in an average of 30 hours. Of these incoming demands, 35% were received via mail, 28% via Dialog, 30% via branches, 1% via the Head Office, 2% via fax and 4% via Internet.

Social media comments are responded to via the account "halkbanksizinle," round-the-clock. Special keywords designated for the Bank are monitored and analyzed. In 2015, the Happy Customer Center received approximately 90 thousand comments, around 2 thousand of which were deemed to be customer complaints and were responded to in an average of 13 minutes.

#### Active Internet Banking customer base expanded to 925 thousand.

Halkbank continued to focus on Internet Banking operations in 2015. As of year-end, the Bank's active Internet Banking customer base grew 10% over the prior year to 925 thousand.

In 2015, Halkbank also focused on upgrading the Bank's websites.

Halkbank launched the micro website [www.bagkuremeklilikkredisi.com](http://www.bagkuremeklilikkredisi.com) in order to collect applications for the Bağ-Kur Retirement Loan, which includes a loan calculator module and provides support to the customers with the "Let Us Call You" feature.

[www.halkbank.com.tr](http://www.halkbank.com.tr)

- The Bank reorganized the SMS and e-mail warning system message and flow to make it more user-friendly and functional.
- Halkbank started receiving online (consumer, mortgage and vehicle) loan applications via the quick application integration module.
- The time deposit calculation model became operational.

[www.halkbankkobi.com.tr](http://www.halkbankkobi.com.tr)

- The SME website launched new applications to increase sales and marketing towards SMEs and tradesmen.
- The Bank made improvements to product applications via the channels SME OTS and Tradesmen Loan; work was completed to ensure that product applications are automatically sent to the branches.



[www.parafcard.com.tr](http://www.parafcard.com.tr)

- A calculation widget was put in place to facilitate the Cash Advance in Installments, Postponed Installments and Saving Debt transactions.

[www.kultursanat.halkbank.com.tr](http://www.kultursanat.halkbank.com.tr)

- Redesigned as an online magazine, "Beraber (Together)" was given a more contemporary format; in addition, an e-bulletin is being issued to inform clients of weekly updates.

As part of the project to revamp the Mobile Banking channel, the Bank developed new applications for devices running on Android and iOS.

#### ATM

With the addition of 197 new ATMs, the Bank's ATM network grew 6% and total number of ATM reached 3,585 in 2015.

In 2015, the annual transaction volume performed on the Bank's ATMs increased 9%, to 300 million transactions; in addition, the network's total annual transaction turnover was up 14%, to TRY 67 billion. With the newly installed and replaced automated teller machines, the number of Cash-Deposit ATMs rose to 2,700, up by 8%.

In order to enhance urban landscape aesthetics while expanding the ATM network, Halkbank upgraded 41 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 334 ATMs in 2015.

## REVIEW OF OPERATIONS IN 2015

### MODIFICATIONS AND IMPROVEMENTS

## WERE MADE TO LOAN ASSESSMENT, RATING, AND INTELLIGENCE MODULES.

#### LOAN POLICIES AND RISK MONITORING

**Work continued to streamline and simplify the Bank's loan allocation processes.**

In 2015, Halkbank updated directives and other internal regulations related to its loan policies in line with the Bank's goals, strategies, risk appetite and prevailing economic conditions. The Bank also revised its standardized processes to be followed in evaluating loan applications in accordance with segmentation, loan assessment and evaluation criteria. In order to streamline and simplify the Bank's loan allocation processes, and be better able to contribute to growth and profitability targets, Halkbank undertook efforts to update implementation directives and instructions.

The Bank enhanced the methodology for setting the loan allocation limits of Halkbank branches and updated loan allocation limit tests in a more rational and objective manner based on up-to-date information. Measurable data was used jointly with this up-to-date methodology to revise the limits in accordance with the Bank's risk appetite and strategies.

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.

In order to assess firms in the SME segment, the Bank informed and trained marketing personnel across organization on how to use the new rating model (SME KDR), which was completed and initiated as of year-end 2014.

To carry out more healthy assessments of the loan requests by municipalities and other agencies which issue financial statements pursuant to the Budget Accounting Regulation, the Bank revised the assessment model as needed and included the Budget Implementation Results Statement to display the forecasts and actual figures for budget revenues and expenses.

## RATIONAL AND OBJECTIVE

The Bank enhanced the methodology for setting the loan allocation limits of Halkbank branches and updated loan allocation limit tests in a more rational and objective manner based on up-to-date information.

In keeping with the revision and elaboration of the applicable legislation and the related system, the Bank established a special intelligence module for cheques and promissory notes. This module enabled the systems-based carrying out and reporting of the controls, monitoring and approvals for concentration, average maturity and overdraft among the cheques and promissory notes taken as collateral. As such, the Bank minimized the risks associated with cheques taken as collateral for loans, and started taking timely action as regards which have a lower possibility of being collected at the maturity date.

As part of efforts initiated at the Bank's subsidiary Halk Banka A.D., Skopje to review its loan assessment processes, the rating module was fully developed and put into use. In 2015, at another subsidiary of the Bank, Halkbank A.D., Beograd, work commenced on the rating module for use in loan assessment processes. The Bank supports such efforts to update loan processes in line with applicable legislation by both Halk Banka A.D., Skopje and Halkbank A.D., Beograd.

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.

## REVIEW OF OPERATIONS IN 2015

HALKBANK HAS SUCCESSFULLY MAINTAINED THE TITLE

**“TURKEY’S GDS MARKET MAKER”**

SINCE 2003.

### TREASURY MANAGEMENT

**The Fed officially made the decision to normalize its monetary policy and raised its policy interest rate, formerly at 0-0.25% since 2008, up to 0.25-0.50%.**

#### Global Developments

2015 was a year when the global economy – especially emerging markets – slowed down, energy prices continued their downward spiral and deflationary pressures persisted in the most developed countries. In fact, in its World Economic Outlook report issued in October, the IMF revised down global growth forecasts for 2015 and 2016 by 0.2 points, to 3.1% and 3.6%. The slowdown in emerging economies, especially China, was a key factor prompting the IMF to revise its global growth estimates downwards. Meanwhile, the plunge in oil prices continued in 2015 due to the worldwide oil supply glut in spite of sluggish global demand. As a result of the drop in commodity prices, especially oil, headline inflation in emerging economies hovered at levels close to zero.

In 2015, the US economic recovery continued and unemployment fell to levels targeted by the Fed. In line with its forward guidance actions, the Fed officially made the decision to normalize its monetary policy and raised its policy interest rate, formerly at 0-0.25% since 2008, up to 0.25-0.50%. Rate hikes are expected to continue in 2016; yet, there are differences of opinion among Fed members and market forecasts as to the pace of these rate rises. According to the estimates of its members, the Federal Reserve could raise rates four times in 2016; however, since inflation remains well below the Fed’s target, markets expect it to raise interest rates only once in 2016.



## ASSET PURCHASES

In the Eurozone, the ECB extended its asset purchase program – of EUR 60 billion per month – and announced that quantitative easing would continue until March 2017.

Other world central banks continue to stick to their expansionary monetary policies. In the Eurozone, where deflationary risk remains although the economy has technically emerged from recession, the European Central Bank (ECB) extended its asset purchase program – amounting to EUR 60 billion per month – for six more months. It also declared that quantitative easing will continue until March 2017. For similar reasons, the Bank of Japan (BoJ) is also maintaining its quantitative easing program on the order of JPY 80 trillion per annum. BoJ also brought interest rates on new deposits that banks will place in the Central Bank to negative levels.

## COMMODITY PRODUCERS

Currencies of most emerging markets depreciated against the US dollar, with those of commodity producing countries faring even worse.

Capital outflow from emerging markets prior to the Fed's normalization policy announcement had a negative effect on the growth performance of developing economies in 2015. The currencies of most emerging countries depreciated against the dollar, with those of commodity producing countries faring even worse. Furthermore, political and geopolitical events in emerging markets had a negative impact on investors' risk appetite towards these countries as well as their asset prices. Nevertheless, the prevailing expectation that the Fed's interest rate hike will progress gradually coupled with the ongoing pro-market stance of other top central banks allowed a partial rebound in the risk appetite towards emerging markets.

## FOREIGN TRADE BALANCE

Due to the low oil price environment and the ongoing recovery in the EU economy, Turkey's cumulative foreign trade balance continues to improve.

### Turkey's Economy

In 2015, the Turkish economy returned to its traditional expansion pattern, demonstrating a growth performance based on domestic consumption. The economy grew 3.4% year-over-year in the first three quarters of 2015. After a 4% growth rate was announced for the third quarter, growth forecasts for the year were revised upwards.

Due to the low oil price environment and the ongoing recovery in the EU economy, Turkey's cumulative foreign trade balance continues to improve. In the period January-November, the foreign trade deficit fell 25% year-over-year to USD 57 billion and the 12-month cumulative foreign trade balance dropped to USD 65.5 billion as of November. The surplus in gold trade in 2015 was another factor underlying the easing of the foreign trade balance.

Inflation, which stood at 8.2% in 2014, closed 2015 at 8.8%, above the target and estimate of Central Bank of Turkey. Despite the drop in oil prices, rising food prices and the devaluation of the Turkish lira boosted the inflation level.

## REVIEW OF OPERATIONS IN 2015

HALKBANK CONTINUED TO UPDATE

**ITS PRODUCTS AND TECHNOLOGIES IN**

RESPONSE TO CUSTOMER NEEDS.

**With a management approach focused on risk/revenue, Halkbank kept a close watch on domestic and foreign macroeconomic developments while adopting dynamic management strategies during 2015.**

The Central Bank of Turkey, after having announced that it would simplify its monetary policy in the event that the global market stabilized, declared that simplification is off the table in the short run due to rising volatility in the world markets owing to worries about the Chinese economy. As part of its simplification scheme, the Central Bank of Turkey aims ultimately to give a more narrow and symmetric shape to the interest rate corridor around the one-week repo interest rate.

In 2015, Turkey's budget revenues and expenses increased at similar levels. As such, the budget deficit fell 3.3% on an annual basis to TRY 22.6 billion, remaining below the forecast in the government's Medium-Term Program. Figures for actual spending showed that fiscal discipline was maintained in 2015, despite two general elections taking place during the year.

### **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 2015. 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 in also 2015. With a well-balanced securities portfolio strategy, the Bank continued to eliminate the impact of market risks on its balance sheet and improved profitability.



### GDS MARKET MAKER

Halkbank has successfully maintained the title “Turkey’s GDS Market Maker” since 2003. The Bank continued to be an active player in the primary and secondary markets in 2015.

In order to create alternative resources and extend the maturity of existing funds, Halkbank focused on issuing securities in 2015, issuing foreign currency bonds in overseas markets and carrying out equity offerings in the domestic market. 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.

#### Trading volume and profitability in FX and Commodity Markets

In 2015, 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 2015

# A CORRESPONDENT BANK NETWORK WITH SOME 2 THOUSAND BANKS IN 144 COUNTRIES

### INTERNATIONAL BANKING

**With its vast correspondent bank network, Halkbank provides top-quality products and services to its clients.**

#### **Vast correspondent bank network**

With its vast correspondent bank network that continues to expand in parallel with its experience and activity in foreign trade, Halkbank provides top-quality products and services to its clients. In line with evolving customer needs in 2015, the Bank continued to develop new products, innovate its operations, participate in different markets, and provide financing under the most favorable terms possible.

In addition to effectively managing its wide correspondent bank network of 2 thousand banks in 144 countries, Halkbank continued to support its clients with basic foreign trade products as well as structured financing instruments and alternative finance techniques. Factors underlying the Bank's success are customer trust towards Halkbank, its strong relationship management capabilities, extensive know-how, sustainable trade volumes directed to correspondent banks, ever-increasing service quality in overseas operations and customer satisfaction arising from its diversified product portfolio.

As part of its correspondent bank relations efforts, Halkbank continuously monitored country risks and financial indicators, and performed all trading in meticulous fashion. The Bank reviewed limits on a regular basis and managed correspondent bank risks effectively. Halkbank kept a watchful eye on geopolitical developments and the global economic environment, while avoiding all negative country or bank related risks.

In the coming year, Halkbank plans to deliver the best solutions that meet customer financing needs and expectations. The Bank also aims to establish new, long-term collaborations in order to develop products that make a difference in the market.

The Bank cooperated with a significant number of correspondent banks to provide medium- and long-term financing to clients that import capital goods from abroad, bundled with insurance and guarantees from Export Credit Agencies, or via bilateral agreements.



## REGULAR DISCLOSURES

Halkbank continued to keep all business partners, existing and potential investors in both equities and fixed income securities informed and up-to-date, in order to increase the Bank's value in the eyes of investors over the long run.

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).

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

Halkbank became a sponsor to the Bond, Loans & Sukuk conferences held on June 2-3, 2015 in Dubai and on November 11-12, 2015 in Istanbul. At these events, the Bank informed participating bond and other investors about its operations and services.

At SIBOS (SWIFT International Banking Operations Seminar) held in Singapore by SWIFT on October 12-15, 2015 with the attendance of 8 thousand participants, Halkbank set up a booth for the third consecutive year and informed many bank representatives about its varied activities.

### **Efficient and transparent disclosures to bolster stakeholder trust**

In 2015, Halkbank continued to keep all business partners, existing and potential investors in both equities and fixed income securities informed and up-to-date, in order to increase the Bank's value in the eyes of investors over the long run. The Bank made its disclosures 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.



## REVIEW OF OPERATIONS IN 2015

# THE LEADING BANK IN TERMS OF SHARES HELD BY FOREIGN INSTITUTIONAL INVESTORS

### Halkbank continues to secure long-term funding facilities from the international markets to provide alternative financing to its clients.

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 website 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 markets and financial institutions

In order to further diversify its product portfolio for long term foreign financing purposes, Halkbank placed its fourth Eurobond issue, denominated in US dollars. The issuance was well oversubscribed. At the end of the process, USD 500 million worth of 6-year, fixed-interest bonds were issued.

Halkbank continues to secure long-term funding facilities from the international markets to provide alternative financing to its clients. To this end, the Bank signed a new syndicated loan agreement of EUR 640 million and USD 179 million with the participation of 37 banks from 18 countries. Banks from Europe, America as well as the Middle East participated in the syndication loan.

In keeping with its historical mission, Halkbank establishes business partnerships in the international arena to provide more support in SME Banking. Halkbank continued to secure long-term funding facilities under bilateral agreements with numerous international financial institutions – European Investment Bank, World Bank, French Development Agency, Council of Europe Development Bank, among

## BUSINESS PARTNERSHIPS

Halkbank establishes business partnerships in the international arena to offer more support in SME Banking.

others – to finance the investment and working capital needs of SMEs. The long-term nature of the overseas-sourced loans not only provided medium and long term financing facilities for SMEs but also 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-Size Enterprises-III amounting to EUR 200 million. These funds are to be used in financing the business and investment loan requirements of SME and large-scale corporate customers, as well as energy efficiency and renewable energy projects. Thanks to the success of the EUR 50 million Credit Facilities to Emerging Anatolia-2 Program, signed with European Investment Bank in 2013, the total financing amount was increased to EUR 75 million. The total funds allocated to SMEs under the program reached EUR 150 million. Furthermore, a USD 200 million loan agreement was signed with World Bank to finance the investment and operating capital requirements of micro enterprises, SMEs as well as large-size enterprises that have maintain business relations with SMEs.

## OPERATIONS IN TRNC

Halkbank conducts operations in TRNC via three branches in Lefkoşa (Nicosia), Gazimağusa (Famagusta), Girne (Kyrenia) as well as a satellite office in Paşaköy (Assia).

### 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, three of them in Lefkoşa (Nicosia), Gazimağusa (Famagusta), 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, 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

## GLOBAL REACH

The London Representative Office, founded in 2014, works to establish more effective and sustainable business relations in global financial markets.

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.

The London Representative Office, founded in 2014, works to establish more effective and sustainable business relations in the global finance markets; boost existing relations with current investors; and support access to business opportunities with new investors.

Efforts continued to set up a representative office in Singapore in order to improve cooperation with both international institutional investors and correspondent banks in the Asia-Pacific region. The necessary permits from regulatory authorities are expected to be received and the office is scheduled to commence operation in 2016.

## REVIEW OF OPERATIONS IN 2015

# ONGOING TRAINING, EXTENSIVE CAREER OPPORTUNITIES, AND MODERN WORKING ENVIRONMENT

### HUMAN RESOURCES AND ORGANIZATION

**Some 732 new employees joined the Halkbank family in 2015, bringing the Bank's total workforce up to 17,104 personnel. As of year-end, the average job tenure of Halkbank employees stood at 9.8 years and the average age of the staff was 34 years.**

#### 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 732 new employees joined the Halkbank family in 2015, bringing the Bank's total workforce up to 17,104 personnel. As of year-end, the average job tenure of Halkbank employees stood at 9.8 years and the average age of the staff was 34 years. Of the Bank's personnel, 82.7% have university undergraduate or post-graduate degrees while the remaining 17.3% 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 Days held at select universities during 2015.

#### Halkacademy

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

In 2015, Halk Academy conducted 2,680 days of in-class training, consisting of 2,202 training sessions for the Bank's employees. Of these, 50.5% were in-house training while the remaining 49.5% were administered by external training firms/instructors. In keeping with the Bank's strategy, the in-class and on-the-job training programs focused on portfolio management and profitability in order to enhance the staff's technical know-how and skills. On average, each employee participated in 4.79 days of training during the year.



## 944 BRANCHES

Halkbank's branch network includes 944 branches in Turkey (862 branches, 6 corporate, 37 commercial, 3 free-zone, 36 satellite branches), 25 regional offices, 5 overseas branches and 2 overseas representative offices.

In order to support in-class training in 2015, 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 2015, each Bank staff member received an average of 8.05 days of e-learning training. In addition, employees can take e-training courses via the mobile platform.

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.

## Halkbank's vast branch network

In 2015, 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 944 branches in Turkey (862 branches, 6 corporate, 37 commercial, 3 free-zone, 36 satellite branches), 25 regional offices, 5 overseas branches and 2 overseas representative offices.

## REVIEW OF OPERATIONS IN 2015

EFFECTIVE ORGANIZATION,

**SPECIALIZED HUMAN RESOURCES,**

ADVANCED TECHNOLOGICAL SUPPORT

### OPERATIONAL TRANSACTIONS

**In order to carry out operational transactions with cutting edge technologies and in line with its paper-free branch approach, Halkbank works to enrich its corporate content management solutions.**

Halkbank's operational transactions are conducted with the continuous improvement approach and in line with the principles of operational productivity and quality enhancement. Work is ongoing to improve, simplify and centralize operations that create an added work burden. With its efficient organizational structure, specialized workforce and advanced technological support capabilities, Halkbank Operations Center aims to deliver high quality services at low operational risk to all branches in the Bank's network. The Operations Center serves branches in 32 different processes including foreign trade and currency exchange, except those performed automatically by the system. In 2015, the annual number of transactions performed at the Operations Center increased 17% year-on-year to 14 million. The centralization rate in the business processes covered by the Operations Center has climbed to 88%.

In order to carry out operational transactions with cutting edge technologies and in line with its paper-free branch approach, Halkbank works to enrich its

corporate content management solutions. Efforts are underway to separate and classify documents by the use of character recognition technologies in branch operation processes, and to establish automatic work initiation schemes. To this end, the Bank renewed the work flow and document management platform of the Operations Center software; as a result, it became possible to employ this platform in business processes outside the Operations Center. In parallel, the Bank also upgraded the fax infrastructure used in branches.

In keeping with the continuous improvement approach, the Bank reviewed branch back office operations and transferred operations that could be centralized to the Operations Center. Other efforts carried out included the minimization of manual actions in the processes, and the automation of control points by transferring them onto the system as much as possible.

Following the agreement signed on July 29, 2015 between the Ministry of Finance and the US government pertaining to the US Foreign Account Tax Compliance Act (FATCA), the Bank made upgrades to its banking system to ensure compliance with the agreement.



## CENTRALIZATION RATE OF 88%

In 2015, the Operations Center performed 14 million transactions – excluding automated transactions – and the centralization rate climbed to 88%.

In 2015, the SWIFT Alliance Access and the user interface product Alliance Access Integration Platform (IPLA) became operational complete with all functions. SWIFT documented this successful application over IPLA, a global first, as a case study and initiated efforts to share it with other banks the world over.

In order for the Bank to continue its capital markets operations with clients and to renew its trading licenses, Halkbank took the steps necessary as prescribed by Capital Markets Law No. 6362 and filed the obligatory applications with the Capital Markets Board (CMB). With the new license sent by the CMB to the Bank on November 24, 2015, the Bank's capital markets activity permits were duly renewed.

The portfolio custody service that started being offered to collective investment corporations pursuant to Capital Markets Law No. 6362 helped to diversify the Bank's business activities. In order to deliver portfolio custody and fund service unit services within the scope of the operating permit obtained, agreements started to be signed between collective investment corporations and portfolio management companies.

Since it has become obligatory to trade investment funds with an effective date via the Turkish Electronic Fund Distribution Platform (TEFAS), the Bank's system has been integrated to the referenced platform to make it accessible via the branches or the Halkbank website. As such, the Bank started to intermediate in the trading of investment funds included in the platform by Bank clients.

Capital Markets Law No. 6362 grants the right to set up investment funds exclusively to portfolio management companies. As such, the six investment funds established by the Bank were transferred to Halk Portföy Yönetimi A.Ş., which also intermediates in the trading of the referenced funds among Bank clients or provides custody services.

## REVIEW OF OPERATIONS IN 2015

# TRANSFORMATION PROJECTS SET TO SIGNIFICANTLY

## IMPROVE THE USER EXPERIENCE

### INFORMATION SYSTEMS AND TECHNICAL SERVICES

**Halkbank upgraded its Internet Banking branch application with new generation interfaces that operate efficiently with desktop PCs, smartphones and tablet PCs. The Bank also simplified Internet Banking's functionality and operations.**

#### NEW DATA CENTER

During the year, the Bank established its new Data Center, which boasts full backup, a seamless and fully symmetric infrastructure, and world-class standards.

With the establishment of its new Data Center, which features numerous advanced innovations, Halkbank also diversified its product and service offerings. In addition, the Bank initiated transformation projects that will significantly improve user experience in digital channels in line with its overall targets.

#### The New Data Center Project

Replacing the Bank's former data center, which operated in the same location for more than 25 years, Halkbank founded a new Data Center that boasts full backup, a seamless and fully symmetric infrastructure, and world-class standards, such as Uptime Tier III, Leed Gold, ISO 27001, and ISO 22301.

#### Saving energy during 70% of the year

A first in Turkey, the new Data Center includes a system that cools down the facility by using air from the exterior, thus maximizing energy efficiency during 70% of the year. Halkbank is the first bank in Turkey with a data center that holds Leed Gold certification. In the Data Center Dynamics Competition, participated by data center projects from 128

countries in EMEA (Europe, Middle East and Africa), Halkbank Data Center made it to the final rounds in two different categories and became one of the top four data centers in the EMEA region.

Halkbank upgraded its Internet Banking application with new generation interfaces that operate efficiently with desktop PCs, smartphones and tablet PCs. The Bank also simplified Internet Banking's functionality and operations.

In 2015, the Bank set up the infrastructure needed to use optical character recognition (OCR) technology. As part of this effort, data appearing in financial documents by client firms started to be read and processed automatically. As such, the Bank was able to reduce the time and workforce allocation, and operational risk arising from manual data entry processes. Additionally, it became possible to read and automatically categorize the documents sent to the fax machine, allowing the prioritization of transactions with a set deadline.



## ENERGY EFFICIENCY

A first in Turkey, the Data Center's system cools down the facility by using air from the exterior, maximizing energy efficiency during 70% of the year.

During the year, Halkbank revamped the Corporate Content Management System to ensure that all document archiving/monitoring and central operations process management transactions are carried out in-house. In addition, the Bank completed Service Continuity and Performance Improvement activities. These efforts integrated documents with the banking transaction they are related to, leading to an optimization in processes such as monitoring, management and the initiation of central operations whenever deemed necessary.

The Bank started work on the "Revenue Estimation Model Project" in 2015; it is scheduled for completion in first quarter 2016. Once complete, the resulting Retail Customer Revenue Estimation Models will allow the Bank to automatically conclude loan applications round-the-clock; determine loan limits and optimize these limits; work in a more active and swift manner with new clients; increase the automation of processes such as legal compliance, loan application, revenue confirmation, allocation, marketing, monitoring and collection; lower operational costs; and reduce operational risks.

In 2015, Halk Hayat ve Emeklilik A.Ş. (Halk Emeklilik)'s systems were integrated with the Bank's Internet and telephone banking services. This integration allows Halkbank customers to keep track of their Private Pension System and life insurance policies from Halk Emeklilik using the Bank's Internet and telephone banking, without having to visit the Halk Emeklilik Internet branch. Customers may also make changes to their PPS contribution in this manner.

By integrating the e-Fax System with the Corporate Content Management System, the Bank digitized all outgoing/incoming fax messages, allowing for automatic initiation of the work flow process.

Halkbank completed work on the integration to the systems infrastructure of hardware based modules using the Financial Seal and Qualified Electronic Certificate (NES) to be deployed in bulk electronic signatures in a secure and swift fashion. With the employment of hardware based security modules, the Financial Seal and Qualified Electronic Certificate (NES) started being kept in a secure environment.

## REVIEW OF OPERATIONS IN 2015

# HALKBANK'S TOTAL DEPOSITS CLIMBED TO

# TRY 122.1 BILLION AS OF YEAR-END 2015,

# UP BY 17.8%.

### DEPOSIT MANAGEMENT

#### **Solid and extensive 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 maintain Halkbank's solid funding structure, is based on the key principles of cost, market share and liquidity. As the Bank expects deposits to remain a very important source of funding in the coming year, Halkbank plans to continue maintaining 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. To this end, the Bank continued to provide the Fixed-Rate Productive Deposit Account, Flexible Term Deposit, and Mutual Fund, Convertible Safe Deposit and

Convertible Term Deposit products in 2015. 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 122.1 billion.**

Halkbank's total deposits increased 17.8% and reached TRY 122.1 billion as of end-2015.

Total demand deposits amounted to TRY 20.5 billion while the share of demand deposits in total deposits stood at 16.8%.

#### **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 2015.

#### **Contracted companies in cash management**

In the Bank's cash management area, the number of contracted parent companies in the Direct Debit System went up from 333 in 2014 to 390 in 2015; meanwhile, the number of dealerships rose from 5,821 in 2014 to 6,930 in 2015. Direct Debit System company turnover increased from TRY 3.6 billion in 2014 to TRY 4.3 billion in 2015. The number of contracted parent companies in the Direct Debit System increased by 17%, total contracted dealerships rose 19%, and the Direct Debit System's turnover went up 17.9%, with commission fees climbing 31%.

#### **The number of pensioners at the Bank stands at 1,899 thousand.**

Under the agreement with the Social Security Institution of Turkey (SGK), the Bank intermediated in the salary payments of 1,899 thousand pensioners.

## SUSTAINABLE BANKING, ENERGY AND ENVIRONMENT

### MANAGEMENT INITIATIVES

#### SUPPORT SERVICES



Halkbank monitors and follows up the security systems of all locations round-the-clock through the main network system and a GPRS network, complete with back-up. In 2015, the Bank installed alarms, cameras and fire detection systems at a total of 222 locations, and provided security services to 4,713 points. Action is taken whenever necessary thanks to regular reporting and monitoring, in an ongoing manner.

In 2015, Sustainability Committee was founded, with work on sustainable banking, energy and the environment ramping up.

The Bank's Sustainability Report was issued in GRI4 format and published on the Bank's website.

Additionally, Halkbank reported its carbon footprint to the Carbon Disclosure Project in line with its data and strategies.

The Managers Meeting 2015, one of the Bank's largest occasions, took place as a carbon-neutral event and the relevant certification was issued on the Bank's website.



## REVIEW OF OPERATIONS IN 2015

# SUPPORTING PROJECTS THAT CREATE VALUE FOR SOCIETY

### PUBLICITY AND PUBLIC RELATIONS

#### Gazi University Gazi Technopark Business Idea Competition Sponsorship

Halkbank became a sponsor of the Gazi University Gazi Technopark's Business Idea Competition.

#### Foundation of Entrepreneurial Businessmen Award Sponsorship

Halkbank was the main sponsor of the Hayati Üstün Entrepreneurship Awards, organized by the Foundation of Entrepreneurial Businessmen, around the theme "May Entrepreneurial Ideas Win."

#### Bariş Manço Museum Activities

At Bariş Manço's home, now transformed into a museum with the Bank's support, various activities were organized for children under the custody of the Social Services and Child Protection Agency, during the "Week of Love and Peace."

#### IIF Meeting Sponsorship

The Bank was the main sponsor of the International Institute of Finance's G20 meeting presided over by Turkey.

#### Sponsorship for the "Last Letter"

The Bank became the sponsor of the "Last Letter," a film focused on the War of Gallipoli.

#### Stars of Technology Awards Ceremony

Halkbank sponsored the Stars of Technology Awards Ceremony, where companies were recognized for their R&D and innovation efforts, according to the votes of Yıldız Technical University (YTÜ) faculty and student body.

#### Second International Family Conference

Halkbank became a sponsor of the Second International Family Conference, organized by the Union of Islamic NGOs (İDSB) and the Ministry of Family and Social Policies to discuss family-related issues in the changing world and formulate realistic solutions.

#### Crafts Under Threat Photo Exhibition

The Craftsmen and Artisans Association (ESDER) held the Crafts Under Threat Photo Exhibition under the sponsorship of Halkbank.

#### Second Istanbul Carbon Summit

Under the sponsorship of Halkbank, the Association for Sustainable Production and Consumption (SÜT-D) and the Association for Energy Efficiency jointly organized the Second Istanbul Carbon Summit. The event discussed issues that concern the world and future generations, including how carbon emissions in homes, industry and transport can be reduced via enhanced energy efficiency.

#### Sixth World Energy Regulation Forum

The Bank sponsored this forum which brought lawmakers working on energy regulation together with other stakeholders in the energy market, encouraging them to share their experience and know-how.

#### Ahi Week Celebrations

As in previous years, Halkbank sponsored the Ahi Week Celebrations in Kırşehir, to uphold the "ahi" and "yaran" cultures, which are based on ethics, integrity, fraternity and philanthropy.

### **Ankara Accessible Film Festival**

The third edition of the Ankara Accessible Film Festival was organized between April 21-26, 2015 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.

### **Ankara International Film Festival**

Continuing to support arts and culture events as in previous years, Halkbank provided sponsorship support to 26<sup>th</sup> Ankara International Film Festival in 2015, for the sixth time. Held between April 23-May 3, 2015, the festival drew huge crowds of movie lovers.

### **International FoneFilm Festival**

Halkbank sponsored the third edition of the festival, organized by Doğu Akdeniz University's Radio-TV and Cinema Department on June 11-12, 2015.

### **Halkbank Memorial Forest Project**

Designed to expand tree covered areas, fight against erosion, increase carbon storage and broaden public awareness on the importance of forestation by pointing to increased forest fires and shrinking forest areas, the Halkbank Memorial

Forest project planted a total of 20 thousand saplings – one for each Bank employee – in an area in Ankara. Certificates of planting were sent to each member of the Bank's staff.

The project also aimed to bolster employees' sense of identity by ensuring their participation in a social responsibility activity, such as forestation.

### **Ahi Week and Craftsmen Festival**

Organized by the Association of Craftsmen and Artisans in the Macedonian capital Skopje, the Ahi Week and Craftsmen Festival was sponsored by the Bank. The activities served as a cultural bridge, bringing together Turkey and Balkan nations.

### **Camp for Women Entrepreneurs**

The Camp for Women Entrepreneurs was held in a cooperation between TÜBİTAK Martek and KADEM, under the sponsorship of the Bank. The camp aimed to boost the entrepreneurial capabilities of women who could set up businesses with the potential of recruiting qualified employees.

### **Istanbul Palace of Justice Wind Turbine Construction**

The Bank sponsored the overseas travel, accommodation and other expenses by officers who visited other countries to conduct on-site analysis and research prior to the installation of wind turbines on the roof of the Istanbul Palace of Justice to generate renewable energy.

### **Supporting Children of Martyred Security Personnel**

The Bank supported the Ministry of Family and Social Policies campaign to provide tablet PCs to the children of martyred security personnel.

### **6<sup>th</sup> International Mardin Children and Youth Theater Festival**

The 5<sup>th</sup> International Mardin Children and Youth Theater Festival took place between November 1-18, 2015, under the sponsorship of Halkbank.

### **Ninth International Flamenco Ankara Festival**

The Ninth International Flamenco Ankara Festival took place in October, under the sponsorship of Halkbank. The festival brought together virtuosi and world dance champions with performing arts lovers, while also hosting workshops where participants could learn from these accomplished masters.

## REVIEW OF OPERATIONS IN 2015

THE BANK SPONSORED THE FOURTH

### **KOSGEB SME AND ENTREPRENEURSHIP**

AWARDS CEREMONY ORGANIZED BY KOSGEB.

#### **Halkbank sponsored international finance conferences held in Dubai and Istanbul.**

##### **2015 General Assembly and Global Conference**

The Bank sponsored the “2015 General Assembly and Global Conference” organized jointly by the International Union of Cooperatives and Turkish Ministry of Customs and Commerce on November 10-13, 2015.

##### **“Bonds, Loans & Sukuk Middle East Turkey” Conference**

This international finance conference was held on June 2-3, 2015 in Dubai and on November 11-12, 2015 in Istanbul under the sponsorship of Halkbank.

##### **Main Sponsorship of Atlantic Council Energy and Economy Summit**

The Bank became the main sponsor of the seventh edition of the Atlantic Council Energy and Economy Summit held on November 18-20, 2015. The summit served as a forum to discuss the economy and energy policies of the countries of the Middle East, Balkans and Europe. Meetings were organized with the participation of global political and business leaders to shed light on developments in energy and politics.

##### **Symposium on the Development of Turkey-Pakistan Economic Relations**

Halkbank was the gold sponsor of the Symposium on the Development of Turkey-Pakistan Economic Relations held by the Foundation for Economic Research on December 7, 2015.

##### **Fourth KOSGEB SME and Entrepreneurship Awards Ceremony Sponsorship**

The Bank sponsored the Fourth KOSGEB SME and Entrepreneurship Awards Ceremony organized by KOSGEB.

##### **Exhibition: “60 Solutions for Climate Change”**

Halkbank hosted the exhibition titled “60 Solutions for Climate Change,” which featured 21 photographs, organized by the French Development Agency (AFD) and Yann Arthus Bertrand.

## 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 MEMBERS OF THE BANK'S BOARD OF DIRECTORS FOR PRACTICES IN BREACH OF APPLICABLE LEGAL OR REGULATORY PROVISIONS.

THERE HAVE NOT BEEN ANY ADMINISTRATIVE OR LEGAL SANCTIONS IMPOSED ON THE BANK FOR PRACTICES IN BREACH OF APPLICABLE LEGAL OR REGULATORY PROVISIONS.

TOTAL CHARITABLE CONTRIBUTIONS AND DONATIONS MADE BY HALKBANK IN 2015 AMOUNTED TO TRY 171,045.33, WHILE DONATIONS INCLUDING THE CONSOLIDATED SUBSIDIARIES AMOUNTED TO TRY 365,124.40.

## HALKBANK'S SUBSIDIARIES AND AFFILIATES

HALKBANK HAS AN EXTENSIVE

## SUBSIDIARIES AND AFFILIATES PORTFOLIO

COMPRISED OF 23 COMPANIES.

### SYNERGETIC PARTNERSHIP

Thanks to its synergetic partnership with its subsidiaries and affiliates, Halkbank rapidly and efficiently provides its clients the services they need.

Halkbank has an extensive portfolio of subsidiaries and affiliates comprised of 23 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 marketing 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.

### New opportunities in nearby geographies

In line with the Bank's policy of increasing its presence in the Balkan region and Middle East, Halkbank acquired a 76.76% stake in Cacanska Bank, operating in the Cacak region of Serbia and transformed it into a subsidiary. The bank was renamed Halkbank A.D. Beograd and its headquarters was transferred to Belgrade.



## HALKBANK'S SUBSIDIARIES



**HALKSİGORTA**

### Halk Sigorta A.Ş.

Capital: TRY 94,000,000  
Halkbank's shareholding: 89.18%

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 in 2014 within the new registered capital ceiling of TRY 150 million.

In 2013, Halk Sigorta A.Ş. acquired a 16.6667% stake in Türk P&I Sigorta A.Ş. On April 2, 2015, Halkbank purchased this interest from Halk Sigorta A.Ş., turning Türk P&I Sigorta A.Ş. into a Bank affiliate.



**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 82,000,000  
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.

In 2014, Halkbank acquired the stakes in this company held by Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş., bringing its total ownership share up to 99.96%. In 2015, the Company's paid-in capital was increased from TRY 64 million to TRY 82 million.

As a result of the application filed by the company due to the obligation of renewing investment firm licenses based on the abrogated Capital Markets Law No. 2499 under Capital Markets Law no. 6362, the Company was classified and authorized as a brokerage firm with broad authority as per CMB's resolution dated October 15, 2015.

The agency contract between Halk Yatırım Menkul Değerler A.Ş. and Halkbank was cancelled to be replaced with Order Transfer Intermediation Contract signed on November 11, 2015 and approved by CMB.

## HALKBANK'S SUBSIDIARIES AND AFFILIATES



### 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.



### Halkbank A.D., Beograd

Capital: RSD 2,421,160,000 (Serbian dinars)

Halkbank's shareholding: 82.47%

In line with the Bank's policy of increasing its presence in the Balkan region and Middle East, Halkbank acquired a 76.76% stake in Cacanska Bank, operating in the Cacak region of Serbia. The Bank included the acquisition target in the subsidiary portfolio as of May 27, 2015. The acquired bank was renamed Halkbank A.D. Beograd in line with the resolution adopted at the General Assembly dated October 15, 2015, and its headquarters was transferred from Cacak to Belgrade. Halkbank A.D. Beograd has 13 branch locations, nine sub-branches and 384 employees as of year-end 2015.

Following a capital increase in 2015, Halkbank's shareholding went up to 82.47%.



### Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

Capital: TRY 743,000,000

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.

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.

In 2015, the Company's capital amounted to TRY 697.9 million, while the registered capital ceiling stood at TRY 1.5 billion. Subsequently, the capital was increased by TRY 45.1 million, all from 2014 profit, rising to TRY 743 million.



## 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.

## Paramız Halk Portföy ile GÜVENLE BÜYÜYOR...

## HALKPORTFÖY

### Halk Portföy Yönetimi A.Ş.

Capital: TRY 8,000,000  
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.

In 2015, the Company's capital was raised with the allocation of in-house funds from TRY 5 million to TRY 8 million, which is below its registered capital ceiling.



## HALKFAKTÖRİNG

### Halk Faktoring A.Ş.

Capital: TRY 46,500,000  
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. 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. In 2015, the Company's capital was increased to TRY 46.5 million and Halkbank's stake amounted to TRY 45.4 million. The company operates two branches in Istanbul and one in Ankara.



## Bileşim

Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.

### Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.

Capital: TRY 16,000,000  
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 distribution 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 2015, the Company's capital was increased from TRY 14 million to TRY 16 million.

## HALKBANK'S SUBSIDIARIES AND AFFILIATES

### 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: EUR 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.



#### **Türk P&I Sigorta A.Ş.**

Capital: TRY 6,000,000  
Halkbank's shareholding: 16.67%

The Company was established on December 31, 2013 in accordance with Insurance Law No. 5684 to operate exclusively in the non-life insurance branch titled Water Vessels Liability Insurance, with capital of TRY 300,000. Pursuant to the Regulation on the Establishment and Operating Principles of Insurance and Reinsurance Companies, the company obtained a license to operate in the field of Water Vessels Liability Insurance on February 18, 2014.

At the Extraordinary General Assembly which convened on January 17, 2014, the Company's capital was increased by TRY 5,700,000 to TRY 6,000,000.

On April 2, 2015, Halkbank acquired a 16.6667% stake in Türk P&I Sigorta A.Ş. previously held by its subsidiary Halk Sigorta A.Ş. As a result, Türk P&I Sigorta was transformed into an affiliate.

## SECURITIES AVAILABLE FOR SALE

### **Kredi Garanti Fonu A.Ş.**

Capital: TRY 278,438,892

Halkbank's shareholding: 1.69%

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 23,494,932

(Turkmenistan Manats)

Halkbank's shareholding: 1.53%

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.  
Kavacık Rüzgarlı Bahçe Mah. Kavak Sok.  
No:29 Beykoz 34805 İstanbul  
Tel +90 (216) 681 90 00  
Fax +90 (216) 681 90 90  
www.kpmg.com.tr

INDEPENDENT AUDITOR'S REPORT REGARDING THE BOARD OF DIRECTOR'S ANNUAL REPORT

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

**Report Regarding the Audit on the Board of Director's Annual Report Within the Framework of the Independent Audit Standards**

We have audited Türkiye Halk Bankası A.Ş. ("Bank") Annual Report regarding the accounting period ending on the 31<sup>st</sup> of December 2015.

*Board of Director's Responsibility Regarding the Annual Report*

As per the 514<sup>th</sup> Article of the Turkish Code of Commerce n.6102, and the "Regulation On The Principles And Procedures Regarding The Preparation Of The Annual Report By Banks" published in the Official Gazette n.26333 dated: 1<sup>st</sup> of November 2006; Bank management is responsible for: i) issuing an Annual Report, reflecting facts in consistency with the financial statements that are prepared in conformity with the "Regulation On Procedures and Principles Regarding Banks' Accounting Practices and Storing Documents" published in the Official Gazette n.26333 dated: 1<sup>st</sup> of November 2006, and other regulations published by the Banking Regulation and Audit Board regarding banks' accounting and recording systems, and circulars and announcements of the Banking Regulation and Supervision Agency ("BDDK"), and the "BDDK Accounting and Financial Reporting Legislation" stipulating the provisions of the Turkish Accounting Standards, for topics not stipulated in the abovementioned regulations; ii) implementing an internal control necessary for preparing such annual report.

*Independent Auditor's Responsibility*

Based on the independent audit we have performed on the Bank's annual report within the framework of the 397<sup>th</sup> Article of the Turkish Code of Commerce and the "Regulation On Independent Audit Of The Banks" published in the Official Gazette n.29314 dated: 2<sup>nd</sup> of April 2015; our responsibility is to present our opinion on whether the financial information in this annual report is consistent with the Bank's financial statements or not and whether it reflects the facts or not.

The independent audit we have performed, was carried out in conformity with the Independent Audit Standards ("BDS") which are included in the Turkish Audit Standards published by the Public Oversight, Accounting and Audit Standards Authority ("KGK"). These standards require compliance with the code of ethics and stipulate that the independent audit must be planned and performed to find reasonable assurance on whether the financial information in the annual report is consistent with the financial statements or not, and whether it reflects the facts or not.

Independent audit includes performing the audit procedures in order to find audit clues about historical financial information. Selection of these procedures depends on the professional judgment of the independent auditor.

We believe that the independent audit clues we have found during the independent audit, form a reasonable and sufficient basis for our conclusion.

*Opinion*

In our opinion, the financial information in the Board of Director's Annual Report, with all its important aspects, are consistent with the financial statements, and does reflect the facts.

**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.



## AMENDMENTS TO THE ARTICLES OF ASSOCIATION IN 2015

### FORMER VERSION

#### ARTICLES OF ASSOCIATION OF TÜRKİYE HALK BANKASI A.Ş.

##### Capital:

Article:6-) (1) Bank's principle capital is 1,250,000,000.00 (one billion two hundred fifty million) Turkish Liras, all paid in free of collusion.

(2) This capital, is composed of 1,250,000,000.00 (one billion two hundred fifty million) registered shares each with a par value of 1 Turkish Lira.

(3) Shares representing the Capital are tracked in dematerialized form within the framework of dematerialization principles.

### NEW VERSION

#### ARTICLES OF ASSOCIATION OF TÜRKİYE HALK BANKASI A.Ş.

##### Capital:

Article:6-) (1) Bank has accepted the registered capital system in accordance with the provisions of the Capital Markets Law, and started using the registered capital system upon the Capital Markets Board permission n.8/346 dated: 19.03.2015.

(2) The upper limit of the registered capital of the Bank is 7,500,000,000 (seven billion five hundred million) Turkish Liras, composed of 750,000,000,000 (seven hundred fifty billion) registered shares each with par value of 1 (one) Kuruş.

(3) The permission given by the Capital Markets Board for the upper limit of the registered capital is valid for 2015-2019 (5 years). Even if the upper limit of the registered capital is not reached by the end of 2019, in order to take a decision to increase the capital after 2019, the Board of Directors must first get permission from the Capital Markets Board for the previously given upper limit or for a new upper limit, and then get authorization of the General Assembly for a new period not more than 5 years. In case this authorization is not given, capital increase with a Board of Directors decision cannot be made.

(4) Bank's issued capital is 1,250,000,000 (one billion two hundred fifty million) Turkish Liras, all paid in free of collusion. This capital, is composed of 125,000,000,000 (one hundred twenty five billion) registered shares each with a par value of 1 Kuruş.

(5) Board of Directors is entitled to take decision about issuing shares above nominal value, and limiting shareholders' right to new shares without leading to inequality.

(6) Shares representing the Capital are tracked in dematerialized form within the framework of dematerialization principles

## BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



**Recep Süleyman ÖZDİL**  
Chairman

Mr. Özdil was born in 1961 in Istanbul and graduated from Ankara University, Faculty of Political Science, Department of Economics. He started his professional career in 1984 at a private company as Inspector. Subsequently, Mr. Özdil went on to work as Specialist, Assistant Manager and Branch Manager at Albaraka Türk Özel Finans Kurumu A.Ş. between 1986 and 1993. From 1993 to 1995, he served as Financial Coordinator at a private company. Later, he worked as Deputy General Manager between 1995 and 2001 at İhlas Finans Kurumu A.Ş. and from 2001 to 2005 at Family Finans Kurumu A.Ş. From 2005 until 2011, Mr. Özdil was a Board Member and CEO at Birleşik Fon Bankası A.Ş. and Board Member at Security Deposit Insurance Fund (TMSF). Since August 28, 2015, Mr. Özdil has been serving as Chairman at T. Halk Bankası 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 the same period, he served as Board Member of affiliates, including Türkiye Sınai Kalkınma Bankası A.Ş., Anadolu Hayat Emeklilik A.Ş. and İş Faktoring A.Ş. From March 2010 to March 2013, Mr. Kalkan was Board Member and Executive Director at Türkiye Vakıflar Bankası T.A.O., and Chairman of the VakıfBank affiliates Güneş Sigorta A.Ş. and Vakıf International AG (Vienna). Mr. Kalkan has served as Deputy Chairman of T. Halk Bankası since April 1, 2013, and as Independent Board Member since April 1, 2014. Additionally, he is a Board Member at Demir-Halk Bank (Nederland) N.V. Mr. Kalkan is fluent in English, Arabic and Farsi.



**Ali Fuat TAŞKESENİOĞLU**  
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. Mr. Taşkesenlioğlu has served as Board Member and General Manager of T. Halk Bankası A.Ş. since February 7, 2014. He also serves as Chairman of Halk Sigorta A.Ş.



**Emin Süha ÇAYKÖYLÜ**  
Board Member

He was born in 1948 and graduated from TED Ankara College. He received his BSc from Middle East Technical University, Faculty of Engineering (1970); an MBA from Syracuse University (1972); an MSc from University of Manchester, Institute of Science and Technology (UMIST) (1975); and PhD from Western Illinois University. During his professional career, from 1973 onwards, he worked as Project Engineer and Director at UZEL-Massey Ferguson Traktör Ltd. Şti. and TÜMAŞ Müşavirlik, Mühendislik ve Müteahhitlik A.Ş.. During his tenure as Research and Project Development Deputy Manager at Devlet Sanayi ve İşçi Yatırım Bankası A.Ş. (DESİYAB), he worked for 10 years as Project Engineer and Department Head at the Islamic Development Bank established in Jeddah, Saudi Arabia. After returning to Turkey in 1987, he served as Founding General Director at Emirlikler Anadolu Yatırım ve Türk-Suudi Yatırım Holding A.Ş., in which Türkiye Kalkınma Bankası A.Ş. was a Founding Partner. After his retirement in 1999, he continued his professional career at various private companies working as CEO, Project Coordinator and Managing Director. Since 2002, he has served as Board Member at T.C. Ziraat Bankası A.Ş., Ziraat Finansal Kiralama A.Ş., Başak Sigorta A.Ş. and Türkiye Şeker Fabrikaları A.Ş. He has been a Board Member at 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. Mr. 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 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. Having served Halk Hayat ve Emeklilik A.Ş. as Vice Chairman, Mr. İşbilen is currently the Vice Chairman of Halk Sigorta 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. and Board Member in Halk Hayat ve Emeklilik 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 Sigorta 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 (TODAİE), 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. Mr. 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. From November 2, 2011 onwards, Mr. Arslan worked as Head of the General Directorate of Banking and Foreign Exchange. Subsequently, he sat on the Supervisory Board of T. Halk Bankası A.Ş. from April 18, 2012 to March 29, 2013. Since March 29, 2013, he has served as a Member of the Supervisory Board, established pursuant to the Articles of Association, at T. Halk Bankası A.Ş.

## EXECUTIVE MANAGEMENT



**Ali Fuat TAŞKESENİOĞLU**  
General Manager

Please see page 90 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. Mr. 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 Deputy 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. Mr. 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 an Assistant Specialist. 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 7, 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 Assistant Specialist 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. Mr. 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.



**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 T. 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 Naççıvan Türk Bankası, as Inspector and Branch Manager at Albaraka Türk Katılım Bankası A.Ş. and at Asya Katılım Bankası A.Ş.. Subsequently, Mr. Aydın served as CFO and Board Member at Bosnia Herzegovina Airlines, Head of Finance at Turkish Airlines, Affiliates Financial Coordinator at THY Teknik A.Ş. and CFO at Negmar Shipping Ltd. Since July 10, 2014, he has served as Deputy General Manager in charge of Financial Management and Planning at T. Halk Bankası A.Ş.



**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

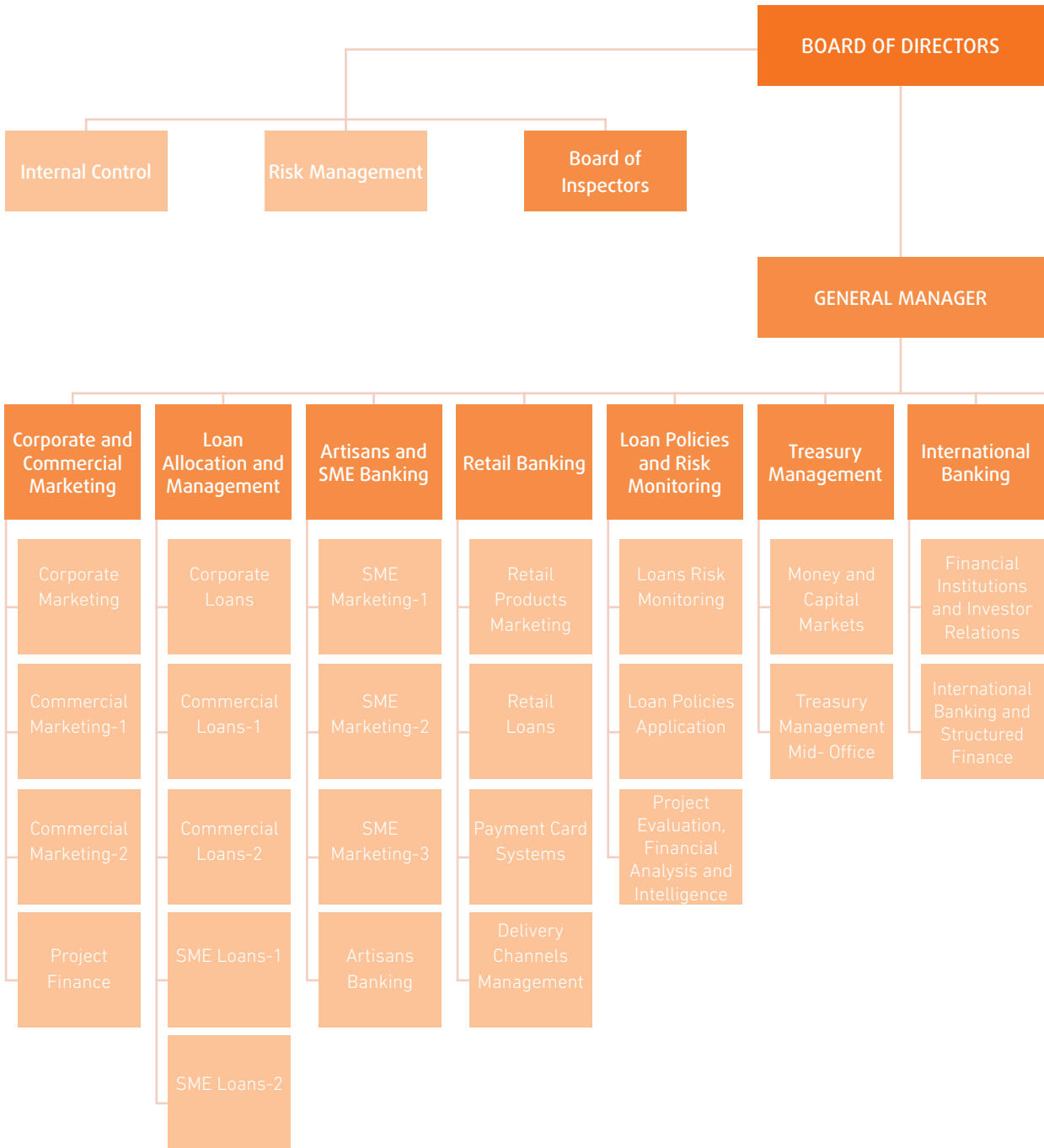
Salim Köse was born in Afyonkarahisar in 1966. He began working at T. Emlak Bankası A.Ş. in 1990 while still studying at the Law School at Istanbul University, and went to work as Assistant Legal Counsel at Etibank A.Ş., as Group Director and Deputy Head of Department at the Saving Deposit Insurance 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.



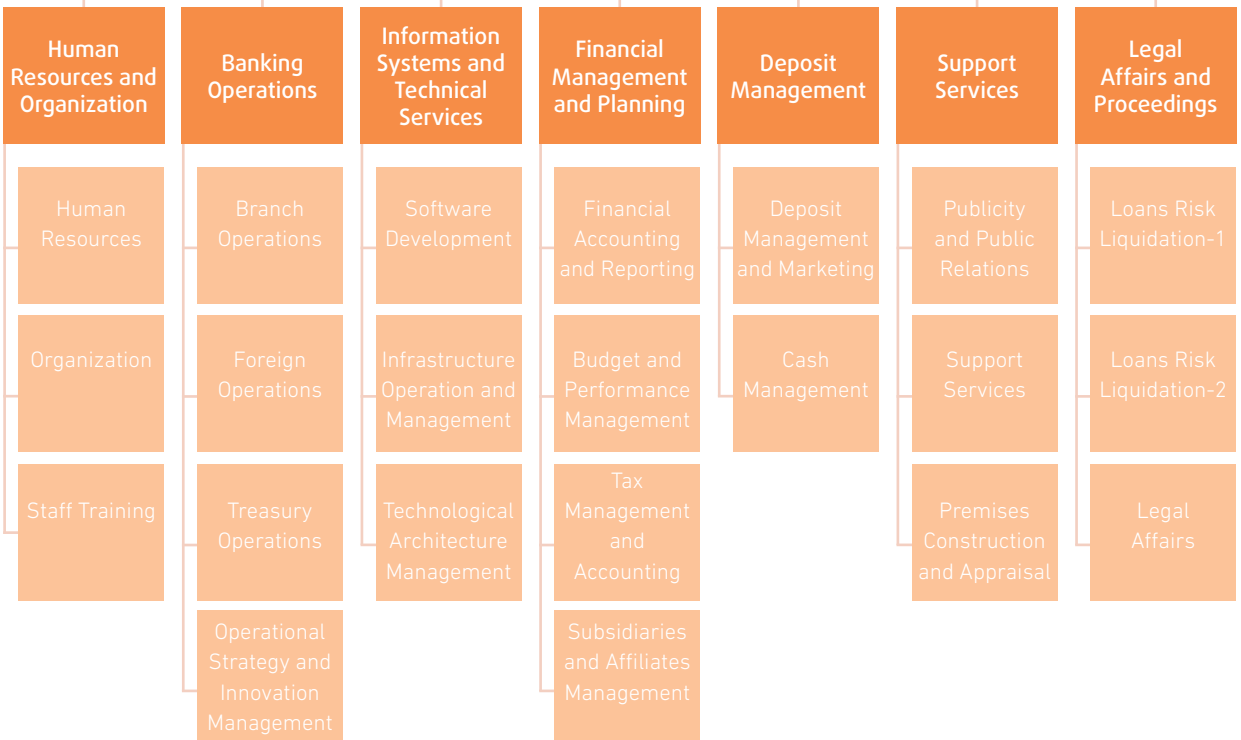
**Ali Ulvi SARGON**  
Chairman of the Board of  
Inspectors

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

Within the structure of Halkbank, the Audit Committee was established with the Board of Directors decision n.34-01 dated: 31.10.2006. As per the provisions of the "Regulation On Banks Internal Systems and Internal Capital Adequacy Evaluation Process" published in the Official Gazette n.29057 dated: 11.07.2014; the Audit Committee is responsible – on behalf of the Board of Directors – for overseeing the efficiency and sufficiency of the internal control, risk management and internal audit systems of the Bank, and the systems, and the accounting and reporting systems functioning within the framework of the law and relevant regulations, and for overseeing the integrity of the information produced. The Audit Committee is also responsible for; i) making preliminary evaluation necessary for the Board of Directors to choose an independent audit firm, ii) regularly monitoring the activities of the independent audit firm chosen by the Board of Directors, iii) making sure that internal audit functions of the corporations subject to consolidated audit are performed in a consolidated manner in the corporations which are defined as parent company within the scope of the law. The Audit Committee is in charge of establishing the audit and control process which will provide assurance for the efficiency and accuracy of İSEDES. 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

- a) 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 or Board Members 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 audit plans,
  - i) Making recommendations to the Board of Directors regarding the qualifications those inspectors 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 inspectors,
  - 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) Evaluating the independent audit corporations, rating corporations and valuation corporations that will sign contracts with the Bank, and independency, sufficiency of their Board of Directors' Chairmen and Members, their auditors and employees, and reliability, efficiency and source of their internal policies and practices; and presenting the assessment results in a report to the Board of Directors; and repeating these procedures regularly during the term of the contract, not more than three months, in case of purchasing services. 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.

The Audit Committee convened 12 times during 2015; 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

### 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.

## COMMITTEES

The Operational Risk Working Committee convened 12 times during 2015. 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
Dursun Ali ALEV	Member	Head of Foreign Operations Department (v.)
Mehmet Volkan SAYIM	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 (v.)

### 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

- 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,
- 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,
- Ensuring that the loan portfolio is managed in accordance with generally accepted credit risk management principles,
- 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,
- Carrying out the authorities and duties delegated by the Board of Directors.

The Credit Committee convened 50 times and made 1,194 decisions in 2015. The members of the Committee attended the meetings regularly.

Members of the Credit Committee	Position	Primary Position
Ali Fuat TAŞKESEN LİOĞLU	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.

The Assets and Liabilities Committee convened 52 times in 2015. The members of the Committee attended the meetings regularly.

### Members of the Assets and Liabilities Committee

Member	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
Murat UYSAL	Member	Deputy General Manager of Deposit Management (v)

### 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.

## COMMITTEES

The Corporate Governance Committee convened 4 times during 2015.

<b>Members of the Corporate Governance Committee</b>		
<b>Committee</b>	<b>Position</b>	<b>Primary Position</b>
Sadık TILTAK	Chairman	Independent Board Member
Dr. Nurzahit KESKİN	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
Erdal ERDEM	Member	Deputy General Manager of Human Resources and Organization
Yusuf DAYIOĞLU	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 1 during 2015. The members of the Committee attended the meeting.

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

### Sustainability Committee

Sustainability Committee was established with the Board of Directors decision dated: 16.04.2015, in order to coordinate the sustainability activities of the Bank.

Committee started its activities, under the Board of Directors, with the aim of increasing Bank's strength to create long term value, and adapting economic, environmental and social factors together with the Corporate Governance Principles into the activities and decision mechanisms of the Bank.

### Sustainability Committee's Duties and Powers

Committee pursues the "Sustainability Policy" determined by the Board of Directors and ensures that the Policy is implemented. Committee coordinates Bank's sustainability activities and evaluates the economic, environmental and social impacts of its activities. Study groups are established in relevant units for sustainability, and if necessary technical assistance is received outside the Bank. Within the scope of sustainability, Committee makes necessary suggestions in order to decrease the potential negative impacts of the Bank activities, and determines the procedures and principles regarding the energy management of the Bank. Committee analyzes the results of the emission calculation based on the Bank's energy and water consumption figures and waste data, and shares the results with and makes suggestions to the related units in the Bank, and if necessary makes reporting to the public disclosure platforms like CDP (Carbon Disclosure Project). In compulsory circumstances for sustainability, whether legally or not, the Committee prepares the appropriate infrastructure for the Bank, and takes necessary action in order to ensure that the Bank, as a publicly traded bank in Borsa Istanbul, is continuously listed in BIST Sustainability Index, and coordinates the internal regulations of the Bank for this purpose. Committee advises the Board of Directors regarding the activities and deficiencies in the Bank in the field of Sustainability.

Committee convened 3 times in 2015.

<b>Member of the Sustainability Committee</b>	<b>Position</b>	<b>Primary Position</b>
İsmail Erol İŞBİLEN	Chairman	Independent Member of the Board of Directors
Ömer Faruk ŞENEL	Vice Chairman	Deputy General Manager In Charge Of Support Services
Mehmet Hakan ATİLLA	Member	Deputy General Manager In Charge Of International Banking
Mehmet Sebahattin BULUT	Member	Deputy General Manager In Charge Of Loan Policies and Risk Monitoring
Erdal ERDEM	Member	Deputy General Manager In Charge Of Human Resources and Organization (v.)
Selahattin SÜLEYMANOĞLU	Member	Deputy General Manager In Charge Of Operational Processes
Deniz TEKÇİ	Member	Head of Loan Policies Implementation Unit
Elvan ÖZTABAK	Member	Head of Financial Corporations and Investor Relations Unit
Recep GÜLEÇ	Member	Head of International Banking and Structured Financing Unit
Ergin KAYA	Member	Head of Branch Operations Unit Director
Yalçın KAYA	Member	Head of Publicity and Public Relations Unit
Osman BEKTAŞ	Member	Head of Support Services Unit

### 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 1,527 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 46 times and passed 931 resolutions in 2015.



## EXECUTIVES OF THE INTERNAL SYSTEMS UNITS

### Head of the Board of Inspectors: Ali Ulvi SARGON

Tenure in Current Position	Professional Experience and Position	Education
1 year 5 months	26 years – Head of Audit Committee	Bachelor's Degree in Turkey

### Head of Internal Control Department: Ali CEBECİ

Tenure in Current Position	Professional Experience and Position	Education
1 year 5 months	20 years - Head of Internal Control Department	Bachelor's Degree in Turkey

### Head of Risk Management Department: Erdem ÖZDEMİR (Deputy)

Tenure in Current Position	Professional Experience and Position	Education
1 year 5 months (acting viewed times)	15 years - Head of Department at T. Halk Bankası A.Ş.	Bachelor's Degree in Turkey

## REPORT OF THE BOARD OF DIRECTORS

In 2015, global economic growth remained weak in general. Although the US economy gave signs of recovery, the Eurozone's economic environment remained worryingly fragile. The Turkish economy, on the other hand, continued to grow in spite of the global economic volatility and regional geopolitical tensions experienced during the year. Turkey's banking sector also maintained its strength and solid foundation of recent years.

Halkbank continued to deliver quality products and services to its clients in 2015. The Bank diversified its retail banking offering via the credit card brand Paraf. Halkbank also capitalized on its international reputation to secure overseas financing to bolster its support to SMEs and contribute to the national economy.

In 2015, Halkbank signed a syndication loan agreement, securing EUR 640 million and USD 179 million, with the participation of 37 banks from 18 countries including European, American and Middle Eastern banks. Furthermore, the Bank issued its fourth bond (Eurobond) worth USD 500 million in international markets, and a bond worth TRY 3.5 billion in the domestic markets.

In line with its regional growth strategy, Halkbank acquired a 76.76% stake in Serbia's Cacanska Banka A.D. and renamed it Halkbank A.D., Beograd. With this acquisition, Halkbank expanded its operations in the Balkan region.

In 2015, Halkbank grew its assets by 20.8% over the prior year, from TRY 155.4 billion to TRY 187.7 billion.

As of year-end, the Bank had channeled a large portion of its funds to loans, recording a loans to deposit ratio of 67.5%. Commercial lending, which includes SME loans, totaled TRY 99.7 billion, while retail lending totaled TRY 27 billion. In 2015, the Bank's cash and non-cash loan volume increased 23.8% over the prior year, rising from TRY 134.5 billion to TRY 166.5 billion.

In 2015, the Bank's securities portfolio grew 4.9% over the previous year to TRY 28.2 billion. The portfolio's weight in the balance sheet stood at 15%.

The Bank's total deposits went up 17.8% over the prior year, increasing from TRY 103.7 billion to TRY 122.1 billion. In 2015, total demand deposits stood at TRY 20.5 billion.

In 2015, the Bank reported a capital adequacy ratio of 13.8%, average return on equity of 12.9% and an average return on assets of 1.3%.

In 2015, Halkbank's profit rose 5% over the prior year to TRY 2.3 billion, thus maintaining its sustainable profitability.

Halkbank inaugurated 49 new branches in 2015 – bringing its domestic branch network up to 944 locations – and closed the year with 17,104 employees.

With its 77 years of experience and knowhow, Halkbank maintained consistent growth in 2015, 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 2015, for the review of our distinguished shareholders and their representatives.

Best Regards,

Ali Fuat TAŞKESEN LİOĞLU  
Board Member  
General Manager

R. Süleyman ÖZDİL  
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 websites and Halkbank's website. 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.

### 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 2015 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.,
- 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.,
- Purchase made for Bank units' need for security staff services, from Yavuz Koruma ve Özel Güvenlik Hizmetleri Tic. 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 distribution channels operations service provided by Bileşim 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.,
- Purchase made for software development and maintenance services within the scope of the mobile banking project, from TMOB Bilişim Yazılım Teknoloji Sistemleri A.Ş.,
- Purchase made for collection management system software development and maintenance, from Intellect Design Arena Fz Llc.

## 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 website.

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.

Board of Directors determine 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 2015 ACTIVITY AND FISCAL YEAR OF TÜRKİYE HALK BANKASI A.Ş.

Our Supervisory Board analyzed the Bank's 2015 activities and discovered the following:

- The upper limit of the registered capital of the Bank is TRY 7,500 million and the issued capital is TRY 1.250 million. Furthermore, the equity capital that was TRY 16.536 million as of 2014 year-end, increased by 17.5% and reached TRY 19,424 million as of 2015 year-end,
- The size of the assets in the Banking sector that was TRY 1,994,329 million as of 2014 year-end, increased by 18.2% and reached TRY 2,357,522 million as of 2015 year-end, while the loan volume that was TRY 1,240,708 million as of 2014 year-end increased by 19.7% and reached 1.484.883 TRY million as of 2015 year-end. Furthermore, total securities in the Banking sector increased by 9.1% and reached TRY 329.748 million TRY, while the total deposit that was TRY 1,052,693 million as of 2014 year-end increased by 18.3% and reached TRY 1,245,428 million as of 2015 year-end, as the non-performing loans /total cash loans ratio reached 3.1%,
- In comparison to the abovementioned developments in the Banking sector; as of 2015 year-end, the size of the assets of the Bank increased by 20.8% and reached TRY 187,729 million while the Bank's cash loans increased by 25.2% and reached TRY 124,190 million. Furthermore, Bank's total securities increased by 5.5% and reached TRY 25,772 million, and its total deposit increased by 17.8% and reached TRY 121,676 million, while its non-performing loans /total cash loans ratio reached 3.1%,
- In 2015, the Bank renewed the syndicated loan of EUR 640 million and USD 179 million, with the participation of 37 banks from 18 countries.
- In 2015, the Bank issued bank bond with a total nominal value of TRY 3.5 billion, and issued its fourth bond (Eurobond) with a nominal value of USD 500 million and a maturity of 6 years with fixed interest rate.
- As of 2015 year-end; Bank's total cash loans /total assets ratio, an important factor for determining the quality of the assets, was 66.2% while the sector average was 63.0%, and Bank's ratio of deposits to loans was 102.1% while the sector average was 112.4%. Furthermore, Bank's loan volume for financing the SMEs which are the propellant power behind our country's growth, increased by 23.3% compared to 2014,
- Bank's capital adequacy ratio is above the legal limits stipulated by the Banking Regulation and Supervision Agency ("BDDK"). Furthermore, Bank's capital adequacy ratio as of 2015 year-end was 13.8% compared to the sector average that was 15.6%. As of 2015 year-end; Bank's return on equity was 12.9% compared to the return on equity sector average that was 10.5%, while the net period profit of the Bank increased by 5% compared to the previous year and reached TRY 2,315 million as of 2015 year-end,
- 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 2015, the Bank opened 49 new branches and continued its growth activities while the total number of its branches in the country reached 944,
- In 2015, the total number of staff members leaving the Bank due to retirement or for other reasons, was 942. On the other hand, 732 new personnel was employed to meet the Bank's human resources network needs, and the total number of employees reached 17.104, while the personnel expenses ratio in total revenue that was 18.1% in 2014 reached 19.9% in 2015,
- In 2015, the ratio of employees having higher education degree in the sector was 84.3% while this ratio in the Bank increased 50 basis points compared to the previous year and reached 82.7%,
- In 2015, the total person/day ratio regarding the training programs Bank personnel attended via "in class" and "distance learning" methods reached 12.84 in 2015 while 16.782 personnel attended the training programs,
- Furthermore, the Bank established the Sustainability Committee, and the Committee began its activities in 2015. Activities were carried out to be listed in BIST Sustainability Index, and within this scope the current Code of Ethics and Anti-Corruption Policy of the Bank was revised in conformity with the sustainability index criteria and international norms,

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.

Istanbul,  
01.03.2016

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. 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).

Halkbank has achieved compliance with the compulsory principles of the CMB's "Corporate Governance Principles". Furthermore, the Bank carries out activities to comply with the non-compulsory principles, and significantly practices all policies and measures while progressively continuing its activities in this field.

Since 2011, Halkbank has been provided with rating services on the issue of Compliance with Corporate Governance by SAHA Kurumsal 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. Halkbank increased its Corporate Governance Rating which was 9.19 over 10 in 2014, to 9.26 in 2015.

## 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 48.93% following the secondary public offering in November 2012.

As announced via Public Disclosure Platform within the scope of the 11<sup>th</sup> 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 Public Disclosure and 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 Public Disclosure and Shareholders Unit while both are Bank's Corporate Governance Committee Members. Mehmet Hakan Atilla is the Investor Relations Department Director.

As the Investor Relations Unit continued its efficient communication efforts throughout 2015, participation was achieved in two international promotional organizations (roadshows) and 26 international one-on-one meeting organizations in and outside the country. Some 1,290 investors-analysts were contacted – 556 at the international organizations, 215 at the Bank headquarters, 322 via teleconference and 197 by electronic mail or phone – and 8,473 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 2015, approximately 200 information requests – some of which were sent in writing to the Public Disclosure and 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, 5 shareholders per day are given information on the phone.

**Financial Accounting and Reporting Department:**

Name	Position	E-mail	Phone
Yusuf Duran OCAK	Head of Department	YusufDuran.Ocak@halkbank.com.tr	+90 216 503 54 04
Zafer ERDEM	Manager	Zafer.Erdem@halkbank.com.tr	+90 216 503 52 10

**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	+90 216 503 59 00
Elvan ÖZTABAK	Head of Department	Elvan.OZTABAK@halkbank.com.tr	+90 216 503 59 50
Lena ÇİTELI	Division Manager	Lena.CITELI@halkbank.com.tr	+90 216 503 59 02
Umut KOVANCI	Specialist	Umut.KOVANCI@halkbank.com.tr	+90 216 503 58 02

**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,
- Managing the relations with international rating institutions.

**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 website 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

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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](http://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 27, 2015 with a participation rate of 73.99% 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) - Electronic General Assembly System (EGAS) and the Bank's website. 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.

General Assembly Meeting was organized in a manner that would enable the shareholders to attend the meeting with minimum cost possible, and that would increase attendance. Persons who were entitled to attend the General Assembly Meeting, were given the opportunity to attend and vote via Electronic General Assembly System.

Shareholders exercised their right to ask questions during the General Assembly meetings and the Bank's management team responded to these questions. Furthermore, the questions asked by the shareholders and answers given at the General Assembly were published after the General Assembly on the Bank's website. 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 website and at the Public Disclosure and Shareholders Unit. In addition, the minutes of the Ordinary General Assembly Meeting of the Bank, that was held on March 27, 2015 have been published on the Bank's website and the Public Disclosure Platform, the Central Registry Agency (CRA) EGAS and the Bank's website.

### 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. Moreover, attention is paid to enable using minority rights within the scope of the Turkish Code of Commerce and CMB regulations.

## 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 website and annual report. 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 27, 2015. 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 website. 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. Future assessments are publicly announced in conformity with the provisions of the relevant legislation.

### 9. The Bank's Internet Site and Its Contents

Bank's web address, [www.halkbank.com.tr](http://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. Information given on the website is kept up to date. 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.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## PART III - STAKEHOLDERS

### 11. Informing the Stakeholders

Halkbank pays utmost attention to carry out effective, regular, continuous and safe communication with its 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 website. 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 website 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, corporate portal, 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, e-mail and social media 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.

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.

The "Code of Ethics" as an annex to Halkbank Human Resources Directive; includes detailed explanations under the topics of: conflicts of interest, rules regulating information flow, customer relations and human resources.

Code of Ethics was publicly announced on the Bank website.

With its social responsibility mission and high awareness of duty; Halkbank developed its corporate social responsibility activities within the framework of sustainability, social economic and environmental factors, and continued to add value to social and cultural structure of the country offering its experience in these fields to society's service.

Being the leading supporters of SMEs and the real sector throughout its 77 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 sixth time,
- Main sponsor of the Ankara "Accessible" Films Festival for the third time,
- Technology Stars Award Ceremony sponsorship,
- AFAD 5<sup>th</sup> Anniversary Event Logistics Warehouses Opening Ceremony sponsorship,
- Akhism Week Celebrations sponsorship,
- Atatürk University Foundation Secondary School construction project sponsorship,
- The Atlantic Council of Energy and Economy Summit sponsorship,
- 4<sup>th</sup> KOSGEB SMEs and Entrepreneurship Award Ceremony sponsorship,
- TESKOMB New Turkey Meeting sponsorship,
- Istanbul Courthouse Wind Turbine construction sponsorship,
- Halkbank sponsored, for the third time, the "C'mon Put Your Ideas Into Practice - Business Idea Competition" that had been organized for the first time in 2013 with Halkbank-Gazi University collaboration.

After completing the "Art's Journey From Master to Apprentice, From Turkey to Balkans" project that was carried out by the Yunus Emre Institute with the support of Halkbank, the documentary film prepared for the publicity of the project, the promotional film and the album project sponsored again by Halkbank and finally the closing ceremony of the project took place with the participation of masters and trainees.

With the attention it pays to energy efficiency also in 2015, the Bank provided energy efficiency survey services free of charge to its customers, SMEs in particular, that make investment in the field of energy efficiency.

Halkbank continued to serve its SME website ([www.halkbankkobi.com.tr](http://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.

Halkbank undertook and continued 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.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Our Accessible Bank24 ATMs serve visually-impaired customers at 127 locations and customers with physical disabilities at 156 service points throughout the country, At 61 locations 344 ATMs in total for both visually or physically impaired customers whether they are Halkbank customers or not.

### 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
Recep Süleyman ÖZDİL	Chairman	August 27, 2015		Continuing	
	Vice Chairman				
Süleyman KALKAN	Independent Board Member	April 1, 2013	April 1, 2014	Continuing	Audit Committee-Chairman Credit Committee-Chairman Asset/Liability Committee-Chairman
Ali Fuat TAŞKESENLİOĞLU	Board Member and General Manager	February 7, 2014		Continuing	
Emin Süha ÇAYKÖYLÜ	Board Member	March 28, 2003		Continuing	
Dr. Nurzahit KESKİN	Board Member	April 13, 2005		Continuing	Compensation Committee-Member, Corporate Governance Committee-Member
Yunus KARAN	Board Member	April 1, 2014		Continuing	Corporate Governance Committee-Member
Dr. Ahmet YARIZ	Board Member	April 9, 2008		Continuing	Credit Committee-Member Corporate Governance Committee-Chairman, Audit Committee-Member
Sadık TILTAK	Independent Board Member	April 1, 2014	April 1, 2014	Continuing	Sustainability Committee-Chairman, Compensation Committee-Chairman, Credit Committee-Member
İsmail Erol İŞBİLEN	Independent Board Member	April 1, 2013	April 18, 2013	Continuing	
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 website 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.

In 2015, there was no breach of independence of the Independent Members of the Board of Directors.

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.

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.

In 2015, 46 Board of Directors Meetings were organized. The percentage of Members attending the Board of Directors Meetings is 96%.

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.

Halkbank practices the 396<sup>th</sup> Article of the Turkish Code of Commerce that stipulates competition ban as well as the relevant provisions of the Banking Law. In 2015, Members of the Board of Directors did not make any transactions with the Bank, which would be breaching this scope. The Bank has an employers' liability insurance, with an upper limit of USD 25 million, which covers the Top Management's personal responsibilities and the faults they may make while carrying out their tasks.

### **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, Compensation Committee and Sustainability 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.

Audit Committee was established within the Board of Directors of the Bank in order to help the Board of Directors carry out audit and monitoring activities. Audit Committee is composed of two non-executive Members of the Board of Directors. The units established within the scope of internal control, internal audit and risk management systems and the independent audit corporations submit regular reports to the Committee about the tasks they perform. In case of having issues that may have negative impacts on continuously and safely carrying out the activities of the Bank, and if there is a breach of legislation and internal regulations, Audit Committee is responsible for informing the Board of Directors about these issues.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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. Remuneration Committee effectively carries out its activities within the scope of monitoring, auditing and reporting the remuneration practices on behalf of the Board of Directors.

Corporate Governance Committee was established in order to; i) monitor Bank's compliance with the Corporate Governance Principles within the framework of Banking Regulation and Supervision Agency ("BDDK") and CMB's Corporate Governance Principles regulations, ii) make sure improving activities are carried out in this issue, and iii) advise the Board of Directors. Corporate Governance Committee also nominates the Independent Members of the Board of Directors to be elected for the Board of Directors.

Corporate Governance Committee is composed of 3 Members of the Board of Directors, 3 Assistant General Managers and 2 Unit Directors. Corporate Governance Committee Chairman is an Independent Member of the Board of Directors.

The mandatory Article numbered 4.5.1 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 2015. As per Article numbered 4.3.2.3 of the Management Internal Regulations dated August 12, 2014, the Bank delegated the functions of Nomination Committee to the Corporate Governance Committee in compliance with the regulatory provisions of the Capital Markets Board and Banking Regulation and Supervision Agency. Committee convened 4 times in 2015.

Sustainability Committee was established under the Board of Directors in order to coordinate Bank's activities in sustainability.

Sustainability Committee is composed of 1 Independent Member of the Board of Directors, 5 Assistant General Managers, and 6 Unit Directors. Committee's Chairman is an Independent Member of the Board of Directors. Committee convened 3 times in 2015.

Meetings of the Committees of the Board of Directors are recorded in writing. Board of Directors provides all means and support necessary for the efficiency of the activities of the Committees.

Committees' members are determined by the Board of Directors. Detailed information about Committees structure, tasks and functioning is available in the Annual Report and on the website.

Considering the number of the Members of the Board of Directors of the Bank, a Member of the Board of Director can assume tasks in more than one committee.

### 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. Audit Committee's evaluation report is available in the Annual Report.

### 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 website.

Bank's annual budget and strategic plan are approved by the Board of Directors. Target achievement reports are biweekly tracked by the Board of Directors. Bank top management, periodically organizes performance meetings with branch and region managers in order to evaluate target achievement. Furthermore, in addition to the presentations made to the Board of Directors, financial statements and indicators regarding target achievement are daily available via technological infrastructure system.

### 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 2015, gross TRY 11.2 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. Remunerations and all benefits given to the Members of the Board of Directors and Executives are publicly announced in the Annual Report and on the website.

## AUDIT COMMITTEE'S ASSESSMENT ON THE OPERATION OF THE INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND INFORMATION ABOUT ITS ACTIVITIES IN 2015

### Board of Inspectors

Türkiye Halk Bankası A.Ş. the Board of Inspectors carries out its activities via Audit Committee under the Board of Directors.

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.

As of 31.12.2015; with 228 bank examiners coordinated by the 5 Assistant Directors under the Chairman of the Board of Inspectors, the Board of Inspectors carries out its activities within the framework of ISO 9001:2008 Quality Management System Standards, and with a risk oriented approach, in three separate methods complementing each other: On-site Audit, Centralized Audit, and Information Technologies Audit.

On-site Audit activities are carried out via working programs prepared in line with the Bank's targets, strategies and policies, as they are performed in accordance with the annual audit plan. In on-site audit activities, Bank's reporting systems are utilized besides the special reports like Loan Report Package, Operation Report Package issued by the Centralized Audit Team. Thus, bank examiners can work more effectively and efficiently.

Centralized Audit activities are carried out by issuing and reviewing various special reports in order to early detect potential frauds and operational faults focusing on transactions with high risk level, and to prevent potential actions that would damage the benefits of deposit holders and Bank's shareholders.

Within the scope of Information Technologies Auditing; assessment is made regarding the efficiency, sufficiency and compliance of the information systems of the Bank and corporations subject to consolidation.

Within the framework of risk oriented audit approach; based on the 2015 Audit Plan; (621) Branches, (17) Region Coordination Units, (21) Unit Directors' Offices, (9) Associate Companies, (2) Foreign Branches, (22) Exchange Operation Centers, Cash Operation Centers and Monitoring Operation Centers were audited, and (4) process audits were made. Within the scope of Information Technologies; within the framework of (194) control targets of the 31 COBIT process (1,475) control points were examined, and (32) application audit were made.

On the other hand; in 2015, the Board of Inspectors carried out centralized and on-site audit activities or examinations and investigations regarding the transactions discovered after warnings and complaints.

With the help of the Symptom Monitoring System established under the structure of the Board of Inspectors, controls are made regarding the up to date risk status of the symptoms found during audit, and activities performed by relevant units to eliminate such symptoms. Thus, not only are the symptoms reported, but actions are taken to eliminate them, as well.



Training opportunities in and outside the Bank are provided to the Board of Inspectors Members who perform audit activities in various units of the Bank, having the opportunity to gain experience in every field of banking profession. As a result; the Board of Inspectors Members are supported to receive various certificates, and the Bank is provided with a qualified workforce.

In addition to all these issues, Bank Board of Directors' management declarations are made in order to make sure that the internal controls regarding the information systems and banking processes of the Bank, are effective, sufficient and complying. Auditing is performed on accuracy of the data used in the Internal Capital Adequacy Evaluation Process Report, sufficiency of the systems and processes, and whether data, systems and processes allow correct information and analysis while the process of issuing the consolidated and non-consolidated financial statements of the Bank is audited. Also within this framework; the results of the report issued by the Bank within the scope of "Internal Capital Adequacy Evaluation Process (İSEDES)" scope, is effectively evaluated by the Board of Inspectors in validation process.

By means of the effective and efficient audit it will perform with high responsibility and sense of duty, in line with the targets and policies that will be determined by the Bank's top management, the Board of Inspectors will continue to successfully perform internal audit function within the structure of Türkiye Halk Bankası A.Ş. which is one of the banks having the widest branch network of the banking sector in our country.

### **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.

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 aim is to continuously update the control guidelines and control points in line with the legislation and Bank targets; within this framework, laws, regulations, Banking Regulation and Supervision Agency ("BDDK") regulations and up to date Bank legislation is tracked while changes are incorporated into control guidelines and control points.

The risk levels 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' results are periodically analyzed, and branch and topic based risk measurements and assessments are regularly presented to the Top Management.

## AUDIT COMMITTEE'S ASSESSMENT ON THE OPERATION OF THE INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND INFORMATION ABOUT ITS ACTIVITIES IN 2015

With the online reporting project, which is in the testing phase, the aim is to; i) make internal control reporting through a web based system in an electronic environment, ii) monitor symptoms and take action synchronously, and iii) eliminate risks in a shorter period 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.

In addition to the controls performed on-site, the scope of the audit performed from the center is expanded. 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.

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, while the personnel members are promptly informed about the changes.

IT control group, organized as a Department, carries out activities with a 10 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 and financial system controls were included within the scope of continuous controls in the Department.

Upon the requests of the Bank's Top Management, the Board of Inspectors, 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 Board of Inspectors, and issues that can be resolved with administrative measures are submitted to the relevant units of the Headquarters.

As of 31.12.2015, Internal Controls Department comprehensively carries out its control activities with its staff of 219 people. The staff has 1 Director (Head), 5 Department Managers, 62 Senior Internal Controllers, 92 Internal Controllers and 59 Assistant Internal Controllers. Furthermore, there are 2 office personnel. With the intra-/extra-curricular training programs, personnel's professional and personal development is supported as they are encouraged to get certification in various fields. With a decision taken by the Board of Directors of the Bank, MASAK Compliance Unit which used to carry out its activities with 11 members, administratively under the Internal Control Unit Director, was directly structured under the Board of Inspectors in 2015.

## 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 and Their Internal Capital Adequacy Evaluation Process published in Official Gazette No. 29057 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 2015 and December 2015 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 2015, the Bank's total assets grew by 20.8% to reach TRY 187,729 million.

The Bank's major placement categories consist of loans (TRY 126,745 million; 67.5% of assets), securities portfolio (TRY 28,155 million; 15% of assets) and liquid assets (TRY 25,838 million; 13.8% of assets) while the share of other placements stands at 3.7%.

The major increases as of year-end 2015 compared to the previous year were registered in Turkish Lira loans (TRY 24,978 million).

The Bank's loans increased by 24.5% as of year-end 2015 while its loan-to-deposit ratio stands at 103.8%.

The Bank's non-performing loans stand at TRY 3.974 million as of year-end 2015 and non-performing loans/total loans ratio stood at 3.06%.

### COMPOSITION OF LIABILITIES

The Bank's resources consist primarily of deposits (TRY 122,146 million; 65.1% of liabilities), non-deposit resources (TRY 39,541 million; 21.1% of liabilities) and shareholders' equity (TRY 19,424 million; 10.3% of liabilities) while the share of other liabilities stands at 3.5%.

As of 2015 year-end; significantly increasing figures compared to the previous period were: deposits increasing TRY 18,438 million, and loans increasing TRY 7.631 million.

When we examine the types of deposits, the most important resources of the Bank, we see that: savings deposits with 28.8% share in total deposits increased TRY 4,849 million, commercial deposits with 19.4% share in total deposits increased TRY 5,323 million, public institutions' deposits with 8.6% share in total deposits increased TRY 1,576 million, FX deposits with 28.2% share in total deposits increased TRY 9,763 million, and banks' deposits with 12% share in total deposits decreased TRY 2,531 million.

TRY accounts, with a share of 65.3%, constituted the majority of the Bank's deposits while foreign currency accounts made up the remaining 34.7% of deposits. The share of demand deposits in total deposits stands at 16.8%.

### COMPOSITION OF PROFITS

The Bank closed the 2015 fiscal year with a net profit of TRY 2,315 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 13,657 million as of the end of the year.

Loans contributed TRY 11,258 million to interest income with a share of 82.4% while securities contributed TRY 2,341 million, with a share of 17.1%, the interest income from loans increased by TRY 2,477 million while interest income from the securities portfolio decreased by TRY 311 million compared to the previous year.

The largest item comprising the Bank's interest expenses was interest paid to deposits with TRY 6,386 million and 79.9% share of the total. The interest paid to deposits, was the primary expense item for the Bank in 2015. Total interest expenses with the TRY 1,608 million categorized as other interest expense added up to TRY 7,994 million for the year.

The Bank's net interest income as of the end of the year was TRY 5,663 million.

Net fee and commission income surged by 16.8% on the previous year and reached TRY 1,194 million.

The Bank set aside provisions of TRY 1,302 million against its loans and other receivables for its activities in 2015.

Personnel expenses, which constitute a major portion of the other operating expenses of TRY 3,489 million, increased by 21.9% on the previous year and reached TRY 1,520 million.

As a result of its activities in 2015, the Bank earned pre-tax profit of TRY 2,856 million and, after provisioning TRY 540 million for taxes, a net profit of TRY 2,315 million. The Bank maintained its sustainable profitability in 2015.

## **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 94%; this ratio makes a large contribution to the Bank's liquidity.

The 2015 year end capital adequacy ratio of the Bank was 13.8%, 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 nearly 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 2015, 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 and Their Internal Capital Adequacy Evaluation Process 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,
- 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
Foreign Currency Long Term Stock Rating	BBB-
Support	2
Support Rating Floor	BBB-
Viability Rating	bbb-

### Moody's

Baseline Credit Assessment (BCA)	ba1
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

<b>ASSETS (TRY million)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Liquid Assets	8,747	15,120	21,825	21,560	25,838
Securities	23,346	22,954	28,559	26,844	28,155
Loans	56,216	65,894	84,848	101,767	126,745
Subsidiaries, Affiliates and Jointly-Controlled Subsidiaries	927	1,887	2,427	2,669	2,913
Fixed Assets	1,121	1,163	1,117	1,245	2,542
Other	767	1,264	1,168	1,338	1,535
<b>Total Assets</b>	<b>91,124</b>	<b>108,282</b>	<b>139,944</b>	<b>155,423</b>	<b>187,729</b>
<b>LIABILITIES (TRY million)</b>					
Deposits	66,247	79,974	100,756	103,708	122,146
Money Markets	4,905	381	771	8,413	8,410
Borrowings	6,291	7,303	13,615	12,630	20,262
Funds	1,345	1,408	1,489	1,769	1,964
Marketable Securities Issued	496	2,038	4,165	6,172	8,905
Other	3,200	4,855	5,002	6,195	6,619
Shareholders' Equity	8,640	12,323	14,146	16,536	19,424
Net Period Profit/Loss	2,045	2,595	2,751	2,206	2,315
<b>Total Liabilities</b>	<b>91,124</b>	<b>108,282</b>	<b>139,944</b>	<b>155,423</b>	<b>187,729</b>

**TÜRKİYE HALK BANKASI  
ANONİM ŞİRKETİ**

**UNCONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015  
WITH INDEPENDENT AUDITORS' REPORT THEREON**

(CONVENIENCE TRANSLATION OF UNCONSOLIDATED  
FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES  
ORIGINALLY ISSUED IN TURKISH)



Akis Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
Kavacık Rüzgarlı Bahçe Mah. Kavak Sok.  
No:29 Beykoz 34805 İstanbul  
Tel +90 (216) 681 90 00  
Fax +90 (216) 681 90 90  
www.kpmg.com.tr

Convenience Translation of the Independent Auditors' Report  
Originally Prepared and Issued in Turkish to English (See Note I in Section Three)

To the Board of Directors of Halk Bankası Anonim Şirketi;

#### Report on the Unconsolidated Financial Statements

We have audited the accompanying unconsolidated financial statements of Türkiye Halk Bankası Anonim Şirketi ("the Bank") which comprise the unconsolidated statement of financial position as at 31 December 2015 and the unconsolidated statement of income, unconsolidated statement of income and expense items accounted under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

#### Basis for Qualified Opinion

The accompanying unconsolidated financial information as of 31 December 2015 include a general provision amounting to TRY 123.500 thousands, all of which has been recognized as expense in the current period provided by the Bank management for the possible result of the negative circumstances which may arise from any circumstances from any change in economy or market conditions.

#### Qualified Opinion

In our opinion, except for the effect of the matter described in the basis for qualified opinion paragraph above, the unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

#### Report on Other Legal and Regulatory Requirements

Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("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 2015 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

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

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative

Alper Güvenç  
Partner, SMMM

24 February 2016  
İstanbul, Turkey

#### Additional paragraph for convenience translation to English:

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.

**TÜRKİYE HALK BANKASI AŞ**  
**THE UNCONSOLIDATED FINANCIAL REPORT**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

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 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, 24 February 2016

R. Süleyman Özdil <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>
---	---	---	--	---	--

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

Name/Title : Arman Acar / Senior Specialist  
Tel No : 0216 503 57 59  
Fax No : 0212 340 09 90

**SECTION ONE**  
**General Information about the Bank**

	<b>Page No</b>
I. Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including The Changes of These Articles	137
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	137
III. Explanations Regarding the Bank's Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents and Their Shares Attributable to the Bank, if any	138
IV. Information About the Persons and Institutions that Have Qualified Shares Attributable to the Bank	139
V. Summary on the Bank's Functions and Lines of Activity	140
VI. Differences Between the Communiqué 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	141
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	142

**SECTION TWO**  
**Unconsolidated Financial Statements**

I. Balance Sheet (Statement of Financial Position)	144
II. Statement of Off-Balance Sheet Items	146
III. Statement of Income	147
IV. Statement of Income and Expense Items Accounted under Shareholders' Equity	148
V. Statement of Changes in Shareholders' Equity	149
VI. Statement of Cash Flows	150
VII. Statement of Profit Distribution Table	151

**SECTION THREE**  
**Explanations on Accounting Policies**

I. Basis of Presentation	152
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	152
III. Explanations on Forward and Option Contracts and Derivative Instruments	153
IV. Interest Income and Expenses	153
V. Fees and Commission Income and Expenses	153
VI. Explanations and Disclosures on Financial Assets	153
VII. Explanations on Impairment of Financial Assets	156
VIII. Offsetting Financial Assets and Liabilities	158
IX. Explanations on Sales and Repurchase Agreements (Repos) and Transactions on Securities Loaned	158
X. Explanations on Assets Held For Sale and Discontinued Operations	158
XI. Explanations on Goodwill and Other Intangible Assets	159
XII. Explanations on Property, Plant and Equipment	159
XIII. Explanations on Investment Properties	160
XIV. Explanations on Leasing Transactions	160
XV. Explanations on Provisions and Contingent Liabilities	160
XVI. Explanations on Employee Benefit Liabilities	161
XVII. Explanations on Taxation	162
XVIII. Additional Explanations on Borrowings	163
XIX. Explanations on Shares and Share Issue	163
XX. Explanations on Bill Guarantees and Acceptances	163
XXI. Explanations on Government Incentives	163
XXII. Explanations on Segment Reporting	163
XXIII. Explanations on Other Matters	164

**SECTION FOUR**  
**Information on Financial Structure**

I. Explanations Related to the Capital Adequacy Ratio	165
II. Explanations Related to the Credit Risk	169
III. Explanations Related to the Market Risk	181
IV. Explanations Related to the Operational Risk	184
V. Explanations Related to the Currency Risk	184
VI. Explanations Related to the Interest Rate Risk	186
VII. Explanations Related to the Position Risk of Shares	191
VIII. Explanations Related to the Liquidity Risk and the Liquidity Coverage Ratio	192
IX. Explanations Related to the Securitization Positions	198
X. Explanations Related to the Credit Risk Mitigation Techniques	198
XI. Explanations Related to the Risk Management Target and Policies:	200
XII. Explanations on Leverage Ratio	201
XIII. Explanations Related to Business Segmentation	202
XIV. Explanations on Presentation of Financial Assets and Liabilities at Fair Value	205
XV. Explanations Related to Transactions Made on Behalf of Others and Transactions Based on Trust	207

**SECTION FIVE**  
**Explanations and Notes to the Unconsolidated Financial Statements**

I. Explanations and Notes Related to the Assets	208
II. Explanations and Notes Related to the Liabilities	231
III. Explanations and Notes Related to the Off-Balance Sheet Items	241
IV. Explanations and Notes Related to the Income Statement	244
V. Explanations and Notes Related to the Statement of Changes in Shareholders' Equity	249
VI. Explanations and Notes Related to the Cash Flow Statement	249
VII. Explanation Related to the Risk Group of the Bank	251
VIII. Explanation On the Bank's Domestic Branches, Agencies/Branches Abroad and Off-Shore Branches	253
IX. Explanations Related to the Subsequent Events	253

**SECTION SIX**  
**Other Explanations and Notes**

I. Other Explanations on the Bank's operations	253
--	-----

**SECTION SEVEN**  
**Independent Auditors' Report**

I. Explanations on the Independent Auditors' Report	254
II. Explanations and Notes Prepared by the Independent Auditors	254

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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 2015 the shareholders' structure and their respective ownerships are summarized as follows:

Shareholders	31 December		31 December	
	2015	%	2014	%
Prime Ministry Privatization Administration <sup>(1,2)</sup>	638.276	51,06	638.276	51,06
Public shares <sup>(2)</sup>	611.640	48,93	611.279	48,90
Other shareholders <sup>(3)</sup>	84	0,01	445	0,04
<b>Total</b>	<b>1.250.000</b>	<b>100,00</b>	<b>1.250.000</b>	<b>100,00</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> TRY 82 of the shares which are among the "Other Shareholders" group belong to our shareholders whose shares do not trade on the exchange (though these shareholders have been dematerialized them in their own accounts) while TRY 2 of which belong to our shareholders whose shares are monitored under the DESA in the presence of MKK due to the ongoing legal action.

According to Turkish Commercial Code, 3rd Sub-article added to Article 2nd 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 2015

(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 <sup>(1)</sup>

Name	Title	Assignment date	Educational background	Experience in banking and business administration
R. Süleyman ÖZDİL	Chairman of the Board of Directors	28.08.2015	Ankara University, Faculty of Political Science- Economics	27
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.	32
Ali Fuat TAŞKESENLIOĞLU	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.	27
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.	32
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.	24
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.	23
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	30
Sadık TILTAK	Independent Member of the Board of Directors, Member of the Audit Committee	01.04.2014	Ankara University, Faculty of Political Science-Finance	27
Yunus KARAN	Member of the Board of Directors	01.04.2014	İstanbul Uni. Eco. and Com. Science Academy-Finance Accounting	47
Faruk ÖZÇELİK	Member of the Board of Auditors	29.03.2013(2)	Master's Degree: Selcuk University Social Sciences Ins.- International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	5
Ali ARSLAN	Member of the Board of Auditors	29.03.2013(2)	Master's Degree: Cleveland State University Business School(MBA) Bachelor Degree: Cukurova University, Faculty of Economic and Administrative Sciences-Business Administration	23
Erol GÖNCÜ	Executive Vice President	14.06.2005	METU Faculty of Arts and Sciences-Mathematics Department.	26
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.	25
Mehmet Akif AYDEMİR	Executive Vice President	04.03.2010	Ankara University, Faculty of Political Sciences –Economics. Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.	29
Mehmet Hakan ATILLA	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	20
Murat UYSAL	Executive Vice President	11.11.2011	Master Degree: Selcuk University Social Sciences Ins.- International Relations. Bachelor Degree: Afyon Kocatepe Uni. Faculty of Economic and Administrative Sciences-Finance.	17
Erdal ERDEM	Executive Vice President	27.03.2014	İstanbul University, Faculty of Law	20
Salim KÖSE	Executive Vice President	10.07.2014	Master Degree: Fatih University, Social Sciences Ins. Master of Business Administration	25
Ömer Faruk SENEL	Executive Vice President	10.07.2014	METU Faculty of Economic and Administrative Sciences-Economics	24
Murat OKTAY	Executive Vice President	10.07.2014	METU Faculty of Economic and Administrative Sciences-Economics	22
Mehmet Sebhattin BULUT	Executive Vice President	10.07.2014	Bursa Uludağ University, Faculty of Economic and Administrative Sciences – Econometrics	21
Hasan ÜNAL	Executive Vice President	10.07.2014	İstanbul Technical University, Faculty of Business Administration – Business Engineering	25
Mustafa AYDIN	Executive Vice President	10.07.2014	METU Faculty of Economic and Administrative Sciences- Public Administration	25

<sup>(1)</sup> People mentioned above do not own any shares in the Bank's capital.

<sup>(2)</sup> Assigned date for Audit Committee.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

a) The professionals to the Bank's top management who have assigned to their position in 2015 are listed with titles and dates of assignment.

Name	Title	Assignment Date
R. Süleyman ÖZDİL	Chairman of the Board of Directors	28 August 2015

b) The professionals from the Bank's top management who have left their position in 2015 are listed with titles and dates of leaving.

Name	Title	Assignment Date
Yakup DEMİRCİ	Executive Vice President	28 February 2015
Hasan CEBECİ	Chairman of the Board of Directors	27 August 2015
Taner AKSEL	Executive Vice President	30 September 2015
Mürsel ERTAŞ	Executive Vice President	30 September 2015
İsmail Hakkı İMAMOĞLU	Executive Vice President	30 September 2015
Atalay TARDUŞ	Executive Vice President	30 September 2015
Mustafa SAVAŞ	Executive Vice President	13 November 2015
Doç. Dr. Şahap KAVCIOĞLU	Executive Vice President	13 November 2015

As of July 4 2014, the officers who became associated to take orders from the General Management - Mr. Taner AKSEL, Mr. Mürsel Ertaş, Mr. İsmail Hakkı İmamoğlu, Mr. Atalay Tarduş and Mr. Yakup Demirci - haven't stayed in their active duties inclusive of the time frames that lead to their departure.

### 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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 published in the Official Gazette 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 2015

(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 2015, the Bank operates with a total of 949 branches consisting of 944 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic branches include 36 satellite branches and 2 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.

## **TÜRKİYE HALK BANKASI A.Ş.**

### **NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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 2015

(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 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

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

	Note	Audited Current period			Audited Prior period		
		31 December 2015			31 December 2014		
		TRY	FC	Total	TRY	FC	Total
<b>ASSETS</b>							
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(1)	4.339.259	18.985.712	23.324.971	4.159.385	16.116.719	20.276.104
<b>II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)</b>	(2)	6.831	262.510	269.341	39.659	115.911	155.570
2.1 Trading financial assets		6.831	262.510	269.341	39.659	115.911	155.570
2.1.1 Public sector debt securities		780	15.294	16.074	35.991	12.748	48.739
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Financial assets held for trading		7	247.048	247.055	8	103.024	103.032
2.1.4 Other marketable securities		6.044	168	6.212	3.660	139	3.799
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
<b>III. BANKS</b>	(3)	65.338	2.447.947	2.513.285	66.863	1.216.797	1.283.660
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 İstanbul Stock Exchange Money Market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	7.308.585	3.900.408	11.208.993	6.327.564	2.597.617	8.925.181
5.1 Share certificates		67.558	93.190	160.748	64.553	2.313	66.866
5.2 Public sector debt securities		7.241.027	3.807.218	11.048.245	6.263.011	2.595.304	8.858.315
5.3 Other marketable securities		-	-	-	-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	(5)	87.246.312	39.498.665	126.744.977	74.317.145	27.449.779	101.766.924
6.1 Loans and receivables		86.300.459	39.498.665	125.799.124	73.031.507	27.449.779	100.481.286
6.1.1 Loans extended to risk group of the Bank		356.892	683.526	1.040.418	234.709	440.686	675.395
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		85.943.567	38.815.139	124.758.706	72.796.798	27.009.093	99.805.891
6.2 Loans under follow-up		3.973.738	-	3.973.738	3.699.661	-	3.699.661
6.3 Specific provisions (-)		3.027.885	-	3.027.885	2.414.023	-	2.414.023
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	(6)	14.745.329	1.931.468	16.676.797	16.255.598	1.508.067	17.763.665
8.1 Public sector debt securities		14.745.329	1.931.468	16.676.797	16.255.598	1.508.067	17.763.665
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	19.083	208.237	227.320	17.837	74.716	92.553
9.1 Accounted under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		19.083	208.237	227.320	17.837	74.716	92.553
9.2.1 Financial investments		12.763	208.237	221.000	11.518	74.716	86.234
9.2.2 Non-financial investments		6.320	-	6.320	6.319	-	6.319
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	2.410.288	275.646	2.685.934	2.431.457	145.359	2.576.816
10.1 Unconsolidated financial subsidiaries		2.372.259	275.646	2.647.905	2.393.598	145.359	2.538.957
10.2 Unconsolidated non-financial subsidiaries		38.029	-	38.029	37.859	-	37.859
<b>XI. JOINT VENTURES (Net)</b>	(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		-	-	-	-	-	-
<b>XII. FINANCE LEASE RECEIVABLES (Net)</b>	(10)	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
<b>XIII. DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT</b>	(11)	-	-	-	-	-	-
13.1 Fair value risk hedging		-	-	-	-	-	-
13.2 Cash flow risk hedging		-	-	-	-	-	-
13.3 Net foreign investment risk hedging		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(12)	2.099.353	94	2.099.447	1.180.029	85	1.180.114
<b>XV. INTANGIBLE ASSETS (Net)</b>	(13)	76.951	-	76.951	58.943	-	58.943
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		76.951	-	76.951	58.943	-	58.943
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	(14)	365.000	-	365.000	-	-	-
<b>XVII. TAX ASSET</b>	(15)	-	-	-	238.268	-	238.268
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		-	-	-	238.268	-	238.268
<b>XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(16)	1.091	-	1.091	5.516	-	5.516
18.1 Held for sale purpose		1.091	-	1.091	5.516	-	5.516
18.2 Held from discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	(17)	1.373.154	162.089	1.535.243	1.021.696	78.009	1.099.705
<b>TOTAL ASSETS</b>		<b>120.056.574</b>	<b>67.672.776</b>	<b>187.729.350</b>	<b>106.119.960</b>	<b>49.303.059</b>	<b>155.423.019</b>

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



# TÜRKİYE HALK BANKASI A.Ş.

## UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

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

	Note	Audited Current period 31 December 2015			Audited Prior period 31 December 2014		
		TRY	FC	Total	TRY	FC	Total
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>							
<b>I. DEPOSITS</b>	(1)	<b>79.722.638</b>	<b>42.423.327</b>	<b>122.145.965</b>	<b>70.084.908</b>	<b>33.623.446</b>	<b>103.708.354</b>
1.1 Deposits Held by the Risk Group of the Bank		920.174	98.940	1.019.114	723.407	80.216	803.623
1.2 Other		78.802.464	42.324.387	121.126.851	69.361.501	33.543.230	102.904.731
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	<b>18</b>	<b>150.688</b>	<b>150.706</b>	<b>15</b>	<b>176.439</b>	<b>176.454</b>
<b>III. FUNDS BORROWED</b>	(3)	<b>824.208</b>	<b>19.437.408</b>	<b>20.261.616</b>	<b>941.078</b>	<b>11.689.279</b>	<b>12.630.357</b>
<b>IV. MONEY MARKET BALANCES</b>	(3)	<b>7.681.767</b>	<b>728.499</b>	<b>8.410.266</b>	<b>8.181.548</b>	<b>231.208</b>	<b>8.412.756</b>
4.1 Interbank money market borrowings		100.030	-	100.030	-	-	-
4.2 İstanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds from repurchase agreements		7.581.737	728.499	8.310.236	8.181.548	231.208	8.412.756
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>	(4)	<b>1.565.442</b>	<b>7.339.847</b>	<b>8.905.289</b>	<b>1.522.240</b>	<b>4.649.617</b>	<b>6.171.857</b>
5.1 Treasury bills		1.565.442	-	1.565.442	1.522.240	-	1.522.240
5.2 Asset-backed securities		-	-	-	-	-	-
5.3 Bonds		-	7.339.847	7.339.847	-	4.649.617	4.649.617
<b>VI. FUNDS</b>	(5)	<b>1.963.699</b>	<b>-</b>	<b>1.963.699</b>	<b>1.769.291</b>	<b>-</b>	<b>1.769.291</b>
6.1 Borrower Funds		27.850	-	27.850	19.412	-	19.412
6.2 Other		1.935.849	-	1.935.849	1.749.879	-	1.749.879
<b>VII. SUNDRY CREDITORS</b>		<b>2.125.454</b>	<b>192.134</b>	<b>2,317.588</b>	<b>1,972.212</b>	<b>51.710</b>	<b>2,023.922</b>
<b>VIII. OTHER LIABILITIES</b>	(6)	<b>1,256.321</b>	<b>336.082</b>	<b>1,592.403</b>	<b>1,116.341</b>	<b>232.806</b>	<b>1,349.147</b>
<b>IX. FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. FINANCE LEASE PAYABLES</b>	(7)	<b>1,090</b>	<b>-</b>	<b>1,090</b>	<b>725</b>	<b>-</b>	<b>725</b>
10.1 Finance lease payables		1,243	-	1,243	856	-	856
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		153	-	153	131	-	131
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>	(8)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Fair value risk hedging		-	-	-	-	-	-
11.2 Cash flow risk hedging		-	-	-	-	-	-
11.3 Net foreign investment risk hedging		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(9)	<b>2,124.774</b>	<b>4,369</b>	<b>2,129.143</b>	<b>2,113.175</b>	<b>3,470</b>	<b>2,116.645</b>
12.1 General loan provisions		1,123.838	-	1,123.838	1,268.847	-	1,268.847
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Employee benefits provisions		670.863	-	670.863	604.506	-	604.506
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		330.073	4,369	334.442	239.822	3,470	243.292
<b>XIII. TAX LIABILITY</b>	(10)	<b>427.235</b>	<b>7</b>	<b>427.242</b>	<b>527.576</b>	<b>13</b>	<b>527.589</b>
13.1 Current tax liability		357.971	7	357.978	527.576	13	527.589
13.2 Deferred tax liability		69.264	-	69.264	-	-	-
<b>XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(11)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1 Held for sale purpose		-	-	-	-	-	-
14.2 Held from discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED CAPITAL</b>	(12)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	(13)	<b>19,426.817</b>	<b>(2,474)</b>	<b>19,424.343</b>	<b>16,516.544</b>	<b>19,378</b>	<b>16,535.922</b>
16.1 Paid-in capital		1,250,000	-	1,250,000	1,250,000	-	1,250,000
16.2 Capital reserves		3,311,617	(2,474)	3,309,143	2,509,226	19,378	2,528,604
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities revaluation fund		969,309	(2,474)	966,835	1,280,006	19,378	1,299,384
16.2.4 Tangible assets revaluation reserves		1,128,435	-	1,128,435	-	-	-
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		8,711	-	8,711	8,769	-	8,769
16.2.8 Hedging Funds (effective portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other capital reserves		1,205,162	-	1,205,162	1,220,451	-	1,220,451
16.3 Profit reserves		12,549,887	-	12,549,887	10,551,550	-	10,551,550
16.3.1 Legal reserves		1,335,865	-	1,335,865	1,217,403	-	1,217,403
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		11,166,841	-	11,166,841	9,300,043	-	9,300,043
16.3.4 Other profit reserves		47,181	-	47,181	34,104	-	34,104
16.4 Profit/Loss		2,315,313	-	2,315,313	2,205,768	-	2,205,768
16.4.1 Prior years income/loss		-	-	-	-	-	-
16.4.2 Period profit/loss		2,315,313	-	2,315,313	2,205,768	-	2,205,768
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>117,119,463</b>	<b>70,609,887</b>	<b>187,729,350</b>	<b>104,745,653</b>	<b>50,677,366</b>	<b>155,423,019</b>

# TÜRKİYE HALK BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

### AS OF 31 DECEMBER 2015

(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 2015			Audited Prior period 31 December 2014		
		TRY	FC	Total	TRY	FC	Total
<b>A. COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>40.688.452</b>	<b>44.850.486</b>	<b>85.538.938</b>	<b>36.170.869</b>	<b>45.445.468</b>	<b>81.616.337</b>
<b>I. GUARANTEES AND SURETYSHIPS</b>	(1)	<b>16.654.679</b>	<b>23.126.571</b>	<b>39.781.250</b>	<b>15.065.347</b>	<b>17.713.245</b>	<b>32.778.592</b>
1.1 Letters of guarantee		15.670.049	14.955.563	30.625.612	14.406.581	10.499.602	24.906.183
1.1.1 Guarantees subject to public procurement law		1.039.153	10.454.384	11.493.497	1.192.549	8.229.799	9.422.348
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		14.630.896	4.501.219	19.132.115	13.214.032	2.269.803	15.483.835
1.2 Bank loans		359.503	2.914.278	3.273.781	121.450	2.946.706	3.068.156
1.2.1 Import acceptances		0	154.337	154.337	-	108.977	108.977
1.2.2 Other bank acceptances		359.503	2.759.941	3.114.444	121.450	2.837.729	2.959.179
1.3 Letters of credit		-	5.002.040	5.002.040	10.996	3.888.067	3.899.063
1.3.1 Documentary letters of credit		-	5.002.040	5.002.040	10.996	3.888.067	3.899.063
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed refinancings		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to Central Bank of Turkish Republic		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		625.127	254.690	879.817	526.090	378.870	904.960
1.9 Other surety ships		-	-	-	230	-	230
<b>II. COMMITMENTS</b>	(1)	<b>20.685.806</b>	<b>697.959</b>	<b>21.383.765</b>	<b>18.740.010</b>	<b>712.152</b>	<b>19.452.162</b>
2.1 Irrevocable commitments		20.685.806	697.959	21.383.765	18.740.010	712.152	19.452.162
2.1.1 Forward asset purchase commitments		99.229	382.449	481.678	121.105	433.442	554.547
2.1.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
2.1.4 Loan granting commitments		2.227.928	315.510	2.543.438	1.767.028	278.710	2.045.738
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for cheques		5.442.458	-	5.442.458	5.073.145	-	5.073.145
2.1.8 Tax and fund liabilities from export commitments		20.764	-	20.764	-	-	17.037
2.1.9 Commitments for credit card expenditure limits		11.157.873	-	11.157.873	10.312.329	-	10.312.329
2.1.10 Commitments for credit cards and banking services promotions		46.532	-	46.532	41.774	-	41.774
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		1.691.022	-	1.691.022	1.407.592	-	1.407.592
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>3.347.967</b>	<b>21.025.956</b>	<b>24.373.923</b>	<b>2.365.512</b>	<b>27.020.071</b>	<b>29.385.583</b>
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-	-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-	-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-	-	-	-
3.2 Transactions for trading		3.347.967	21.025.956	24.373.923	2.365.512	27.020.071	29.385.583
3.2.1 Forward foreign currency buy/sell transactions		1.426.350	4.808.139	6.424.489	1.339.444	3.548.393	4.888.037
3.2.1.1 Forward foreign currency transactions-buy		801.439	3.297.724	4.099.163	677.266	2.180.715	2.857.981
3.2.1.2 Forward foreign currency transactions-sell		624.911	1.510.415	2.335.326	662.378	1.367.678	2.030.056
3.2.2 Currency and interest rate swaps		1.615.434	14.214.566	15.830.000	894.813	22.481.136	23.375.949
3.2.2.1 Currency swap-buy		-	4.120.520	4.120.520	232.970	10.473.179	10.706.149
3.2.2.2 Currency swap-sell		1.615.434	2.513.686	4.129.120	661.843	10.141.671	10.803.514
3.2.2.3 Interest rate swap-buy		-	3.790.180	3.790.180	-	933.143	933.143
3.2.2.4 Interest rate swap-sell		-	3.790.180	3.790.180	-	933.143	933.143
3.2.3 Currency, interest rate and marketable securities options		104.183	253.075	357.258	131.065	182.383	313.438
3.2.3.1 Currency call options		53.198	126.436	179.634	45.484	91.236	156.720
3.2.3.2 Currency put options		52.985	126.639	179.624	65.571	91.147	156.718
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Marketable securities call options		-	-	-	-	-	-
3.2.3.6 Marketable securities put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-buy		-	-	-	-	-	-
3.2.4.2 Currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	1.750.176	1.750.176	-	808.159	808.159
<b>IV. CUSTODY AND PLEDGED ASSETS (IV+V+VI)</b>		<b>480.296.733</b>	<b>119.742.716</b>	<b>600.039.449</b>	<b>390.504.288</b>	<b>80.560.303</b>	<b>471.064.591</b>
<b>B. CUSTODIES</b>		<b>227.145.078</b>	<b>17.363.468</b>	<b>244.508.546</b>	<b>176.594.614</b>	<b>12.708.106</b>	<b>189.302.720</b>
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		89.815.704	466.338	90.282.042	67.859.988	352.794	68.212.782
4.3 Cheques in collection process		10.945.509	12.380.792	23.326.301	10.264.686	9.561.090	19.825.776
4.4 Commercial notes in collection process		104.247.786	470.104	104.717.890	78.926.097	277.564	79.203.661
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		2.772.600	15.875	2.788.475	10.234	1.826	12.060
4.8 Custodians		19.363.479	4.030.359	23.393.838	19.533.609	2.514.832	22.048.441
<b>PLEDGED ASSETS</b>		<b>253.151.655</b>	<b>102.379.248</b>	<b>355.530.903</b>	<b>213.909.674</b>	<b>67.852.197</b>	<b>281.761.871</b>
5.1 Marketable securities		3.330.457	232.562	3.563.019	1.913.023	10.941	1.923.964
5.2 Collateral notes		6.665.323	623.239	7.288.562	6.799.025	588.999	7.388.024
5.3 Commodity		25.813	-	25.813	25.830	-	25.830
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		199.973.383	76.697.617	276.671.000	164.969.657	51.687.039	216.656.696
5.6 Other pledged assets		39.845.263	23.476.950	63.322.213	37.007.945	14.361.436	51.369.381
5.7 Pledges		3.311.416	1.348.880	4.660.296	3.194.194	1.203.582	4.397.776
<b>VI. ACCEPTED BILL GUARANTEES AND SURETIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>520.985.185</b>	<b>164.593.202</b>	<b>685.578.387</b>	<b>426.675.157</b>	<b>126.005.771</b>	<b>552.680.928</b>

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

# TÜRKİYE HALK BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF INCOME

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

#### III. STATEMENT OF INCOME

INCOME AND EXPENSES	Note	Audited	Audited
		Current period	Prior period
		1 January- 31 December 2014	1 January- 31 December 2014
<b>I. INTEREST INCOME</b>	(1)	<b>13.656.908</b>	<b>11.451.133</b>
1.1 Interest on loans		11.257.727	8.780.904
1.2 Interest received from reserve deposits		17.047	363
1.3 Interest received from banks		36.033	12.653
1.4 Interest received from money market placements		-	-
1.5 Interest income on marketable securities		2.341.046	2.652.451
1.5.1 Financial assets held for trading		3.347	1.826
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Financial assets available-for-sale		801.516	822.151
1.5.4 Investments held-to-maturity		1.536.183	1.828.474
1.6 Finance lease income		-	-
1.7 Other interest income		5.055	4.762
<b>II. INTEREST EXPENSE</b>	(2)	<b>7.994.102</b>	<b>6.339.584</b>
2.1 Interest on deposits		6.386.395	5.196.523
2.2 Interest on borrowings		315.847	248.902
2.3 Interest on money market borrowings		726.537	521.497
2.4 Interest on bonds issued		462.180	278.423
2.5 Other interest expense		103.143	94.239
<b>III. NET INTEREST INCOME [ I – II ]</b>		<b>5.662.806</b>	<b>5.111.549</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>1.194.015</b>	<b>1.022.544</b>
4.1 Fees and commissions income		1.535.899	1.394.684
4.1.1 Non-cash loans		222.019	187.835
4.1.2 Other		1.313.880	1.206.849
4.2 Fees and commissions expenses		341.884	372.140
4.2.1 Non-cash loans		27	32
4.2.2 Other		341.857	372.108
<b>V. DIVIDEND INCOME</b>	(3)	<b>188.677</b>	<b>153.844</b>
<b>VI. NET TRADING PROFIT (NET)</b>	(4)	<b>(261.630)</b>	<b>56.005</b>
6.1 Profit/loss from capital market operations		31.322	298.939
6.2 Profit/loss from financial derivative transactions		150.160	(1.445.886)
6.3 Foreign exchange gains/losses		(443.112)	1.202.952
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>862.280</b>	<b>531.494</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>7.646.148</b>	<b>6.875.436</b>
<b>IX. LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)</b>	(6)	<b>1.301.878</b>	<b>1.160.768</b>
<b>X. OTHER OPERATING EXPENSES(-)</b>	(7)	<b>3.488.627</b>	<b>2.987.413</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>2.855.643</b>	<b>2.727.255</b>
<b>XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER</b>		-	-
<b>XIII. PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		-	-
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)</b>	(8)	<b>2.855.643</b>	<b>2.727.255</b>
<b>XVI. TAX INCOME PROVISION (±)</b>	(9)	<b>(540.330)</b>	<b>(521.487)</b>
16.1 Current tax provision		(133.834)	(905.543)
16.2 Deferred tax provision		(406.496)	384.056
<b>XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)</b>	(10)	<b>2.315.313</b>	<b>2.205.768</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1 Property and equipment income held for sale		-	-
18.2 Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-
18.3 Other income from terminated operations		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Property and equipment expense held for sale		-	-
19.2 Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-
19.3 Other expenses from discontinued operations		-	-
<b>XX. INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>	(8)	-	-
<b>XXI. PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)</b>	(9)	-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>	(10)	-	-
<b>XXIII. NET PROFIT/(LOSS) (XVII+XXII)</b>	(11)	<b>2.315.313</b>	<b>2.205.768</b>
Earnings/losses per share (Full TRY)		1,85225	1,76461

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 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

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

	Audited Current period 1 January- 31 December 2015	Audited Prior period 1 January- 31 December 2014
<b>STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		
<b>I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>(486.692)</b>	<b>630.374</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>1.187.826</b>	<b>-</b>
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>	<b>-</b>
<b>IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	<b>-</b>	<b>-</b>
<b>V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)</b>	<b>-</b>	<b>-</b>
<b>VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)</b>	<b>-</b>	<b>-</b>
<b>VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS</b>	<b>(6.482)</b>	<b>(33.424)</b>
<b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>	<b>98.964</b>	<b>(137.485)</b>
<b>X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)</b>	<b>793.616</b>	<b>459.465</b>
<b>XI. PROFIT/LOSS</b>	<b>2.315.313</b>	<b>2.205.768</b>
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	30.418	295.546
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	-	-
11.3 Transfer of hedge of net investments in foreign operations to income statement	-	-
11.4 Other	2.284.895	1.910.222
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)</b>	<b>3.108.929</b>	<b>2.665.233</b>

# TÜRKİYE HALK BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

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

	Note	Paid in capital	Effect of inflation adjustment on paid in capital	Share cancellation premium	Share cancellation	Share premium	Legal reserves	Statutory reserves	Extra-ordinary reserves	Other reserves	Current income/(loss)	Prior period income/(loss)	Valuation changes in eqts and sec. int. assets	Revaluation changes in eqts and shares from sec. int. assets	Bonus shares from shareholders	Hedging funds	Total equity	
<b>I. January 2014 - 31 December 2014</b>																		
I. Balance at end of prior period		1.250.000	1.220.451	-	-	-	1.048.402	-	6.993.085	62.325	2.750.843	-	813.550	-	6.917	-	14.145.773	
II. Corrections according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. The effect of corrections of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV. Changes in accounting policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V. New balances for the period		1.250.000	1.220.451	-	-	-	1.048.402	-	6.993.085	62.325	2.750.843	-	813.550	-	6.917	-	14.145.773	
<b>Changes within the period</b>																		
VI. Increase/decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-	-	-	485.834	-	-	-	485.834	
VIII. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.1. Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.2. Hedges for investments made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.3. Hedges for investments in property or equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.4. Revaluation changes of tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Bonus shares from investment and associates, subsidiaries and joint ventures (business partner 9)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	1.852	-	1.852	
XII. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII. Changes in shareholders' equity of investments and associates to bank's shareholders' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2. From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII. Net credit or losses		-	-	-	-	-	-	-	-	928.221	-	-	-	-	-	-	928.221	
XIX. Profit distribution		-	-	-	-	-	-	-	-	-	2.205.748	-	-	-	-	-	2.205.748	
XX. Dividends distributed		-	-	-	-	-	-	-	-	-	-	(2.750.843)	-	-	-	-	(2.750.843)	
XXI. Transfers to legal reserves		-	-	-	-	-	-	-	-	-	-	(2.475.759)	-	-	-	-	(2.475.759)	
XXII. Other		-	-	-	-	-	-	-	-	-	-	(2.750.843)	-	-	-	-	(2.750.843)	
Closing balance		1.250.000	1.220.451	-	-	-	1.217.403	-	9.300.043	34.104	2.205.748	-	1.299.384	-	8.749	-	16.538.922	
<b>I. January 2015 - 31 December 2015</b>																		
I. Balance at end of prior period		1.250.000	1.220.451	-	-	-	1.217.403	-	9.300.043	34.104	2.205.748	-	1.299.384	-	8.749	-	16.538.922	
II. Increase or decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV. Hedging Funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.1. Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.2. Hedges for investments made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.3. Hedges for investments in property or equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.4. Revaluation changes of tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V. Bonus shares from investment and associates, subsidiaries and joint ventures (business partner 9)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Changes in shareholders' equity of investments and associates to bank's shareholders' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2. From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI. Net credit or losses		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII. Profit distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18.1. Dividends distributed		-	-	-	-	-	-	-	-	-	-	(2.205.748)	-	-	-	-	(2.205.748)	
18.2. Transfers to legal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18.3. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Closing balance		1.250.000	1.220.451	-	-	-	1.235.865	-	11.164.841	31.892	2.315.313	-	966.835	1.128.435	8.711	-	19.426.343	

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 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

### VI. STATEMENT OF CASH FLOWS

	Note	Audited	Audited
		Current period 31 December 2015	Prior period 31 December 2014
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities</b>	<b>112.007</b>	<b>2.271.551</b>
1.1.1	Interest received	13.224.297	11.290.388
1.1.2	Interest paid	(7.640.815)	(6.282.831)
1.1.3	Dividend received	124.358	13.837
1.1.4	Fees and commissions received	1.535.899	1.394.685
1.1.5	Other income	631.692	258.726
1.1.6	Collections from previously written off loans	491.029	602.582
1.1.7	Cash payments to personnel and service suppliers	(1.670.430)	(1.278.154)
1.1.8	Taxes paid	(157.423)	(681.298)
1.1.9	Other	(1)	(3.046.384)
<b>1.2</b>	<b>Assets and Liabilities Subject to Banking Operations</b>	<b>(1.405.061)</b>	<b>(6.304.306)</b>
1.2.1	Net decrease in financial assets held for sale	29.886	(127.694)
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	18.011	(12.000)
1.2.4	Net (increase) decrease in loans	(24.640.655)	(17.270.138)
1.2.5	Net (increase) decrease in other assets	(3.283.041)	754.486
1.2.6	Net increase (decrease) in bank deposits	(2.492.000)	7.100.623
1.2.7	Net increase (decrease) in other deposits	20.760.718	(4.183.293)
1.2.8	Net increase (decrease) in loans borrowed	7.575.453	(978.767)
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	(1)	8.412.477
<b>I.</b>	<b>Net cash provided from banking operations</b>	<b>(1.293.054)</b>	<b>(4.032.755)</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II.</b>	<b>Net cash provided from/ (used in) investing activities</b>	<b>17.649</b>	<b>2.782.128</b>
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	(30.153)	(44.296)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	-	-
2.3	Fixed assets purchases	(2.194.446)	(348.862)
2.4	Fixed assets sales	2.679.801	118.708
2.5	Cash paid for purchase of financial assets available for sale	(2.562.990)	(5.524.227)
2.6	Cash obtained from sale of financial assets available for sale	819.341	7.003.609
2.7	Cash paid for purchase of investment securities	(1.145.275)	(2.599.122)
2.8	Cash obtained from sale of investment securities	2.479.972	4.191.794
2.9	Other	(28.601)	(15.476)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net cash used in financing activities</b>	<b>2.399.616</b>	<b>1.770.423</b>
3.1	Cash obtained from loans borrowed and securities issued	4.369.828	3.046.172
3.2	Cash used for repayment of loans borrowed and securities issued	(1.750.000)	(1.000.000)
3.3	Bonds issued	-	-
3.4	Dividends paid	(220.577)	(275.084)
3.5	Payments for finance leases	(401)	(288)
3.6	Other	766	(377)
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>(1)</b>	<b>97.128</b>
<b>V.</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>1.885.371</b>	<b>616.924</b>
<b>VI.</b>	<b>Cash and cash equivalents at beginning of the period</b>	<b>(4)</b>	<b>6.372.320</b>
<b>VII.</b>	<b>Cash and cash equivalents at end of the period</b>	<b>(5)</b>	<b>6.989.244</b>

# TÜRKİYE HALK BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

#### VII. STATEMENT OF PROFIT DISTRIBUTION TABLE

	Audited Current period 31 December 2015 <sup>(1)</sup>	Audited Prior period 31 December 2014
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>		
1.1. Current Period Profit	2.855.643	2.727.255
1.2. Taxes and Legal Duties Payables (-)	540.330	521.487
1.2.1. Corporate Tax (Income Tax)	133.834	905.543
1.2.2. Withholding Tax	-	-
1.2.3. Other Taxes and Duties	406.496	(384.056)
<b>A. Net Profit For The Period (1.1-1.2)</b>	<b>2.315.313</b>	<b>2.205.768</b>
1.3. Accumulated Losses (-)	-	-
1.4. First Legal Reserves (-)	-	91.086
1.5. Other Statutory Reserves (-) <sup>(2)</sup>	-	384.056
<b>B. Net Profit Available for Distribution [(A)-(1.3+1.4+1.5)]</b>	<b>-</b>	<b>1.730.626</b>
1.6. First Dividend to shareholders (-)	-	62.500
1.6.1. To Owners of Ordinary Shares	-	62.500
1.6.2. To Owners of Privileged Shares	-	-
1.6.3. To Owners of Redeemed Shares	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.7. Dividends to personnel (-)	-	115.000(3)
1.8. Dividends to Board of Directors (-)	-	-
1.9. Second Dividend to Shareholders (-)	-	158.077
1.9.1. To Owners of Ordinary Shares	-	158.077
1.9.2. To Owners of Privileged Shares	-	-
1.9.3. To Owners of Redeemed Shares	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-	-
1.10. Second Legal Reserves (-)	-	27.308
1.11. Status Reserves (-)	-	-
1.12. Extraordinary Reserves	-	1.866.797
1.13. Other Reserves	-	-
1.14. Special Funds	-	-
<b>II. Distribution of Reserves</b>		
2.1. Appropriated Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.3. Dividends to Shareholders (-)	-	-
2.3.1. To Owners of Ordinary Shares	-	-
2.3.2. To Owners of Privileged Shares	-	-
2.3.3. To Owners of Redeemed Shares	-	-
2.3.4. To Profit Sharing Bonds	-	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-	-
2.4. Dividends to Personnel (-)	-	-
2.5. Dividends to Board of Directors (-)	-	-
<b>III. Earnings per Share</b>		
3.1. To Owners of Ordinary Shares	1.8523	1.7646
3.2. To Owners of Ordinary Shares (%)	%185,2	%176,5
3.3. To Owners of Privileged Shares	-	-
3.4. To Owners of Privileged Shares (%)	-	-
<b>IV. Dividend per Share</b>		
4.1. To Owners of Ordinary Shares	-	0,1765
4.2. To Owners of Ordinary Shares (%)	-	%17,65
4.3. To Owners of Privileged Shares	-	-
4.4. To Owners of Privileged Shares (%)	-	-

<sup>(1)</sup> Board of Directors meeting was not held as of 31 December 2015 financial reporting date.

<sup>(2)</sup> As of 31 December 2014 the amount of deferred tax income is disclosed at that line.

<sup>(3)</sup> Dividends to personnel which is added to 2014 net profit as a provision not sentenced in profit distribution, only shown in the table for information.



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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"), 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.

The Bank started to apply fair value hedge accounting as at 1 July 2015 by designating the exchange rate risk of Halkbank A.D. Beograd, Cacak, Halk Banka AD, Skopje, Demirhalkbank NV are foreign investments that are recognized under fair value accounting as hedged item, in compliance with "TAS 39 Financial Instruments: Recognition and Measurement". Accordingly, the effective portion of the foreign exchange differences is recorded under income statement in the current period.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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.

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 2015 and 31 December 2014.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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.

### 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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: 29267 dated last 14 February 2015 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. Cost of foreign currency associates purchased before 1 January 2005 included their restated values by the occurred indexes at transaction dates until 31 December 2004.

As of 1 January 2012, the Bank changed its accounting policy of Turkish Lira denominated subsidiaries, as of 18 June 2015 the Bank changed its accounting policy of foreign currency denominated subsidiaries and associates, and started to measure related subsidiaries and associates with their fair values. Foreign currency denominated associates and subsidiaries are converted into TRY by using the exchange rates at the date of which the fair value is determined. Fair values of the subsidiaries, whose shares are unquoted on 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.

### 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 incurrence, future expected losses are not recognized.

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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 incurrence, future expected losses are not recognized.

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

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

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.

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.

## **TÜRKİYE HALK BANKASI A.Ş.**

### **NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2015**

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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 the consequence of the ratio of consumer loans to total loans has been below 25% as of the second quarter in 2015, the Bank has begun to allocate 1% and 2% rate of general allowances for all consumer loans except for real estate loans instead of 4% and 8%. 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 cancelled 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 as of the second quarter in 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.



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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.

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

As of 1 April 2015, the Bank adopted the revaluation method for buildings in tangible assets in accordance with Turkish Accounting Standard No: 16 "Property, Plant and Equipment" (TAS 16). Expertise values determined by an independent expert companies are reflected to the financial statements. Revaluation differences are recorded in "Tangible assets revaluation reserves" under the shareholders' equity.

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

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

	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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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.

### XIII. EXPLANATIONS ON INVESTMENT PROPERTIES

Investment properties are kind of property which is held by the Group to earn rent.

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

### XIV. 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.

### XV. 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### XVI. 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.

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

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9,8%. Moreover, after the transfer to SII, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2015 no technical deficit has been reported.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### XVII. 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 2014 has been paid in April 2015, accrued advance tax as of 31 December 2015 will be paid in February 2016.

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 are 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### XVIII. 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.

### XIX. 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 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.

### XX. 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.

### XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

### XXII. 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.

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### XXIII EXPLANATION ON OTHER MATTERS

The Bank changed its accounting policy and started to record foreign currency denominated subsidiaries and associates with their fair values in the current period. The accounting policy change is not applied retrospectively since the fair values of the foreign currency denominated subsidiaries and associates were not based on an observable price or information and the cumulative effect of these change are not calculated retrospectively. The effect of the change in the accounting policy related to the amount at the first adoption date is as follows:

	<b>Subsidiaries</b>
Valuation focused on cost value	220.075
The Effect of change in Accounting Policy	174.075
<b>Valuation based on fair value</b>	<b>394.150</b>

As of 1 April 2015, the Bank changed the accounting policy regarding the revaluation of the land and buildings within property, plant and equipment and it stated to adopt the revaluation method in accordance with the TAS 16 "Property, Plant and Equipment". Independent expert appraisal values are presented in the financial statements. The effects of change in accounting policy on balance is as follows:

	<b>Fixed Property</b>
Valuation focused on cost value	405.250
The Effect of change in Accounting Policy	1.028.068
<b>Valuation based on fair value</b>	<b>1.433.318</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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, "Regulation on Equities of Banks" published in the Official Gazette numbered 28756 dated 5 September 2013 and the "Communiqué on Credit Risk Mitigation Techniques" published in the Official Gazette numbered 29111 on 6 September 2014. The unconsolidated basis capital adequacy ratio of the Bank is 13,83% as of 31 December 2015 (31 December 2014: 13,62%).

The capital adequacy ratio calculations are made in accordance with the data which legislation of account and record regulation. These data separate interms of "Banking" and "Purchase and Sale" and subject to calculation credit risk/market with the scope of regulation. Furthermore, operational risks also be included in the capital adequacy ratio calculation within the framework of the regulations.

"Credit Risk Mitigation Statement" may be utilized within the scope of the factors taken into account in reducing the risk to the banking account of "financial collateral simple method" while the buying and selling accounts for "financial collateral comprehensive method" is used.

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. "Statement on Credit Risk Mitigation Techniques" are weighted according to risk reduction and are subject to the following risks referred to in Annex 1 corresponding to the risk class weight class in accordance with the Regulation concerning the risks that are separated.

According to the Regulation 5, repo transactions pursuant to derivative transactions and commodity lending operations; the "Counterparty Risk" is calculated and the calculation criteria "by Fair Value Valuation Method" is used.



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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	-	-	1.088.757	18.983.861	29.128.211	69.016.151	3.889.970	8.970.532	554.433
<b>Risk classifications:</b>									
Claims on sovereigns and Central Banks	43.299.804	-	6.328	4.091.934	-	-	-	-	-
Claims on regional governments or local authorities	16.794	-	1.057.679	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	42.762	-	173	-	-	577.024	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	539.128	-	2.866.875	772.949	-	286.532	-	-	-
Claims on corporates	2.159.404	-	770.092	747.367	-	61.549.403	-	-	-
Claims included in the regulatory retail portfolios	1.544.741	-	170.864	-	38.386.989	690.594	-	-	-
Claims secured by residential property	23.520	-	4.085	32.220.995	26.735	-	-	-	-
Overdue loans	13.655	-	-	134.477	-	782.758	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	2.593.313	4.485.266	773
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	3.455.119	-	567.690	-	423.891	5.129.840	-	-	221.000

Prior 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
<b>Risk classifications:</b>									
Claims on sovereigns and Central Banks	40.918.786	-	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	-	-	527.130	-	-	-
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	-	1.162.077	-	-	-
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

#### 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)	10.530.553	9.094.171
B Capital to be employed for market risk (II)	408.439	257.412
C Capital to be employed for operational risk (III)	878.258	810.323
Shareholders' equity	20.428.844	17.301.950
<b>Shareholders' equity /((I+II+III) *12,5*100)</b>	<b>13,83</b>	<b>13,62</b>
<b>Core capital /(( I+II+III)*12,5*100)</b>	<b>13,14</b>	<b>12,92</b>
<b>Tier I Capital/(( I+II+III)*12,5*100)</b>	<b>13,17</b>	<b>12,96</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 3. Information on equity items:

	Current Period	Prior Period
<b>TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,470.451	2,470.451
Share premium	-	-
Share Cancellation Profits	-	-
Reserves	12,552.860	10,551.550
Other Comprehensive Income according to TAS	2,077.008	1,299.384
Profit	2,315.313	2,205.768
Net Current Period Profit	2,315.313	2,205.768
Prior Period Profit	-	-
Provisions for Possible Losses	123.500	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	8.711	8.769
<b>Tier I Capital Before Deductions</b>	<b>19,547,843</b>	<b>16,535,922</b>
<b>Deductions from Tier I Capital</b>		
Current and Prior Period's Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	-
Leasehold Improvements on Operational Leases (-)	67.250	64.951
Goodwill and Other Intangible Assets and Related Deferred Tax Liabilities (-)	30.780	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	98.030	76.740
<b>Total Tier I Capital</b>	<b>19,449,813</b>	<b>16,459,182</b>
<b>ADDITIONAL CORE CAPITAL</b>		
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)	-	-
<b>Additional Core Capital before Deductions</b>	<b>-</b>	<b>-</b>
<b>Deductions from Additional Core Capital</b>		
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 (-)	-	-

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

	Current Period	Prior Period
<b>Total Deductions from Additional Core Capital</b>	-	-
<b>Total Additional Core Capital</b>	-	-
<b>Deductions from Core Capital</b>	<b>46.171</b>	<b>47.154</b>
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	46.171	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 (-)	-	-
<b>Total Core Capital</b>	<b>19.403.642</b>	<b>16.412.028</b>
<b>TIER II CAPITAL</b>		
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	1.123.838	1.268.847
<b>Tier II Capital before Deductions</b>	<b>1.123.838</b>	<b>1.268.847</b>
<b>Deductions from Tier II Capital</b>	-	-
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 (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>1.123.838</b>	<b>1.268.847</b>
<b>CAPITAL</b>	<b>20.527.480</b>	<b>17.680.875</b>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10	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 (-)	69.325	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 (-)	29.301	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 (-)	-	-
<b>EQUITY</b>	<b>20.428.844</b>	<b>17.301.950</b>
<b>Amounts Below the Thresholds for Deduction</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	15.635	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	221.000	86.234
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	163.984	321.890

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 4. Approaches implemented under the current and future activities in terms of the evaluation of the adequacy of internal capital requirements:

Halkbank's internal capital requirements assessment process, for the date of 11 July 2014 and No: 29057 Official Newspaper's publication of Banks' Internal Systems and Internal Capital Adequacy Assessment Process is carried out under the regulations of rights.

The ultimate goal of the mentioned process is; to ensure the maintenance of capital adequacy via the bank's growth strategy; the formation of the current and future period anticipated asset-liability structure, future funding sources and liquidity, dividend policy and the economic cycle depending on capital taking into account the fluctuations that may occur in the risk profile of the Bank; and in accordance with the risk appetite, to ensure the maintenance of capital adequacy.

## II. EXPLANATIONS RELATED TO THE CREDIT RISK

Credit risk refers to the risks and damage caused by failure to fulfill the obligations of the other party in the contracts of the Bank. Credit limits are assigned according to the customer's financial condition and credit need by the branches, regional credit committee, head of credit department, in charge of general manager of the credit, general manager, credit committee and board of directors and also they can be replaced when necessary situation interms of the scope of the legislation.

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.

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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 2015, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 22,46% and 27,92% of its total cash loans.

As of 31 December 2015, receivables of the Bank from its top 100 and 200 non-cash loan customers are respectively 50,61% and 61,42% of its total non-cash loans.

As of 31 December 2015, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 17,57% and 22,48% of its total balance sheet and off-balance sheet assets.

As of 31 December 2015, 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 1.123.838 (31 December 2014: TRY 1.268.847).

<b>Risk Classifications:</b>	<b>Current Period Risk Amount<sup>(1)</sup></b>	<b>Average Risk Amount</b>	<b>Prior Period Risk Amount<sup>(1)</sup></b>	<b>Average Risk Amount</b>
Claims on sovereigns and Central Banks	47.398.066	44.777.040	44.306.669	43.836.577
Claims on regional governments or local authorities	1.074.473	844.635	572.882	214.352
Claims on administrative bodies and other non-commercial undertakings	619.959	555.877	555.602	389.362
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	4.465.484	5.456.343	6.837.994	5.382.161
Claims on corporates	65.226.266	59.566.902	49.289.026	43.731.728
Claims included in the regulatory retail portfolios	40.793.188	39.217.513	32.740.278	29.375.540
Claims secured by residential property	32.275.335	27.853.356	22.949.623	21.706.440
Overdue loans	930.890	1.056.586	1.285.458	823.404
Higher risk categories decided by the Board	7.079.352	7.622.966	10.735.582	10.045.441
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	9.797.540	9.018.048	8.261.574	7.508.807

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Risk profile according to the geographical concentration:

Current Period	Risk Classifications <sup>(1)</sup>										Total
	Contingent and Non-Contingent Receivables from Central Governments or Banks	Contingent and Non-Contingent Receivables from Regional Government or Domestic Government Enterprises	Contingent and Non-Contingent Receivables from Administrative Units and Commercial Banks and Intermediaries	Contingent and Non-Contingent Receivables from Corporate Banks	Contingent and Non-Contingent Receivables from Retail	Contingent and Non-Contingent Receivables Secured by Residential Property	Non-Performing Receivables	Receivables identified as high risk by the Board	Other Receivables		
1. Domestic	47,398.058	1,074,473	619,942	2,508,570	62,315,812	40,701,337	32,111,282	930,736	7,079,352	9,797,540	204,537,102
2. EU Countries <sup>(2)</sup>	-	-	17	556,795	178,682	89,805	162,573	154	-	-	988,026
3. OECD Countries	-	-	-	1,184,038	-	526	171	-	-	-	1,184,735
4. Off-shore banking regions	-	-	-	29	-	-	-	-	-	-	29
5. USA, Canada	-	-	-	63,428	678,889	174	129	-	-	-	742,620
6. Other Countries	8	-	-	8,325	845,554	1,346	1,180	-	-	-	856,413
7. Investment and associates, subsidiaries and joint ventures	-	-	-	144,299	1,207,329	-	-	-	-	-	1,351,628
8. Undistributed Assets/Liabilities <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-	-
<b>9. Total</b>	<b>47,398.066</b>	<b>1,074,473</b>	<b>619,959</b>	<b>4,465,484</b>	<b>65,226,266</b>	<b>40,793,188</b>	<b>32,275,335</b>	<b>930,890</b>	<b>7,079,352</b>	<b>9,797,540</b>	<b>209,660,553</b>
<b>Prior Period</b>											
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	176,616,969
2. EU Countries <sup>(2)</sup>	-	-	-	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	74,649	-	-	-	-	-	81,441
7. Investment and associates, subsidiaries and joint ventures	-	-	-	41,383	-	-	-	-	-	-	41,383
8. Undistributed Assets/Liabilities <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-	-
<b>9. Total</b>	<b>44,306,669</b>	<b>572,882</b>	<b>555,602</b>	<b>6,837,994</b>	<b>49,289,026</b>	<b>32,740,278</b>	<b>22,949,623</b>	<b>1,285,458</b>	<b>10,735,582</b>	<b>8,261,574</b>	<b>177,534,688</b>

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

<sup>(2)</sup> OECD Countries other than the EU Countries, USA and Canada.

<sup>(3)</sup> Assets and liabilities that are not consistently allocated.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Risk Profile according to sectors:

Current Period	Risk Classifications <sup>(1)</sup>											FC	Total
	Contingent and Non-Contingent Receivables from Central Governments or Central Banks	Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	Contingent and Non-Contingent Receivables from Banks and Intermediaries	Contingent and Non-Contingent Receivables from Corporate	Contingent and Non-Contingent Receivables from Retail	Contingent and Non-Contingent Receivables Secured by Residential Property	Contingent and Non-Contingent Receivables Secured by Non-Performing Receivables	Receivables identified as high risk by the Board	Other Receivables	TRY		
Agricultural farming and raising livestock	11	34	110	-	175,215	455,866	63,890	13,573	-	118,766	720,021	107,444	827,465
Forestry	11	34	42	-	131,465	430,188	58,786	13,422	-	118,695	683,076	69,557	752,633
Fishing	-	-	5	-	993	3,011	234	8	-	71	4,322	-	4,322
Manufacturing	42	104	70,863	-	42,767	22,667	4,870	143	-	32,623	37,887	37,887	70,510
Mining	-	-	12,459	-	324,021	118,097	75,318	15,794	-	12,525	20,682,741	23,789,567	44,472,308
Production	42	104	49,596	-	22,494,069	6,838,757	7,646,870	551,573	-	12,525	19,083,934	18,509,602	37,593,536
Electric, gas and water	-	-	8,808	-	5,532,743	27,873	763,603	56	-	-	1,294,899	5,038,184	6,333,083
Construction	12	15	127	-	6,297,870	1,206,598	1,035,574	83,943	-	147,069	4,739,886	4,031,322	8,771,208
Services	45,229,371	19,084	442,469	-	4,465,484	21,282,132	18,824,799	9,039,305	246,820	-	38,275	62,099,123	37,488,616
Wholesale and retail trade	20	50	326,643	-	8,522,713	11,941,675	4,881,017	132,379	-	9,685	21,969,012	3,845,170	25,814,182
Hotel, food and beverage services	-	319	1,368	-	2,828,177	505,655	2,054,788	26,053	-	84	1,197,547	4,218,897	5,416,444
Transportation and telecommunication	-	6	28,480	-	4,267,694	5,246,931	458,464	6,587	-	622	5,767,751	4,241,033	10,008,784
Financial institutions	45,199,989	2,677	7,926	-	4,465,484	2,783,406	78,717	269,738	319	-	30,866,147	21,942,177	52,808,324
Real estate and renting services	-	2	-	-	1,788,841	228,593	900,445	72,258	-	21,729	615,191	2,396,677	3,011,868
Self-employment services	3	5	16	-	40	628,417	101,424	1,511	-	6,017	734,100	3,333	737,433
Education services	323	5	48,732	-	470,148	81,759	106,390	380	-	2	390,847	316,892	707,739
Health and social services	29,036	16,020	29,304	-	621,113	113,052	267,039	7,333	-	68	558,528	524,437	1,082,965
Other	2,168,630	1,055,236	106,390	-	9,120,216	13,321,198	13,650,775	19,131	7,079,352	9,480,905	47,717,102	8,284,731	56,001,833
<b>Total</b>	<b>47,398,066</b>	<b>1,074,473</b>	<b>619,959</b>	<b>4,465,484</b>	<b>65,226,266</b>	<b>40,793,188</b>	<b>32,275,335</b>	<b>930,890</b>	<b>7,079,352</b>	<b>9,797,540</b>	<b>135,958,873</b>	<b>73,701,680</b>	<b>209,660,553</b>

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



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Risk Profile according to sectors:

Prior Period	Risk Classifications <sup>(1)</sup>										FC	Total
	Contingent and Non-Contingent Receivables from Central Governments or Central Banks	Contingent and Non-Contingent Receivables from Regional Government Units and Non-Governmental Enterprises	Contingent and Non-Contingent Receivables from Banks and Intermediaries	Contingent and Non-Contingent Receivables from Corporate	Contingent and Non-Contingent Receivables from Retail	Contingent and Non-Contingent Receivables Secured by Residential Property	Non-Performing Receivables	Receivables identified as high risk by the Board	Other Receivables	TRY		
Agricultural	-	156	-	106,493	412,826	114,382	16,681	-	87,497	671,042	66,993	738,035
Farming and raising livestock	-	-	-	63,497	388,955	103,827	16,536	-	87,422	617,555	42,695	660,250
Forestry	-	-	-	-	3,564	898	12	-	75	4,544	5	4,549
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	18,105,478	40,153,376
Mining	-	80	100,634	359,330	106,248	121,872	69,755	-	-	479,030	278,889	757,919
Production	-	-	31,284	18,864,582	7,073,188	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	345	-	-	703,964	3,308,328	4,012,292
Construction	-	54	9	5,330,879	905,433	1,679,688	60,999	-	224,407	6,032,294	2,169,175	8,201,469
Services	42,434,856	220,383	215,390	19,366,534	21,136,558	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	1,187,273	491,135	2,122,338	31,399	-	87	2,672,288	1,159,975	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	42,401,777	5,246	5,509	1,199,958	28,468	375,960	354	-	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	99,110	-	160,552	7,903,692	4,257,236	12,160,928
Self-employment services	-	-	-	262	679,573	118,245	1,580	-	5,344	792,471	12,533	805,004
Education services	1,513	82	38,661	2,662,209	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	208,129	1,509,458	3,083,923	189,778	9,128	10,735,582	4,975,969	22,281,285	654,860	22,936,145
<b>Total</b>	<b>44,306,669</b>	<b>572,882</b>	<b>555,602</b>	<b>49,289,026</b>	<b>32,740,278</b>	<b>22,949,623</b>	<b>1,285,458</b>	<b>8,261,574</b>	<b>10,735,582</b>	<b>125,644,951</b>	<b>51,889,737</b>	<b>177,534,688</b>

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### Distribution of maturity risk factors according to their outstanding maturities:

Current Period	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	28.855.871	208.053	975.106	148.920	17.210.116
2.Claims on regional governments or local authorities	15.013	547	7.734	13.269	1.037.910
3.Claims on administrative bodies and other non-commercial undertakings	139.275	39.343	333.415	29.651	78.275
4.Claims on banks and intermediary institutions	4.338.162	5.421	32.898	8.785	80.218
5.Claims on corporate	8.964.895	3.876.372	6.983.691	11.960.610	44.035.170
6.Claims included in the regulatory retail portfolios	3.850.301	2.065.997	3.897.733	8.525.316	51.214.056
7. Overdue loans	818.367	100.934	256	4.213	7.120
8. Other receivables	-	-	-	-	9.797.540
<b>Total</b>	<b>46.981.884</b>	<b>6.296.667</b>	<b>12.230.833</b>	<b>20.690.764</b>	<b>123.460.405</b>

<sup>(1)</sup> Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

<sup>(2)</sup> Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

Prior Period	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
<b>Total</b>	<b>34.858.792</b>	<b>15.617.035</b>	<b>13.541.633</b>	<b>21.836.525</b>	<b>87.900.883</b>

<sup>(1)</sup> Commitments amounting TRY 3.779.820 are not included in the table above.

<sup>(2)</sup> Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

<sup>(3)</sup> Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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 which is an independent rating firm.

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-
<b>Long term Credit Assessments</b>	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below
	1	F1+ and F1
	2	F2
<b>Short term Credit Assessments</b>	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%	Deductions from the shareholders' equity
1. Pre-Amount of Credit Risk Mitigation	46.754.539	-	4.915.927	18.430.193	50.259.199	82.000.343	2.593.313	4.485.266	221.773	242.837
2. Amount after Credit Risk Mitigation	51.094.927	-	5.443.786	37.967.722	38.837.615	69.016.151	2.593.313	4.485.266	221.773	242.837
Prior Period Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	Deductions from the shareholders' equity
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

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Information according to sectors and counterparties:

Current Period	Loans			
	Non-performing loans <sup>(1)</sup>	Overdue <sup>(2)</sup>	Value Adjustments	Provisions
<b>Sectors / Counterparties</b>				
<b>Agricultural</b>	<b>80.121</b>	<b>28.420</b>	<b>779</b>	<b>66.547</b>
<i>Farming and raising livestock</i>	72.490	26.077	709	59.067
<i>Forestry</i>	482	60	1	474
<i>Fishing</i>	7.149	2.283	69	7.006
<b>Manufacturing</b>	<b>1.853.936</b>	<b>1.010.721</b>	<b>34.935</b>	<b>1.297.135</b>
<i>Mining</i>	132.563	17.509	701	116.770
<i>Production</i>	1.720.330	677.386	24.246	1.179.378
<i>Electric, gas and water</i>	1.043	315.826	9.988	987
<b>Construction</b>	<b>340.257</b>	<b>406.679</b>	<b>11.984</b>	<b>247.872</b>
<b>Services</b>	<b>992.862</b>	<b>1.172.404</b>	<b>46.739</b>	<b>777.785</b>
<i>Wholesale and retail trade</i>	677.113	859.530	33.201	544.741
<i>Hotel, food and beverage services</i>	105.416	67.797	1.978	79.781
<i>Transportation and telecommunication</i>	33.873	88.262	2.442	26.868
<i>Financial institutions</i>	10.763	2.736	118	10.444
<i>Real estate and renting services</i>	123.143	50.829	5.118	88.494
<i>Self-employment services</i>	21.166	50.761	1.458	14.001
<i>Education services</i>	2.852	3.789	118	2.471
<i>Health and social services</i>	18.536	48.700	2.306	10.985
<b>Other</b>	<b>706.562</b>	<b>676.211</b>	<b>13.891</b>	<b>638.546</b>
<b>Total</b>	<b>3.973.738</b>	<b>3.294.435</b>	<b>108.328</b>	<b>3.027.885</b>

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Prior Period Sectors / Counterparties	Loans			
	Non-performing loans <sup>(1)</sup>	Overdue <sup>(2)</sup>	Value Adjustments	Provisions
<b>Agricultural</b>	<b>85.740</b>	<b>8.188</b>	<b>556</b>	<b>69.158</b>
<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
<b>Manufacturing</b>	<b>1.812.375</b>	<b>170.098</b>	<b>12.372</b>	<b>908.516</b>
<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
<b>Construction</b>	<b>250.914</b>	<b>130.666</b>	<b>6.893</b>	<b>186.524</b>
<b>Services</b>	<b>957.688</b>	<b>291.763</b>	<b>12.434</b>	<b>697.376</b>
<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
<b>Other</b>	<b>592.944</b>	<b>259.064</b>	<b>14.734</b>	<b>552.449</b>
<b>Total</b>	<b>3.699.661</b>	<b>859.779</b>	<b>46.989</b>	<b>2.414.023</b>

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Information about value adjustments and changes in the loan impairment:

	The opening balance	Provision amounts set aside during the period	The cancelation of the provisions	Other adjustments	Close out balance
<b>Current Period</b>					
1. Specific Provisions	2.414.023	844.497	230.588	(47)	3.027.885
2. General Provisions	1.268.847	285.324	430.333	-	1.123.838

	The opening balance	Provision amounts set aside during the period	The cancelation of the provisions	Other adjustments	Close out balance
<b>Prior Period</b>					
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

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

	Current Period	Prior Period
<b>Gross Maximum Exposure</b>		
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	23.324.971	19.301.714
Due from banks	2.513.285	1.283.660
Money Market Receivables	-	-
Financial Assets at Fair Value through profit or loss	269.341	155.570
Financial Assets Available for Sale	11.048.245	8.858.315
Held to maturity Investments	16.676.797	17.763.665
Loans	126.744.977	101.766.924
<b>Total</b>	<b>180.577.616</b>	<b>149.129.848</b>
Contingent Liabilities	39.781.250	32.778.592
Commitments	21.383.765	19.452.162
<b>Total</b>	<b>61.165.015</b>	<b>52.230.754</b>
<b>Total Credit Risk Exposure</b>	<b>241.742.631</b>	<b>201.360.602</b>

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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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	145.630	<b>High</b>		
Risk rating group 2	AA	5.444.182	Risk rating group 1	1	2.413.697
Risk rating group 3	A	12.093.621	Risk rating group 2	2	2.721.949
Risk rating group 4	BBB	13.832.579	<b>Standard</b>		
Risk rating group 5	BB	19.745.720	Risk rating group 3	3	2.403.499
Risk rating group 6	B	20.837.666	Risk rating group 4	4	3.217.861
Risk rating group 7	CCC	11.184.294	Risk rating group 5	5	5.111.963
Risk rating group 8	CC	1.095.319	<b>Below the standard</b>		
Risk rating group 9	C	17.281.502	Risk rating group 6	6	7.749.367
			Risk rating group 7	7	6.865.732
<b>Total</b>		<b>101.660.513</b>	<b>Total</b>		<b>30.484.068</b>

<sup>(1)</sup> Prepared in accordance with the internal grading results of the Bank.

<sup>(2)</sup> Includes the total of cash and non-cash loans.

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 meeting 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



## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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
<b>Loans</b> <sup>(1) (2)</sup>		
Corporate Loans	73.375	80.479
SME Loans	12.054	17.989
Consumer Loans	13.824	12.264
Other	-	65
<b>Total</b>	<b>99.253</b>	<b>110.797</b>

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

<sup>(2)</sup> Presents loans accounted under in restructured or rescheduled loan accounts.

The net value and type of collaterals of the loans amounting TRY 3.411.109 followed under loans and other receivables under close monitoring section is below: (31 December 2014: TRY 1.553.747).

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Real estate mortgage	1.640.947	959.346
Salary pledge, vehicle pledge and pledge of commercial undertaking	115.816	80.652
Financial collaterals (cash, securities pledge, etc.)	5	387
Cheque / bills	41.827	24.246
Surety ship	1.285.234	329.927
Other	327.280	159.189
<b>Total</b>	<b>3.411.109</b>	<b>1.553.747</b>

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

<sup>(2)</sup> Income accruals amounting to TRY 35.760 (31 December 2014: TRY 19.918) are not included in the table.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

The net value and type of collaterals belongs to loans amounted TRY 3.973.738 followed under non-performing loans section is below: (31 December 2014: TRY 3.699.661)

Collateral Types	Net Value of Collateral Current Period <sup>(1)</sup>	Net Value of Collateral Prior Period
Cash	310	448
Mortgage	851.343	839.526
Pledge	176.897	181.137
Cheque / bills	1.921	4.955
Surety ship	2.136.683	1.967.625
Other <sup>(2)</sup>	806.584	705.970
<b>Total</b>	<b>3.973.738</b>	<b>3.699.661</b>

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

<sup>(2)</sup> 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.

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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### a) Information related to market risk:

	Current Period	Prior Period
(I) Capital requirement to be employed for general market risk	298.761	193.908
(II) Capital requirement to be employed for specific risk	67.955	41.103
(III) Capital requirement to be employed for specific risk in securitization positions- Standard Method	-	-
(IV) Capital requirement to be employed for currency risk	22.400	12.508
(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	542	576
(VIII) Capital requirement to be employed for general market risk.	18.781	9.317
<b>(IX) Total capital requirement to be employed for market risk</b>	<b>-</b>	<b>-</b>
<b>(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)</b>	<b>408.439</b>	<b>257.412</b>
<b>(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)</b>	<b>5.105.488</b>	<b>3.217.650</b>

### 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	294.390	341.741	223.992	231.914	248.223	211.156
Share Risk	11.931	25.720	9.356	9.129	10.698	7.826
Currency Risk	22.326	30.353	15.791	38.871	118.583	12.508
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Options Risk	837	1.926	497	1.056	2.538	350
Counterparty Credit Risk	15.668	19.458	10.212	5.314	9.317	3.616
<b>Amount Subject to Total Risk</b>	<b>345.151</b>	<b>419.198</b>	<b>259.848</b>	<b>286.284</b>	<b>389.359</b>	<b>235.456</b>

### 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.

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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.

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.

	<b>Amount<sup>(1)</sup></b>
Contracts based on Interest rate	4.080.180
Contracts based on currency	8.173.925
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	3.787.739
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	-
The net position of derivatives	144.449

<sup>(1)</sup> Counterparty risk related to the trading accounts is included.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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 10.978.221 for the current period (31 December 2014: TRY 10.129.038).

	2 PP Value	1 PP Value	CD Value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	5.848.227	5.829.772	5.887.115	5.855.038	15	878.258
<b>Amount subject to operational risk (Total*12,5)</b>						<b>10.978.221</b>

### 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 2015 and the previous five working days in full TRY are as follows:**

	24.12.2015	25.12.2015	28.12.2015	29.12.2015	30.12.2015	31.12.2015
USD	2,9000000	2,8900000	2,8800000	2,8800000	2,8900000	2,9000000
CHF	2,9308000	2,9229000	2,9093000	2,8996000	2,9144000	2,9033000
GBP	4,3205000	4,3092000	4,2853000	4,2541000	4,2813000	4,2902000
JPY	0,0240592	0,0239823	0,0238953	0,0238854	0,0239385	0,0240572
EURO	3,1720000	3,1628000	3,1605000	3,1451000	3,1530000	3,1551000

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 31 December 2015 are as follows:

	Monthly average
USD	2,8926087
CHF	2,9054043
GBP	4,3286565
JPY	0,0237570
EURO	3,1495304

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Information related to currency risk:

Current Period	EURO	USD	OTHER FC	TOTAL
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	2.751.013	13.406.771	2.827.928	18.985.712
Banks	2.076.898	277.826	93.223	2.447.947
Financial assets at fair value through profit and loss <sup>(3)</sup>	65.142	166.466	126	231.734
Money market placements	-	-	-	-
Financial assets available-for-sale <sup>(5)</sup>	924.733	2.975.675	-	3.900.408
Loans <sup>(2)</sup>	16.707.257	23.951.462	374.105	41.032.824
Subsidiaries, associates and entities under common control <sup>(5)</sup>	208.237	-	275.646	483.883
Held-to-maturity investments	-	1.931.468	-	1.931.468
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	94	94
Intangible assets	-	-	-	-
Other assets <sup>(3)</sup>	2.249	159.516	37	161.802
<b>Total assets</b>	<b>22.527.292</b>	<b>42.869.184</b>	<b>3.295.513</b>	<b>68.691.989</b>
<b>Liabilities</b>				
Bank deposits	2.569.239	3.466.279	1.092.472	7.127.990
Foreign currency deposits	14.326.264	19.751.636	1.217.437	35.295.337
Money market balances	-	728.499	-	728.499
Funds provided from other financial institutions	7.126.279	12.296.781	14.348	19.437.408
Bonds issued	-	7.339.847	-	7.339.847
Sundry creditors	48.856	143.228	50	192.134
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities <sup>(3)</sup>	187.324	224.743	52.081	464.148
<b>Total liabilities</b>	<b>24.257.962</b>	<b>43.951.013</b>	<b>2.376.388</b>	<b>70.585.363</b>
<b>Net balance sheet position</b>	<b>(1.730.670)</b>	<b>(1.081.829)</b>	<b>919.125</b>	<b>(1.893.374)</b>
<b>Net off-balance sheet position</b>				
Financial derivative assets <sup>(4)</sup>	1.435.185	1.211.257	(937.169)	1.709.273
Financial derivative liabilities <sup>(4)</sup>	2.200.012	4.269.475	1.299.172	7.768.659
Non-cash loans <sup>(1)</sup>	764.827	3.058.218	2.236.341	6.059.386
	6.333.113	16.007.174	786.284	23.126.571
<b>Prior period</b>				
Total assets	14.383.239	32.911.679	2.797.996	50.092.914
Total liabilities	23.367.178	24.897.330	2.261.136	50.525.644
<b>Net balance sheet position</b>	<b>(8.983.939)</b>	<b>8.014.349</b>	<b>536.860</b>	<b>(432.730)</b>
<b>Net off-balance sheet position</b>				
Financial derivative assets	8.713.970	(7.936.471)	(536.866)	240.633
Financial derivative liabilities	9.429.686	2.802.071	682.173	12.913.930
Non-cash loans <sup>(1)</sup>	715.716	10.738.542	1.219.039	12.673.297
	4.384.199	12.730.976	598.070	17.713.245

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

<sup>(2)</sup> Includes TRY 1.534.159 of foreign currency indexed loans and their accruals (31 December 2014: 1.047.457 TL).

<sup>(3)</sup> In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 30.776), prepaid expenses (TRY 287) in assets; and derivative financial instruments foreign currency expense accruals (TRY 26.998) and shareholders' equity (TRY -2.474) in liabilities are not taken into consideration in the currency risk measurement.

<sup>(4)</sup> Financial derivative assets include forward precious metal purchase transactions amounted to TRY 15.728. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 1.734.898. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

<sup>(5)</sup> Foreign currency subsidiaries Halkbank A.D. Beograd (TRY 65.466) and Halk Banka AD Skopje (TRY 210.180), and foreign currency associate Demir-Halk Bank NV (TRY 208.237) are included.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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	Prior Period
USD	10% increase	12.943	7.788
EURO	10% increase	(29.549)	(26.997)
Other	10% increase	(1.804)	(1)

### 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.



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	16.747.037	-	-	-	-	6.577.934	23.324.971
Banks and financial institutions	859.293	-	-	-	-	1.653.992	2.513.285
Financial assets at fair value through profit and loss	247.364	754	21.194	27	2	-	269.341
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	2.358.685	502.968	1.545.281	2.376.793	4.264.518	160.748	11.208.993
Loans	44.599.622	17.767.705	33.658.375	23.031.167	4.700.737	2.041.518	125.799.124
Held-to-maturity investments	7.601.605	745.742	1.298.673	2.142.024	4.888.753	-	16.676.797
Other assets <sup>(4)</sup>	953.098	5.652	17.722	57.188	19.101	6.884.078	7.936.839
<b>Total assets</b>	<b>73.366.704</b>	<b>19.022.821</b>	<b>36.541.245</b>	<b>27.607.199</b>	<b>13.873.111</b>	<b>17.318.270</b>	<b>187.729.350</b>
<b>Liabilities</b>							
Bank deposits	8.419.481	2.422.059	479.736	-	-	3.328.282	14.649.558
Other deposits	55.935.917	27.784.868	6.343.983	225.749	-	17.205.890	107.496.407
Money market balances	7.824.493	585.773	-	-	-	-	8.410.266
Sundry creditors	947.799	4.692	953.533	87.342	-	324.222	2.317.588
Bonds issued	47.656	729.233	902.157	5.781.652	1.444.591	-	8.905.289
Funds provided from other financial institutions <sup>(3)</sup>	670.173	4.188.241	11.037.756	3.725.136	640.310	-	20.261.616
Other liabilities <sup>(1),(2)</sup>	2.104.236	179.417	217.187	-	-	23.187.786	25.688.626
<b>Total liabilities</b>	<b>75.949.755</b>	<b>35.894.283</b>	<b>19.934.352</b>	<b>9.819.879</b>	<b>2.084.901</b>	<b>44.046.180</b>	<b>187.729.350</b>
Balance sheet long position	-	-	16.606.893	17.787.320	11.788.210	-	46.182.423
Balance sheet short position	(2.583.051)	(16.871.462)	-	-	-	(26.727.910)	(46.182.423)
Off-balance sheet long position	-	764.369	612.369	1.332.390	1.346.914	-	4.056.042
Off-balance sheet short position	-	(619.754)	(627.927)	(1.565.778)	(1.319.421)	-	(4.132.880)
<b>Total position</b>	<b>(2.583.051)</b>	<b>(16.726.847)</b>	<b>16.591.335</b>	<b>17.553.932</b>	<b>11.815.703</b>	<b>(26.727.910)</b>	<b>(76.838)</b>

<sup>(1)</sup> TRY 69.284 of deferred tax liability is disclosed under the non-interest bearing column in other assets.

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

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

<sup>(4)</sup> 945.853 TL of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
<b>Assets</b>							
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 <sup>(1),(2)</sup>	6.240	6.150	27.606	63.473	24.077	6.410.007	6.537.553
<b>Total assets</b>	<b>50.107.835</b>	<b>15.767.972</b>	<b>25.327.434</b>	<b>26.472.044</b>	<b>11.066.648</b>	<b>26.681.086</b>	<b>155.423.019</b>
<b>Liabilities</b>							
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 <sup>(4)</sup>	1.129.197	4.488.241	4.783.718	1.708.354	513.249	7.598	12.630.357
Other liabilities <sup>(3)</sup>	1.925.178	165.495	1.018.885	-	-	19.366.215	22.475.773
<b>Total liabilities</b>	<b>64.642.471</b>	<b>27.072.170</b>	<b>15.705.724</b>	<b>4.696.125</b>	<b>2.228.602</b>	<b>41.077.927</b>	<b>155.423.019</b>
Balance sheet long position	-	-	9.621.710	21.775.919	8.838.046	-	40.235.675
Balance sheet short position	(14.534.636)	(11.304.198)	-	-	-	(14.396.841)	(40.235.675)
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)
<b>Total position</b>	<b>(14.421.081)</b>	<b>(11.025.891)</b>	<b>9.626.088</b>	<b>21.776.327</b>	<b>8.838.046</b>	<b>(14.396.841)</b>	<b>396.648</b>

<sup>(1)</sup> TRY 238.268 of deferred tax assets is disclosed under the non-interest bearing column in other assets.

<sup>(2)</sup> TRY 1.285.638 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

Current period	EURO	USD	JPY	TRY
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey <sup>(5)</sup>	-	0,22	-	2,07
Due from other banks and financial institutions <sup>(1)</sup>	0,15	0,20	-	11,80
Financial assets at fair value through profit and loss	-	2,03	-	10,44
Money market placements	-	-	-	-
Available-for-sale financial assets	5,26	5,49	-	12,26
Loans <sup>(2)</sup>	4,26	5,13	-	12,47
Held-to-maturity investments	-	5,91	-	15,15
<b>Liabilities</b>				
Bank deposits	0,61	2,28	-	13,27
Other deposits <sup>(4)</sup>	1,49	2,00	0,25	10,92
Money market borrowings	-	1,44	-	8,76
Sundry creditors <sup>(3)</sup>	-	-	-	4,75
Bonds issued	-	4,53	-	10,72
Funds provided from other financial institutions	0,86	1,82	-	7,24
<b>Prior Period</b>				
<b>Assets</b>				
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	0,71	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	4,55	4,78	-	11,64
Held-to-maturity investments	-	5,80	-	8,86
<b>Liabilities</b>				
Bank deposits	0,40	0,80	-	9,59
Other deposits	1,87	2,13	0,25	9,03
Money market borrowings	-	0,95	-	9,18
Sundry creditors	-	-	-	3,56
Bonds issued	-	4,47	-	8,84
Funds provided from other financial institutions	0,50	1,57	-	7,33

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

<sup>(2)</sup> Interest rates for loans given as of balance sheet date are calculated using weighted average method for client's base.

<sup>(3)</sup> Declared maximum deposits interest rate with a maturity of twelve months as of 31 December 2015.

<sup>(4)</sup> Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 December 2015.

<sup>(5)</sup> Required reserve ratio of the Central Bank of TRNC.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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	(2.222.523)	(%10,88)
		(200)	2.256.145	%11,04
2	EURO	400	288.034	%1,41
		(200)	(313.850)	(%1,54)
3	USD	400	124.102	%0,61
		(200)	(11.649)	(%0,06)
	<b>Total (For negative shocks)</b>		<b>(1.810.387)</b>	<b>(%8,86)</b>
	<b>Total (For positive shocks)</b>		<b>1.930.646</b>	<b>%9,45</b>

#### Prior 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
	<b>Total (For negative shocks)</b>		<b>2.086.047</b>	<b>%12,06</b>
	<b>Total (For positive shocks)</b>		<b>(1.927.793)</b>	<b>(%11,14)</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### VII. EXPLANATIONS RELATED TO THE POSITION RISK OF SHARES

##### Information about position risk of shares:

Equities	Balance Sheet Value	Comparison	
		Fair Value Change	Market Value
<b>1. Associates</b>	<b>227.320</b>	<b>208.237<sup>(4)</sup></b>	
<i>Unquoted in a stock exchange</i>	<i>227.320</i>	<i>208.237</i>	
<b>2. Subsidiaries</b>	<b>2.685.934</b>	<b>2.685.934</b>	
<i>Quoted in a stock exchange</i>	<i>897.784</i>	<i>897.784</i>	
Traded on Free Trading Platform <sup>(1)</sup>	346.980	346.980	
Investments securities for Group A <sup>(2),(3)</sup>	550.804	550.804	550.804
<i>Unquoted in a stock exchange</i>	<i>1.788.150</i>	<i>1.788.150</i>	

<sup>(1)</sup> In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa Istanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

<sup>(2)</sup> The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul AŞ.

<sup>(3)</sup> 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.

<sup>(4)</sup> Bank's associates which are shown with their cost values in the accompanying financial statements, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ. (TRY 11.518), Bankalararası Kart Merkezi AŞ. (TRY 3.804), Kredi Kayıt Bürosu AŞ. (TRY 2.516) and Türk Pvl Sigorta AŞ. (TRY 1.245) are not included in the table.

##### 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 <sup>(1) (2)</sup>	-	266.527	266.527	16.040	16.040	-
3. Other share certificates	-	894.077	894.077	-	-	-
<b>Total</b>	<b>-</b>	<b>1.160.604</b>	<b>1.160.604</b>	<b>16.040</b>	<b>16.040</b>	<b>-</b>

<sup>(1)</sup> In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa Istanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

<sup>(2)</sup> The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul AŞ.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK AND THE LIQUIDITY COVERAGE RATIO

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

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

Purpose is to have the level of liquidity to meet its obligations and commitments, which are due under the bank liquidity planning program and aim to reach a reasonable cost with necessary liquidity. The liquidity risk measurement made under this purpose contains days that are left for maturity made on the basis of liquidity gap as well as the analysis of "Liquidity Emergency Plan (LAEP)" – projected ratios that are also followed in the former phrase. Short-term liquidity needs of the bank are satisfied via BIST Repo Market, Interbank Money Market, Interbank Money Market securities sales, TCMB Repo Market, the Central Bank Interbank, currency swaps, the use of reserve and reserve option coefficients (YP) .

The top limits of the bank consist of the following: max lending amount of TL and YP category on all maturity in interbank OTC markets, the upper limit of repurchase and reverse repurchase transactions in TL and YP category on all maturity in the interbank OTC markets, the maximum foreign exchange position limits that can be moved, and finally; the upper limit relating to forward and swap transactions was determined.on the that the whole term of TL and foreign currency denominated, forward and the upper limit relating to swap transactions It was determined.

The extension of the maturity structure of term deposits reflects the primary funding source for the Bank; the development of new products that encourage saving and the protection of core deposit levels have been implemented as a strategic objective. Limits have been determined for exportation of bonds based on Turkish Liras to provide long term resource allocation ; besides deposit , maturity structure extension of passives was established.

To benefit from new borrowing opportunities to meet the needs of the Bank, in this context, is sourced from the price in the international capital markets / costs to be closely monitored and for the circumstances to be parallel to evaluation of alternative sources of funds.

Effective collateral management structure is provided by the reduction of liquidity risk.Our Bank participates in the organized markets (CBT, BIST and TAKASBANK). Debt upper limits are determined under certain criteria and balance sheet size by the relevant authorities. Open are the current limits to use our bank's current and anticipated liquidity needs to deposit additional collateral. Treasury Management Middle Office Operations are managed by the Treasury Department and monitored continuously.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

To show the ratio of withdrawal of interest-bearing deposits in the bank, deposit section of each foreign currency is analyzed through Deposit Analysis.

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

"Regulations on the Banks' Liquidity Coverage Ratio Calculation" by BDDK, calculated in accordance to "Liquidity Coverage Ratio" and "Liquidity Emergency Action Plan"; the coverage of the former is required for liquidity ratios and daily changes in these rates are monitored, then the information received is shared with the Audit Committee and the Asset-Liability Committee on a regularly basis.

**Throughout the current period, Bank's Liquidity Satisfactory Rate's lowest and highest values and the weeks which have held these values are portrayed in the table below:**

Liquidity Minimum-Maximum

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Week	(%)	Related Week	(%)
Maximum	14.12.2015		30.11.2015	
	18.12.2015	297.72	04.12.2015	152.99
Minimum	19.10.2015		12.10.2015	
	23.10.2015	125.99	16.10.2015	85.34



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Current Period	Total Unweighted Value (average) <sup>(1)</sup>		Total Weighted Value (average) <sup>(1)</sup>	
	TL+FC	FC	TL+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			35.026.978	22.127.033
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	59.362.360	21.625.683	4.637.110	1.857.940
Stable Deposits	25.982.532	6.092.567	1.299.127	304.628
Less Stable Deposits	33.379.828	15.533.116	3.337.983	1.553.312
Unsecured wholesale funding , of which;	56.730.152	20.091.323	31.781.484	12.565.557
Operational Deposits	-	-	-	-
Non-operational Deposits	51.714.487	18.620.375	27.723.839	11.166.810
Other Unsecured Funding	5.015.665	1.470.948	4.057.645	1.398.747
Secured Funding			-	-
Other cash outflows, of which;	5.255.525	1.381.398	3.937.302	1.259.442
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	3.058.487	1.178.138	3.058.487	1.178.138
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	2.197.038	203.260	878.815	81.304
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	51.250.823	22.348.887	4.542.382	2.166.642
<b>Total Cash Outflows</b>			<b>44.898.278</b>	<b>17.849.581</b>
<b>Cash Inflows</b>				
Secured Lending	-	-	-	-
Unsecured Lending	11.166.176	4.615.170	6.889.357	3.588.158
Other Cash Inflows	3.089.617	3.089.617	3.089.617	3.089.617
<b>Total Cash Inflows</b>	<b>14.255.793</b>	<b>7.704.787</b>	<b>9.978.974</b>	<b>6.677.775</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>35.026.978</b>	<b>22.127.033</b>
<b>Total Net Cash Outflows</b>			<b>34.919.304</b>	<b>11.171.806</b>
<b>Liquidity Coverage Ratio(%)</b>			<b>102,21</b>	<b>209,85</b>

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Prior Period	Total Unweighted Value (average) <sup>(1)</sup>		Total Weighted Value (average) <sup>(1)</sup>	
	TRY+FC	FC	TRY+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			33.902.285	19.739.682
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;				
Stable Deposits	58.121.592	21.514.015	4.256.092	1.696.956
Less Stable Deposits	31.121.350	9.088.911	1.556.068	454.446
Unsecured wholesale funding , of which;	27.000.242	12.425.104	2.700.024	1.242.510
Operational Deposits	50.591.397	20.574.289	28.677.957	12.249.220
Non-operational Deposits	-	-	-	-
Other Unsecured Funding	44.781.573	17.634.065	24.900.035	10.494.360
Secured Funding	5.809.824	2.940.224	3.777.922	1.754.860
Other cash outflows, of which;				
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	8.969.106	516.034	7.549.996	334.336
Obligations related to structured financial products	6.603.922	213.205	6.603.922	213.205
Commitments related to debts to financial markets and other off-balance sheet obligations	-	-	-	-
Other revocable off-balance sheet commitments and contractual obligations.	2.365.184	302.829	946.074	121.131
Other irrevocable or conditionally revocable off-balance sheet obligations.	-	-	-	-
<b>Total Cash Outflows</b>	<b>45.285.869</b>	<b>22.167.121</b>	<b>3.936.471</b>	<b>2.145.294</b>
<b>Cash Inflows</b>			<b>44.420.516</b>	<b>16.425.806</b>
Secured Lending	-	-	-	-
Unsecured Lending	10.067.884	3.918.820	6.018.426	2.922.441
Other Cash Inflows	6.620.753	6.620.753	6.620.753	6.620.753
<b>Total Cash Inflows</b>	<b>16.688.637</b>	<b>10.539.573</b>	<b>12.639.179</b>	<b>9.543.194</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>33.902.285</b>	<b>19.739.682</b>
<b>Total Net Cash Outflows</b>			<b>31.781.337</b>	<b>6.882.612</b>
<b>Liquidity Coverage Ratio(%)</b>			<b>106,93</b>	<b>300,75</b>

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
<b>Assets</b>								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	6.361.604	4.713.307	7.400.316	4.728.893	120.582	269	-	23.324.971
Banks	1.653.992	859.293	-	-	-	-	-	2.513.285
Financial assets at fair value through profit and loss	-	10.598	78.030	137.188	43.523	2	-	269.341
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	137.801	314.737	502.280	3.963.954	6.129.473	160.748	11.208.993
Loans <sup>(2)</sup>	1.454.896	7.083.792	9.462.712	39.528.975	53.938.270	14.330.479	-	125.799.124
Held-to-maturity investments	-	634.529	750.001	1.565.312	4.130.486	9.596.469	-	16.676.797
Other assets <sup>(3)</sup>	1.481.791	7.245	5.652	17.722	57.188	19.101	6.348.140	7.936.839
<b>Total assets</b>	<b>10.952.283</b>	<b>13.446.565</b>	<b>18.011.448</b>	<b>46.480.370</b>	<b>62.254.003</b>	<b>30.075.793</b>	<b>6.508.888</b>	<b>187.729.350</b>
<b>Liabilities</b>								
Bank deposits	3.328.282	8.420.049	2.421.491	479.736	-	-	-	14.649.558
Other deposits	17.205.890	55.931.354	27.777.083	6.262.796	315.092	4.192	-	107.496.407
Funds provided from other financial institutions <sup>(4)</sup>	-	670.173	1.988.614	10.662.005	5.251.604	1.689.220	-	20.261.616
Money market balances	-	7.824.493	585.773	-	-	-	-	8.410.266
Bonds issued	-	47.656	729.233	902.157	5.781.652	1.444.591	-	8.905.289
Sundry creditors	331.327	971.969	68.360	269.839	675.938	155	-	2.317.588
Other liabilities <sup>(1)</sup>	4.221.925	308.773	256.840	283.547	589.697	603.501	19.424.343	25.688.626
<b>Total liabilities</b>	<b>25.087.424</b>	<b>74.174.467</b>	<b>33.827.394</b>	<b>18.860.080</b>	<b>12.613.983</b>	<b>3.741.659</b>	<b>19.424.343</b>	<b>187.729.350</b>
<b>Liquidity gap</b>	<b>(14.135.141)</b>	<b>(60.727.902)</b>	<b>(15.815.946)</b>	<b>27.620.290</b>	<b>49.640.020</b>	<b>26.334.134</b>	<b>(12.915.455)</b>	<b>-</b>
<b>Previous period</b>								
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
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
<b>Liquidity gap</b>	<b>(17.294.742)</b>	<b>(49.976.744)</b>	<b>(7.089.085)</b>	<b>24.502.437</b>	<b>41.836.499</b>	<b>18.569.297</b>	<b>(10.547.662)</b>	<b>-</b>

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

<sup>(2)</sup> TRY 945.853 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

<sup>(3)</sup> Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses, deferred tax assets and receivables from NPL are disclosed in other assets under the undistributed column.

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Deposits	85.073.728	30.506.845	6.918.664	334.438	4.192	(691.902)	122.145.965
Funds provided from other financial intuitions	671.648	2.005.026	10.803.988	5.443.244	1.787.003	(449.293)	20.261.616
Money market borrowings	7.833.283	588.284	-	-	-	(11.301)	8.410.266
Securities issued	53.016	744.977	1.095.512	6.630.355	1479029	(1.097.600)	8.905.289
Funds	568.336	127.139	132.675	603.780	634.541	(102.772)	1.963.699
<b>Total</b>	<b>94.200.011</b>	<b>33.972.271</b>	<b>18.950.839</b>	<b>13.011.817</b>	<b>3.904.765</b>	<b>(2.352.868)</b>	<b>161.686.835</b>

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Deposits	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
<b>Total</b>	<b>84.130.715</b>	<b>23.940.592</b>	<b>13.505.132</b>	<b>8.827.205</b>	<b>4.278.504</b>	<b>(1.989.533)</b>	<b>132.692.615</b>

Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

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

Current Period <sup>(1)</sup>	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	679.764	2.206.989	905.864	532.124	-	4.324.741
Forward Contracts – Sell	679.786	446.265	905.270	529.626	-	2.560.947
Swaps – Buy	3.376.600	453.833	15.288	290.000	-	4.135.721
Swaps – Sell	3.400.144	451.854	15.200	277.200	-	4.144.398
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal – Buy	-	15.278	-	-	-	15.278
Forward Precious Metal – Sell	-	1.734.898	-	-	-	1.734.898
Money Buy Options	86.586	61.398	31.650	-	-	179.634
Money Sell Options	86.790	61.184	31.650	-	-	179.624
Swaps Interest – Buy	-	-	-	-	3.790.180	3.790.180
Swaps Interest – Sell	-	-	-	-	3.790.180	3.790.180
<b>Total</b>	<b>8.309.670</b>	<b>5.431.699</b>	<b>1.904.922</b>	<b>1.628.950</b>	<b>7.580.360</b>	<b>24.855.601</b>

<sup>(1)</sup> Forward asset purchase and sale commitments have been included in the table amounts of TRY 481.678

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Prior Period <sup>(1)</sup>	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	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
<b>Total</b>	<b>15.815.006</b>	<b>7.710.338</b>	<b>2.289.991</b>	<b>2.258.509</b>	<b>1.866.286</b>	<b>29.940.130</b>

<sup>(2)</sup> Forward asset purchase and sale commitments have been included in the table amounts of TRY554.547

### 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.

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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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.

### 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	47.398.066	6.168.814	-	-
Claims on regional governments or local authorities	1.074.473	23.480	-	-
Claims on administrative bodies and other non-commercial undertakings	619.959	77.780	-	100
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	4.465.484	539.128	-	-
Claims on corporate	65.226.266	2.132.274	-	19.785
Claims included in the regulatory retail portfolios	40.793.188	1.838.116	-	44.647
Claims secured by residential property	32.275.335	27.615	-	-
Overdue loans	930.890	-	134.477	-
Higher risk categories decided by the Board	7.079.352	-	-	-
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	9.797.540	-	-	-

<sup>(1)</sup> 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### **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 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.

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.

#### **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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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 ON LEVERAGE RATIO

The article "Regulation Regarding the Measurement and Evaluation of Banks' leverage level" published on November 5, 2013 and containing No: 28812 includes the table for the calculation of the leverage ratio below.

	Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
<b>On-Balance Sheet Items</b>		
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	185.282.357	150.609.037
Assets that are deducted from core capital	(141.014)	(118.337)
Total on balance sheet exposures	185.141.343	150.490.700
<b>Derivative exposures and credit derivatives</b>		
Replacement cost associated with derivative financial instruments and credit derivatives	328.635	109.056
The potential amount of credit risk with derivative financial instruments and credit derivatives	160.677	218.332
The total amount of risk on derivative financial instruments and credit derivatives	489.312	327.388
<b>Investment securities or commodity collateral financing transactions</b>		
The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	314.623	-
Risk amount of exchange brokerage operations	-	-
Total risks related with securities or commodity financing transactions	314.623	-
<b>Off -Balance Sheet Items</b>		
Gross notional amount of off-balance sheet items	59.890.202	50.998.345
Adjustments for conversion to credit equivalent amounts	-	-
The total risk of off-balance sheet items	59.890.202	50.998.345
<b>Capital and Total Exposures</b>		
Tier 1 Capital	19.016.499	16.202.790
Total Exposures	245.976.494	201.934.770
<b>Leverage Ratio</b>		
Leverage Ratio	7,73	8,03

<sup>(1)</sup> Three-month average of the amounts in the table.



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### XIII. 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.

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 and individual pension services,
- 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,
- Acting as an operator in order to provide risk management systems related to technical support and consulting services,
- Providing technical support and consulting services to Bank's subsidiaries,
- Acting as a portfolio storage institute in order to store client's assets related to individual portfolio management of portfolio management companies.
- Acting as a portfolio management agency.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2015 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment <sup>(1)</sup>	Total
<b>OPERATING INCOME / EXPENSES</b>					
<b>Interest income</b>	<b>1.293.976</b>	<b>1.566.379</b>	<b>7.834.586</b>	<b>2.961.967</b>	<b>13.656.908</b>
Interest on loans	1.293.944	1.566.211	7.829.954	567.618	11.257.727
Interest income on marketable securities	-	-	-	2.341.046	2.341.046
Interest received from banks	-	-	-	36.033	36.033
Other interest income	32	168	4.632	17.270	22.102
<b>Interest expense</b>	<b>837.538</b>	<b>305.330</b>	<b>4.773.771</b>	<b>2.077.463</b>	<b>7.994.102</b>
Interest on deposits	826.586	294.970	4.705.333	559.506	6.386.395
Interest on borrowings	1.388	9.620	17.423	287.416	315.847
Interest on money market borrowings	-	-	-	726.537	726.537
Interest on marketable bonds issued	-	-	-	462.180	462.180
Other interest expense	9.564	740	51.015	41.824	103.143
<b>Net interest income</b>	<b>456.438</b>	<b>1.261.049</b>	<b>3.060.815</b>	<b>884.504</b>	<b>5.662.806</b>
Net fees and commissions income	180.974	227.705	624.468	160.868	1.194.015
Net trading profit / (loss)	-	-	-	(261.630)	(261.630)
Dividend income	-	-	-	188.677	188.677
Other income	6.976	51.758	272.851	530.695	862.280
Loans and other receivables' impairment loss	371.039	81.570	386.691	462.578	1.301.878
Other expenses	19.171	64.802	1.658.274	1.746.380	3.488.627
<b>Income before taxes</b>	<b>254.178</b>	<b>1.394.140</b>	<b>1.913.169</b>	<b>(705.844)</b>	<b>2.855.643</b>
Income tax provision	-	-	-	(540.330)	(540.330)
<b>Net profit for the period</b>	<b>254.178</b>	<b>1.394.140</b>	<b>1.913.169</b>	<b>(1.246.174)</b>	<b>2.315.313</b>
<b>SEGMENT ASSETS</b>					
Marketable securities	-	-	-	27.908.076	27.908.076
Derivative financial assets held for trading	-	-	-	247.055	247.055
Banks and money market receivables	-	-	-	2.513.285	2.513.285
Associates and subsidiaries (net)	-	-	-	2.913.254	2,913.254
Loans	20.160.448	23.941.048	73.389.277	9.254.204	126.744.977
Other assets <sup>(1)</sup>	411	219.166	994.260	26.188.866	27.402.703
<b>TOTAL ASSETS</b>	<b>20.160.859</b>	<b>24.160.214</b>	<b>74.383.537</b>	<b>69.024.740</b>	<b>187.729.350</b>
<b>SEGMENT LIABILITIES</b>					
Deposits	15.516.346	7.832.679	84.745.717	14.051.223	122.145.965
Derivative financial liabilities held for trading	-	-	-	150.706	150.706
Money market balances	-	-	-	8.410.266	8,410.266
Borrowing funding loans	2.623	178.763	524.629	19.555.601	20,261.616
Bonds issued	-	-	-	8.905.289	8,905.289
Other liabilities	182.692	227.718	3,890.413	1,573.957	5,874.780
Provisions and tax payable	44.141	35.196	165.682	2,311.366	2,556.385
Shareholders' equity	-	-	-	19,424.343	19,424.343
<b>TOTAL LIABILITIES</b>	<b>15.745.802</b>	<b>8.274.356</b>	<b>89.326.441</b>	<b>74.382.751</b>	<b>187.729.350</b>
<b>OFF BALANCE SHEET ITEMS</b>					
Guarantees and surety ships	11,598.690	8,607.657	9,653.785	9,921.118	39,781.250
Commitments	42.388	761.495	8,566.394	12,013.488	21,383.765
Derivative financial instruments	-	-	-	24,373.923	24,373.923

<sup>(1)</sup> 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 2.099.292 (net) and deferred tax assets amounting TRY 69.264 in other assets are presented under the Treasury / Investment column.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment <sup>(1)</sup>	Total
<b>OPERATING INCOME / EXPENSES</b>					
<b>Interest income</b>	<b>1.039.644</b>	<b>1.099.435</b>	<b>6.212.934</b>	<b>3.099.120</b>	<b>11.451.133</b>
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	51	92	4.352	630	5.125
<b>Interest expense</b>	<b>693.823</b>	<b>180.959</b>	<b>4.002.182</b>	<b>1.462.620</b>	<b>6.339.584</b>
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 securities issued	-	-	-	278.423	278.423
Other interest expense(2)	32.116	7.003	50.341	4.779	94.239
<b>Net interest income</b>	<b>345.821</b>	<b>918.476</b>	<b>2.210.752</b>	<b>1.636.500</b>	<b>5.111.549</b>
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
<b>Income before taxes</b>	<b>101.618</b>	<b>924.274</b>	<b>1.339.249</b>	<b>362.114</b>	<b>2.727.255</b>
Income tax provision	-	-	-	(521.487)	(521.487)
<b>Net profit for the period</b>	<b>101.618</b>	<b>924.274</b>	<b>1.339.249</b>	<b>(159.373)</b>	<b>2.205.768</b>
<b>SEGMENT ASSETS</b>					
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 <sup>(1)</sup>	601	11.029	812.486	22.034.534	22.858.650
<b>TOTAL ASSETS</b>	<b>15.629.569</b>	<b>16.308.849</b>	<b>62.873.416</b>	<b>60.611.185</b>	<b>155.423.019</b>
<b>SEGMENT LIABILITIES</b>					
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
<b>TOTAL LIABILITIES</b>	<b>13.545.936</b>	<b>6.297.753</b>	<b>71.768.533</b>	<b>63.810.797</b>	<b>155.423.019</b>
<b>OFF BALANCE SHEET ITEMS</b>					
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

<sup>(1)</sup> 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### XIV. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>179.770.481</b>	<b>148.870.171</b>	<b>168.171.951</b>	<b>140.277.939</b>
Cash and Balances with the Central Bank of Turkey	23.324.971	20.276.104	23.324.971	20.276.104
Financial assets fair value changes reflected to income statement <sup>(3)</sup>	263.129	155.570	263.129	155.570
Banks	2.513.285	1.283.660	2.513.278	1.283.660
Money market placements	-	-	-	-
Available for sale financial assets <sup>(1)</sup>	11.193.175	8.909.886	11.193.175	8.909.886
Held to maturity investments	16.676.797	17.763.665	16.292.592	18.974.463
Loans <sup>(2)</sup>	125.799.124	100.481.286	114.584.806	90.678.256
<b>Financial Liabilities</b>	<b>162.192.520</b>	<b>133.124.425</b>	<b>165.477.504</b>	<b>134.686.083</b>
Deposits	122.145.965	103.708.354	122.225.504	103.810.071
Derivative financial liabilities held for trading	150.706	176.454	150.706	176.454
Funds provided from other financial intuitions	20.261.616	12.630.357	23.799.870	14.143.183
Money market borrowings	8.410.266	8.412.756	8.410.266	8.412.756
Securities issued	8.905.289	6.171.857	8.639.579	6.172.055
Miscellaneous payables	2.317.588	2.023.922	2.250.489	1.970.839
Leasing payables	1.090	725	1.090	725

<sup>(1)</sup> As of 31 December 2015, TRY 15.818 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 2014: TRY 15.295).

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

<sup>(3)</sup> As of 31 December 2015, marketable securities amounting to TRY 6.212 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

#### 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:

## TÜRKİYE HALK BANKASI A.Ş. NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

Classification requires using observable market data if possible.

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

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit/loss:</b>				
Financial assets held for trading purpose <sup>(2)</sup> :	16.074	247.055	-	263.129
<i>Debt securities</i>	16.074	-	-	16.074
<i>Derivative financial assets held for trading purpose</i>	-	247.055	-	247.055
Available-for-sale financial assets <sup>(1)</sup>	11.193.175	-	-	11.193.175
<i>Debt securities</i>	11.193.175	-	-	11.193.175
Subsidiaries	550.804	346.980	1.788.150	2.685.934
Association <sup>(3)</sup>	-	-	208.237	208.237
<b>Total Financial Assets</b>	<b>11.760.053</b>	<b>594.035</b>	<b>1.996.387</b>	<b>14.350.475</b>
<b>Financial liabilities at fair value through profit/loss:</b>				
Derivative financial liabilities held for trading purpose	-	150.706	-	150.706
<b>Total Financial Liabilities</b>	<b>-</b>	<b>150.706</b>	<b>-</b>	<b>150.706</b>

<sup>(1)</sup> December 2015, share certificates amounting to TRY 15.818 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

<sup>(2)</sup> As of 31 December 2015, marketable securities amounting to TRY 6.212 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

<sup>(3)</sup> Bank's associates which are shown with their cost values in the accompanying financial statements, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ. (TRY 11.518), Bankalararası Kart Merkezi AŞ. (TRY 3.804), Kredi Kayıt Bürosu AŞ. (TRY 2.516) and Türk Pvl Sigorta AŞ. (TRY 1.245) are not included in the table.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Prior Period	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit/loss:</b>				
Financial assets held for trading purpose <sup>(2)</sup> :	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 <sup>(1)</sup>	8.909.886	-	-	8.909.886
<i>Debt securities</i>	8.909.886	-	-	8.909.886
Subsidiaries <sup>(3)</sup>	607.758	345.235	1.478.464	2.431.457
<b>Total Financial Assets</b>	<b>9.566.383</b>	<b>448.267</b>	<b>1.478.464</b>	<b>11.493.114</b>
<b>Financial liabilities at fair value through profit/loss:</b>				
Derivative financial liabilities held for trading purpose	-	176.454	-	176.454
<b>Total Financial Liabilities</b>	<b>-</b>	<b>176.454</b>	<b>-</b>	<b>176.454</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> As of 31 December 2014 Halkbank AD, Skopje amounting to TRY 145.359 that are followed with cost value, are not included in subsidiaries.

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

	Current Period	Prior Period
Balance at the beginning of the period	1.478.464	1.274.292
Purchases during the year	30.173	44.296
Non-paid up shares	28.580	101.163
Valuation Difference	105.574	58.713
Transfers <sup>(1)</sup>	353.596	-
<b>Period End Balance</b>	<b>1.996.387</b>	<b>1.478.464</b>

<sup>(1)</sup> The subsidiaries and associaton started to show with the fair value from the current year are included in the transfers.

### XV. 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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	924.441	285.614	755.292	219.098
Central Bank of Turkey	3.414.818	18.700.084	3.404.093	15.897.276
Other	-	14	-	345
<b>Total</b>	<b>4.339.259</b>	<b>18.985.712</b>	<b>4.159.385</b>	<b>16.116.719</b>

###### b) Information on the account of Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount <sup>(1)</sup>	3.377.292	1.774.258	3.389.735	1.360.238
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits <sup>(2)</sup>	37.526	16.925.826	14.358	14.537.038
<b>Total</b>	<b>3.414.818</b>	<b>18.700.084</b>	<b>3.404.093</b>	<b>15.897.276</b>

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

<sup>(2)</sup> 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 2014: 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 2014: 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 TRY and FC reserves.

With the amendment on 21 October 2014 by the Central Bank what is held in banks are of certain conditions: Turkish Lira required reserve amount, the Central Bank website published the weighted average funding cost (AOFM) ratio of 500 or 700 basis points missing from the rate during the period through November 2014 and has started to provide interest. With the press announcement made on 22 April 2015 Turkish lira denominated facility is paid to the reserve to increase interest rates by 50 basis points has been adopted. Again, the 29 August 2015 date press release made in the interest rate paid on required reserves that are denominated in Turkish Lira facilities; date of 1 September 2015, 50 basis points and 50 basis points on 1 December 2015, 50 on 1 October 2015, totaling 50 basis points to 150 basis points.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

With the change in press release dated 23 January 2015, it has been decided to apply a 20 basis point annual commission, to be charged on daily account balances and collected on a monthly basis, on required reserves and two days notice account denominated in Euro held by banks and these are going to be collected as of 1 February 2015. According to the press release dated 30 June 2015, the balances denominated in Euro in required reserves and notice accounts held with the Central Bank is reduced temporarily to 5 basis points due to the recent developments in the Eurozone. As of 27 July 2015 commission ratios have been announced on the CBRT website as the zero percent.

With the change in 2 May 2015 made by CBRT, US Dollars denominated required reserves, reserve options and free reserves held at Central Bank of Republic of Turkey will be remunerated. The interest rate will be set on daily basis by taking global and local financial markets conditions into account. The applicable interest rate is 1% for the year (Declared on 17 December 2015).

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 for foreign currency liabilities.

### (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	-	131.503	-	58.068
Swap transactions	-	115.474	-	44.193
Futures transactions	-	-	-	-
Options	7	71	8	763
Other	-	-	-	-
<b>Total</b>	<b>7</b>	<b>247.048</b>	<b>8</b>	<b>103.024</b>



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

##### a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	10.080	526.985	20.953	564.938
Foreign banks	55.258	1.920.962	45.910	651.859
Branches and offices abroad	-	-	-	-
<b>Total</b>	<b>65.338</b>	<b>2.447.947</b>	<b>66.863</b>	<b>1.216.797</b>

##### b) Information on foreign banks:

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1.616.852	474.881	-	-
USA and Canada	165.995	79.544	-	-
OECD Countries <sup>(1)</sup>	37.810	17.291	-	-
Offshore Banking Regions	-	-	-	-
Other	155.563	126.053	-	-
<b>Total</b>	<b>1.976.220</b>	<b>697.769</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> 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	-	700.441	-	848.984
<b>Total</b>	<b>-</b>	<b>700.441</b>	<b>-</b>	<b>848.984</b>

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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	1.269.031	355.458	1.286.912	-
<b>Total</b>	<b>1.269.031</b>	<b>355.458</b>	<b>1.286.912</b>	<b>-</b>

#### b) Information on financial assets available-for-sale portfolio:

	Current period	Prior period
Debt securities	11.232.896	8.858.989
<i>Quoted on a stock exchange</i>	11.232.896	8.858.989
<i>Not quoted</i>	-	-
Share certificates	185.673	85.748
<i>Quoted on a stock exchange</i>	150.973	51.571
<i>Not quoted</i>	34.700	34.177
Impairment provision(-)	209.576	19.556
<b>Total</b>	<b>11.208.993</b>	<b>8.925.181</b>

#### (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	182.849	-	171.422	-
<b>Total</b>	<b>182.849</b>	<b>-</b>	<b>171.422</b>	<b>-</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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
<b>Cash loans</b>						
Non-specialized loans	97.960.424	1.133.587	-	3.198.797	1.334.984	-
<i>Corporation loans</i>	62.048.288	900.957	-	2.834.741	1.319.344	-
<i>Export loans</i>	3.896.644	85.981	-	28.843	11.850	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	3.312.017	-	-	-	-	-
<i>Consumer loans<sup>(1)</sup></i>	24.336.500	49.876	-	185.523	3.784	-
<i>Credit cards<sup>(2)</sup></i>	2.983.628	95.928	-	65.273	-	-
<i>Other</i>	1.383.347	845	-	84.417	6	-
Specialized lending	22.818.358	96.656	-	212.312	1.881	-
Other receivables	-	-	-	-	-	-
Accruals	1.565.032	15.941	-	44.201	17.323	-
<b>Total</b>	<b>122.343.814</b>	<b>1.246.184</b>	<b>-</b>	<b>3.455.310</b>	<b>1.354.188</b>	<b>-</b>

<sup>(1)</sup> Includes TRY 137.412 of personnel loans.

<sup>(2)</sup> Includes TRY 45.437 of personnel credit cards.

Number of modifications made to extend payment plan	Standard Loans and Other Receivables <sup>(1)</sup>	Loans and Other Receivables Under Close Monitoring <sup>(2)</sup>
Extended by 1 or 2 times	1.146.565	1.331.552
Extended by 3,4 or 5 times	77.553	4.575
Extended by more than 5 times	6.125	738

<sup>(1)</sup> Accruals amounting to TRY 15.941 are not included in the table above.

<sup>(2)</sup> Accruals amounting to TRY 17.323 are not included in the table above.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

<b>Extended period of time</b>	<b>Standard Loans and Other Receivables<sup>(1)</sup></b>	<b>Loans and Other Receivables Under Close Monitoring<sup>(2)</sup></b>
0-6 Months	385.959	116.549
6 Months - 12 Months	339.172	185.822
1-2 Years	92.663	142.616
2-5 Years	277.548	458.017
5 Years and over	134.901	433.861

<sup>(1)</sup>Accruals amounting to TRY 15.941 are not included in the table above.

<sup>(2)</sup>Accruals amounting to TRY 17.323 are not included in the table above.

### c) Loans according to their maturity structure:

<b>Current Period</b>	<b>Standard loans and other receivables</b>		<b>Loans and other receivables under close monitoring</b>	
	<b>Loans and other receivables</b>	<b>Agreement conditions modified</b>	<b>Loans and other receivables</b>	<b>Agreement conditions modified</b>
<b>Short term loans and other receivables</b>	<b>26.436.929</b>	<b>376.526</b>	<b>659.830</b>	<b>241.806</b>
<i>Non-specialized loans</i>	25.823.741	358.948	651.334	238.713
<i>Specialized lending</i>	275.005	12.762	55	-
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	338.183	4.816	8.441	3.093
<b>Medium and long term loans and other receivables</b>	<b>95.906.885</b>	<b>869.658</b>	<b>2.795.480</b>	<b>1.112.382</b>
<i>Non-specialized loans</i>	72.136.683	774.639	2.547.463	1.096.271
<i>Specialized lending</i>	22.543.353	83.894	212.257	1.881
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	1.226.849	11.125	35.760	14.230

## TÜRKİYE HALK BANKASI A.Ş. NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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
<b>Short term loans and other receivables</b>	<b>22.323.980</b>	<b>332.560</b>	<b>268.395</b>	<b>28.324</b>
<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
<b>Medium and long term loans and other receivables</b>	<b>75.855.202</b>	<b>395.879</b>	<b>842.264</b>	<b>434.682</b>
<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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### d) Information on consumer loans, individual credit cards, personnel loans and credit cards:

	Short-term	Medium and long-term	Total
Consumer loans-TRY	297.572	23.639.551	23.937.123
<i>Real estate loans</i>	3.757	12.235.397	12.239.154
<i>Automobile loans</i>	2.369	175.268	177.637
<i>Consumer loans</i>	291.446	11.228.886	11.520.332
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	2.228.104	2.282	2.230.386
<i>Installment</i>	950.767	-	950.767
<i>Non-installment</i>	1.277.337	2.282	1.279.619
Individual credit cards-FC	165	-	165
<i>Installment</i>	-	-	-
<i>Non-installment</i>	165	-	165
Personnel loans-TRY	6.929	130.483	137.412
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	6.929	130.483	137.412
<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	45.335	5	45.340
<i>Installment</i>	18.484	-	18.484
<i>Non-installment</i>	26.851	5	26.856
Personnel credit cards-FC	97	-	97
<i>Installment</i>	-	-	-
<i>Non-installment</i>	97	-	97
Overdraft accounts-TRY (Retail customer)	447.488	-	447.488
Overdraft accounts-FC (Retail customer)	-	-	-
<b>Total</b>	<b>3.025.690</b>	<b>23.772.321</b>	<b>26.798.011</b>

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

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### e) Information on commercial installments loans and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	4.549	1.048.741	1.053.290
<i>Business residential loans</i>	-	668.708	668.708
<i>Automobile loans</i>	4.549	308.096	312.645
<i>Consumer loans</i>	-	71.937	71.937
<i>Other</i>	-	-	-
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	772.911	-	772.911
<i>Installment</i>	382.196	-	382.196
<i>Non-installment</i>	390.715	-	390.715
Corporate credit cards-FC	2	-	2
<i>Installment</i>	-	-	-
<i>Non-installment</i>	2	-	2
Overdraft accounts-TRY (Commercial customer)	707.423	-	707.423
Overdraft accounts-FC (Commercial customer)	-	-	-
<b>Total</b>	<b>1.484.885</b>	<b>1.048.741</b>	<b>2.533.626</b>

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

#### f) Loan according to type of borrowers:

	Current period	Prior period
Public	3.698.907	2.640.241
Private	122.100.217	97.841.045
<b>Total</b>	<b>125.799.124</b>	<b>100.481.286</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	124.605.142	100.025.174
Foreign loans	1.193.982	456.112
<b>Total</b>	<b>125.799.124</b>	<b>100.481.286</b>

### h) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	1.040.418	675.395
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>1.040.418</b>	<b>675.395</b>

### i) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	221.458	213.407
Loans and receivables with doubtful collectability	169.213	578.268
Uncollectible loans and receivables	2.637.214	1.622.348
<b>Total</b>	<b>3.027.885</b>	<b>2.414.023</b>

### 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	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Current period</b>	<b>24.231</b>	<b>14.063</b>	<b>153.307</b>
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	24.231	14.063	153.307
<b>Prior period</b>	<b>45.487</b>	<b>14.610</b>	<b>42.346</b>
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	45.487	14.610	42.346



## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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	332.312	1.452.844	1.914.505
Additions (+)	656.830	20.920	87.356
Transfers from other categories of loans under follow-up (+)	-	488.874	1.709.813
Transfers to other categories of loans under follow-up (-)	517.307	1.681.380	-
Collections (-)	136.243	74.857	279.929
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
<b>Current period end balance</b>	<b>335.592</b>	<b>206.401</b>	<b>3.431.745</b>
Specific provision (-)	221.458	169.213	2.637.214
<b>Net balance on balance sheet</b>	<b>114.134</b>	<b>37.188</b>	<b>794.531</b>

#### 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
<b>Current period</b>			
Balance at the end of the period	44.441	17.260	1.450.081
Specific provisions(-)	20.741	15.661	926.704
<b>Net balance in the balance sheet</b>	<b>23.700</b>	<b>1.599</b>	<b>523.377</b>
<b>Prior period</b>			
Balance at the end of the period	16.630	1.238.761	168.987
Specific provisions(-)	10.849	430.564	106.439
<b>Net balance in the balance sheet</b>	<b>5.781</b>	<b>808.197</b>	<b>62.548</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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
<b>Current period (Net)</b>	<b>114.134</b>	<b>37.188</b>	<b>794.531</b>
Loans to granted real persons and legal entities (Gross)	335.222	206.058	3.371.949
Specific provisions (-)	221.088	168.870	2.577.418
<b>Loans to granted real persons and legal entities (Net)</b>	<b>114.134</b>	<b>37.188</b>	<b>794.531</b>
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	370	343	59.796
Specific provisions (-)	370	343	59.796
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior period (Net)</b>	<b>118.905</b>	<b>874.576</b>	<b>292.157</b>
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
<b>Loans to granted real persons and legal entities (Net)</b>	<b>118.905</b>	<b>874.576</b>	<b>292.157</b>
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	709	1.179	52.500
Specific provisions (-)	709	1.179	52.500
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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
<b>Loans</b>				
Corporate Loans	59.949	6.553	4.388	70.890
SME Loans	175.498	40.808	32.274	248.580
Consumer Loans	24.380	8.610	6.074	39.064
Credit cards	117.687	19.833	11.814	149.334
<b>Total</b>	<b>377.514</b>	<b>75.804</b>	<b>54.550</b>	<b>507.868</b>

<sup>(1)</sup> Relevant total installment and terms contained in credit and installment consumer loans and corporate loans are only given the amount overdue that are loan payments of undue principal amounts of institutional order: Corporate: TRY 274.279, SME: TRY 1.771.260 and for individual: TRY 701.126

Prior Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
<b>Loans</b>				
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
<b>Total</b>	<b>258.931</b>	<b>43.966</b>	<b>39.977</b>	<b>342.874</b>

<sup>(2)</sup> Only the overdue loans that subject to outstanding principal payment amounting to TRY 516.905 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	3.390.012	771.973	3.348.402	416.619
<b>Total</b>	<b>3.390.012</b>	<b>771.973</b>	<b>3.348.402</b>	<b>416.619</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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	6.504.701	534.883	6.744.155	248.221
<b>Total</b>	<b>6.504.701</b>	<b>534.883</b>	<b>6.744.155</b>	<b>248.221</b>

### b) Information on public sector debt investments held-to-maturity:

	Current period	Prior period
Government bonds	16.676.797	17.763.665
Treasury bills	-	-
Other public sector debt securities	-	-
<b>Total</b>	<b>16.676.797</b>	<b>17.763.665</b>

### c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	16.676.797	17.763.665
<i>Quoted on a stock exchange</i>	16.676.797	17.149.074
<i>Not quoted</i>	-	614.591
Impairment provision (-)	-	-
<b>Total</b>	<b>16.676.797</b>	<b>17.763.665</b>

### d) Movement of held-to-maturity investments within the year:

	Current period	Prior period
Beginning balance	17.763.665	18.854.586
Foreign currency differences on monetary assets	386.593	89.777
Purchases during the year <sup>(1)</sup>	1.006.511	3.011.096
Disposals through sales and redemptions	(2.479.972)	(4.191.794)
Impairment provision (-) / provision reversal (+)	-	-
<b>Balance at the end of the period</b>	<b>16.676.797</b>	<b>17.763.665</b>

<sup>(1)</sup> Interest income accrual difference between 31 December 2015 amounting to TRY 1.649.841 and 31 December 2014 amounting to TRY 1.541.077 has been included in purchases row.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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	9.940.960	1.177.317	11.211.527	1.197.590	10.419.624	553.127	11.677.559	565.483
Obtained with the transfer	-	-	-	-	600.000	-	614.589	-
Reclassified from other securities portfolios	3.158.272	720.407	3.533.802	733.878	3.721.019	928.818	3.963.450	942.584
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>13.099.232</b>	<b>1.897.724</b>	<b>14.745.329</b>	<b>1.931.468</b>	<b>14.740.643</b>	<b>1.481.945</b>	<b>16.255.598</b>	<b>1.508.067</b>

### (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
5. Türk P ve I Sigorta AŞ	İstanbul/Turkey	16,67	16,67

#### b) Information related to the associates as sorted in (a):<sup>(1)</sup>

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	5.987.184	745.560	28.516	142.231	11.788	34.505	33.943	208.237 <sup>(2)</sup>
2.	47.368	46.911	164	2.544	-	698	508	-
3.	146.724	100.690	73.874	4.877	-	33.299	17.802	-
4.	68.358	29.660	42.971	985	-	3.869	3.490	-
5.	10.773	3.789	531	332	-	(539)	-	-

<sup>(1)</sup> The information is presented from companies' financial statements as of 31 December 2015.

<sup>(2)</sup> The financial informations of Demir-Halkbank NV has been obtained from its independent audit report as of 31 December 2015

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	92.553	92.553
Movements during the period	134.767	-
<i>Purchases</i>	1.245	-
<i>Bonus shares obtained profit from current year's share</i>	-	-
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfers</i>	-	-
<i>Revaluation decrease (-) / increase</i>	133.522	-
<i>Provision for impairment (-) / reversals (+)</i>	-	-
<b>Balance at the end of the period</b>	<b>227.320</b>	<b>92.553</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(1)</sup> Includes purchases of 16,67% share of Türk P&I Sigorta AŞ amounting to TRY 1.245.

### d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	208.237	74.716
Insurance companies	1.245	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	11.518	11.518

### e) Associates quoted to a stock exchange:

None.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### (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	Halkbank A.D. Beograd
<b>CORE CAPITAL</b>									
Paid in Capital	82.000	94.000	183.000	743.000	272.250	8.000	109.685	46.500	53.667
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-
Share premium	-	-	-	49.945	-	-	11.633	-	44.552
Share Cancellation Profits	-	-	-	(20.947)	-	-	-	-	-
Reserves	9.517	44.572	30.859	50.023	8.429	412	50.288	1.216	45.055
Other Comprehensive Income according to TAS	(290)	(323)	(9.843)	3	(98)	(22)	370	-	7.278
<b>Profit / Loss</b>	<b>10.293</b>	<b>(19.982)</b>	<b>120.385</b>	<b>57.425</b>	<b>24.478</b>	<b>4.781</b>	<b>37.355</b>	<b>10.214</b>	<b>(3.292)</b>
Net Profit	10.876	(24.978)	109.758	58.360	6.992	4.530	19.196	8.586	(3.292)
Prior Period Profit/Loss	(583)	4.996	10.627	(935)	17.486	251	18.159	1.628	-
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	-	-	-	-	-	-	-	-	-
Leasehold Improvements (-)	-	-	208	-	-	-	3.240	297	-
Intangible Assets (-)	1.153	3.624	1.296	530	743	27	1.870	224	715
<b>Total Core Capital</b>	<b>100.367</b>	<b>114.643</b>	<b>322.897</b>	<b>878.919</b>	<b>304.316</b>	<b>13.144</b>	<b>204.221</b>	<b>57.409</b>	<b>146.545</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12.328</b>	<b>-</b>	<b>3.124</b>
<b>CAPITAL</b>	<b>100.367</b>	<b>114.643</b>	<b>322.897</b>	<b>878.919</b>	<b>304.316</b>	<b>13.144</b>	<b>216.549</b>	<b>57.409</b>	<b>149.669</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET AVAILABLE CAPITAL<sup>(1)</sup></b>	<b>100.367</b>	<b>114.643</b>	<b>322.897</b>	<b>878.919</b>	<b>304.316</b>	<b>13.144</b>	<b>216.549</b>	<b>57.409</b>	<b>149.669</b>

<sup>(1)</sup> The information is presented from companies' financial statements as of 31 December 2015.

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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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	İstanbul	99,96	99,96
2. Halk Sigorta AŞ(4)	İstanbul	89,18	93,59
3. Halk Hayat ve Emeklilik AŞ	İstanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ(3)	İstanbul	79,03	79,06
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
9. Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri AŞ	İstanbul	100,00	100,00
10. Halkbank A.D. Beograd	Serbia	82,47	82,47

#### c) Information related to the subsidiaries as sorted in (b): <sup>(1)</sup>

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value <sup>(2)</sup>
1	175.857	100.367	1.926	22.851	2.174	10.876	18.122	132.810
2	827.730	114.643	6.095	48.859	2.994	(24.978)	50.962	346.980(4)
3	679.709	322.897	2.506	60.043	22.353	109.758	90.304	850.105
4	974.716	878.919	672.935	1.568	998	58.360	61.347	550.804(3)
5	2.395.200	304.316	1.081	140.227	-	6.992	5.142	413.336
6	14.264	13.144	351	1.125	8	4.530	2.328	16.466
7	1.491.204	216.549	37.177	70.471	6.091	19.196	12.045	210.180
8	493.914	57.409	1.104	60.554	-	8.586	8.585	61.758
9	31.955	20.248	3.593	507	1.133	1.467	2.248	38.029
10	815.866	149.669	16.718	40.419	1.460	(3.292)	-	65.466

<sup>(1)</sup>The financial data is obtained from 31 December 2015 limited reviewed financial statements.

<sup>(2)</sup>The data is obtained from the valuation report for the year ended 31 December 2015.

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

<sup>(4)</sup>In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### d) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period	2.576.816	2.334.263
Movements during the period	109.118	242.553
Purchase <sup>(1)</sup>	28.907	44.296
Bonus shares obtained profit from current year's share	61.035	140.007
Dividends from current year income	-	-
Sales	-	-
Transfer	-	-
Revaluation increase	19.176	58.250
Reversal of provision for impairment (-)	-	-
<b>Balance at the end of the period</b>	<b>2.685.934</b>	<b>2.576.816</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(1)</sup> In the period of 30 June 2015, Halkbank AD. Beograd's -located in Serbia- 76,76% shares have been bought out by the bank for TRY 28.907. In the current period, the bank paid TRY 30.704 to Halkbank AD. Beograd and its shares has increased to 82,74%.

### e) Sectoral information on subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	275.646	145.359
Insurance companies	1.197.085	1.171.567
Factoring companies	61.758	58.123
Leasing companies	413.336	409.660
Financing companies	-	-
Other financial subsidiaries	700.080	754.248
Other non-financial subsidiaries	38.029	37.859

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

	Current period	Prior period
Quoted to domestic stock <sup>(1), (2)</sup>	897.784	952.993
Quoted foreign stock exchange	-	-

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

<sup>(2)</sup> The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul AŞ.

### (9) Information on jointly controlled entities (joint ventures):

None.

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

None.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### (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	Revaluatin Increase	Current Year Disposals	Transfers, the end of the Net	Balance at the end of the period
<b>Cost:</b>						
Immovable	626.664	5.439	1.679.938	507.398	(428.057)	1.376.586
Tangible assets purchased through financial lease	30.787	335	-	3.381	-	27.741
Office machines	346.097	100.195	-	31.717	-	414.575
Fixed assets obtained due to non-performing loans	508.101	1.997.556	-	1.935.368	-	570.289
Lease hold improvements costs	136.567	67.233	-	68.788	-	135.012
Other	252.481	23.688	-	3.766	-	272.403
<b>Total Cost</b>	<b>1.900.697</b>	<b>2.194.446</b>	<b>1.679.938</b>	<b>2.550.418</b>	<b>(428.057)</b>	<b>2.796.606</b>
<b>Accumulated depreciation (-) :</b>						
Immovable	215.579	16.036	154.717	181.430	(61.751)	143.151
Tangible assets purchased through financial lease	29.099	669	-	3.356	-	26.412
Office machines	177.671	54.269	-	12.002	-	219.938
Fixed assets obtained due to non-performing loans	10.676	4.674	-	2.101	-	13.249
Lease hold improvements costs	71.616	26.761	-	30.614	-	67.763
Other	207.696	13.542	-	3.039	-	218.199
<b>Total accumulated depreciation</b>	<b>712.337</b>	<b>115.951</b>	<b>154.717</b>	<b>232.542</b>	<b>(61.751)</b>	<b>688.712</b>
<b>Provision for impairment (-)</b>						
Immovable	1.855	-	-	591	49	1.313
Tangible assets purchased through financial lease	-	-	-	-	-	-
Office machines	-	-	-	-	-	-
Fixed assets obtained due to non-performing loans	6.391	1.872	-	1.129	-	7.134
<b>Total provision for impairment (-)</b>	<b>8.246</b>	<b>1.872</b>	<b>-</b>	<b>1.720</b>	<b>49</b>	<b>8.447</b>
<b>Net Book Value</b>	<b>1.180.114</b>	<b>2.076.623</b>	<b>1.525.221</b>	<b>2.316.156</b>	<b>(366.355)</b>	<b>2.099.447</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Fair Value Measurement

The fair value of the lands and buildings which are held for use are determined with equivalence value and that measurement is classified as Level 2.

Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers, Net	Balance at the end of the period
<b>Cost:</b>					
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	144.082	23.472	30.987	-	136.567
Other	246.443	9.662	3.624	-	252.481
<b>Total Cost</b>	<b>1.735.987</b>	<b>348.862</b>	<b>175.914</b>	<b>(8.238)</b>	<b>1.900.697</b>
<b>Accumulated depreciation (-) :</b>					
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	74.448	27.817	30.649	-	71.616
Other	194.467	15.094	1.865	-	207.696
<b>Total accumulated depreciation</b>	<b>657.872</b>	<b>103.914</b>	<b>47.129</b>	<b>(2.320)</b>	<b>712.337</b>
<b>Provision for impairment (-)</b>					
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
<b>Total provision for impairment (-)</b>	<b>10.300</b>	<b>2.037</b>	<b>4.126</b>	<b>35</b>	<b>8.246</b>
<b>Net Book Value</b>	<b>1.067.815</b>	<b>242.911</b>	<b>124.659</b>	<b>(5.953)</b>	<b>1.180.114</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### (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
<b>Cost:</b>					
Other intangible assets	75.132	45.180	10.711	-	109.601
<b>Total Cost</b>	<b>75.132</b>	<b>45.180</b>	<b>10.711</b>	<b>-</b>	<b>109.601</b>
<b>Accumulated Depreciation:</b>					
Other intangible assets	16.189	16.579	118	-	32.650
<b>Total Accumulated Depreciation</b>	<b>16.189</b>	<b>16.579</b>	<b>118</b>	<b>-</b>	<b>32.650</b>
<b>Net Book Value</b>	<b>58.943</b>	<b>28.601</b>	<b>10.593</b>	<b>-</b>	<b>76.951</b>

Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
<b>Cost:</b>					
Other intangible assets	54.138	22.730	1.736	-	75.132
<b>Total Cost</b>	<b>54.138</b>	<b>22.730</b>	<b>1.736</b>	<b>-</b>	<b>75.132</b>
<b>Accumulated Depreciation (-) :</b>					
Other intangible assets	8.991	7.252	54	-	16.189
<b>Total Accumulated Depreciation</b>	<b>8.991</b>	<b>7.252</b>	<b>54</b>	<b>-</b>	<b>16.189</b>
<b>Net Book Value</b>	<b>45.147</b>	<b>15.478</b>	<b>1.682</b>	<b>-</b>	<b>58.943</b>

## TÜRKİYE HALK BANKASI A.Ş. NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### (14) Information on investment property:

Current Period	Current Period	Prior Period
<b>Cost:</b>		
Opening Balance	-	-
Acquisitions	-	-
Transfer	428.525	-
Disposals	-	-
Impairment Charge/Cancellation(-)	-	-
<b>Ending Balance</b>	<b>428.525</b>	<b>-</b>
<b>Accumulated Depreciation</b>		
Opening Balance	-	-
Amortization Charge (-)	-	-
Transfer	63.525	-
Impairment Charge/Cancellation (-)	-	-
Ending Balance	-	-
<b>Total Accumulated Depreciation</b>	<b>63.525</b>	<b>-</b>
<b>Net Book Value</b>	<b>365.000</b>	<b>-</b>

<sup>(1)</sup> As of December 2015 The Bank's former headquarters building in Ankara that had been evacuated depending upon the personnel moving to Istanbul; has been leased and classified as investment .

### (15) Information on tax assets:

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

### (16) Information on non-current assets held for sale:

	Current period	Prior period
Cost	1.200	7.812
Accumulated Depreciation (-) <sup>(1)</sup>	(109)	(2.296)
<b>Net Book Value</b>	<b>1.091</b>	<b>5.516</b>
<b>Opening Balance</b>	<b>5.516</b>	<b>4.112</b>
Acquisitions (Transfers) (Net)	(468)	8.238
Disposals (Net)	(6.193)	(5.741)
Impairment Charge/Cancellation	49	10
Amortization Charge(1)	2.187	(1.103)
<b>Net Book Value</b>	<b>1.091</b>	<b>5.516</b>

<sup>(1)</sup> 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 2015

(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 1.535.243 and does not exceed 10% of the balance sheet total (31 December 2014: TRY 1.099.705).

## 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	4.293.296	-	474.007	28.297.921	1.096.767	366.364	581.833	103.000	35.213.188
Foreign currency deposits	5.795.426	-	3.288.740	18.585.006	2.565.435	987.235	3.177.812	10.680	34.410.334
Residents in Turkey	4.689.558	-	3.254.644	18.013.646	2.459.778	709.667	2.100.420	10.508	31.238.221
Residents abroad	1.105.868	-	34.096	571.360	105.657	277.568	1.077.392	172	3.172.113
Public sector deposits	2.446.626	-	3.016.281	2.937.312	272.240	1.773.372	90.299	-	10.536.130
Commercial inst. deposits	3.228.168	-	3.127.098	16.497.782	816.279	33.215	28.447	-	23.730.989
Other inst. deposits	557.371	-	644.038	1.468.290	8.244	38.413	4.407	-	2.720.763
Precious metals	885.003	-	-	-	-	-	-	-	885.003
Interbank deposits	3.328.282	-	5.519.682	4.577.196	290.993	-	933.405	-	14.649.558
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	10.335	-	5.298.361	2.767.451	288.091	-	-	-	8.364.238
Foreign banks	2.367.756	-	221.321	1.809.745	2.902	-	933.405	-	5.335.129
Participation banks	950.191	-	-	-	-	-	-	-	950.191
<b>Total</b>	<b>20.534.172</b>	<b>-</b>	<b>16.069.846</b>	<b>72.363.507</b>	<b>5.049.958</b>	<b>3.198.599</b>	<b>4.816.203</b>	<b>113.680</b>	<b>122.145.965</b>

##### 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	3.931.504	-	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
<b>Total</b>	<b>21.553.299</b>	<b>-</b>	<b>12.724.854</b>	<b>54.526.960</b>	<b>6.414.101</b>	<b>4.474.057</b>	<b>3.897.273</b>	<b>117.810</b>	<b>103.708.354</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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
<b>Saving deposits</b>	<b>20.718.253</b>	<b>19.038.326</b>	<b>14.405.969</b>	<b>11.249.274</b>
Foreign currency saving deposits	6.441.824	5.947.571	11.014.043	8.112.662
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	129.662	92.647	-	-
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	177.772	120.160
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	4.771	5.141
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	-	-

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### (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	-	84.150	-	39.927
Swap transactions	-	66.184	-	135.749
Future transactions	-	-	-	-
Options	18	354	15	763
Other	-	-	-	-
<b>Total</b>	<b>18</b>	<b>150.688</b>	<b>15</b>	<b>176.439</b>

### (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	327.509	1.316.866	301.378	258.695
Foreign banks, institutions and funds	496.699	18.120.542	639.700	11.430.584
<b>Total</b>	<b>824.208</b>	<b>19.437.408</b>	<b>941.078</b>	<b>11.689.279</b>

### b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	323.748	7.485.324	289.295	6.552.045
Medium and long-term	500.460	11.952.084	651.783	5.137.234
<b>Total</b>	<b>824.208</b>	<b>19.437.408</b>	<b>941.078</b>	<b>11.689.279</b>

### 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 28% 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 49% of banks deposits and 33% of other deposits consist of foreign currency deposits.



## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Information on funds provided from repurchase agreement transactions:

	Current period		Prior period	
	TRY	FC	TRY	FC
<b>From domestic transactions</b>	<b>7.474.247</b>	<b>-</b>	<b>8.175.808</b>	<b>-</b>
Financial inst. and organizations	7.408.477	-	8.097.694	-
Other institutions and organizations	29.509	-	38.752	-
Real persons	36.261	-	39.362	-
<b>From overseas transactions</b>	<b>100.299</b>	<b>726.001</b>	<b>305</b>	<b>231.074</b>
Financial inst. and organizations	-	726.001	-	231.074
Other institutions and organizations	100.069	-	-	-
Real persons	230	-	305	-
Accruals	7.191	2.498	5.435	134
<b>Total</b>	<b>7.581.737</b>	<b>728.499</b>	<b>8.181.548</b>	<b>231.208</b>

#### (4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills <sup>(1)</sup>	1.565.442	-	1.522.240	-
Bonds <sup>(2)</sup>	-	7.339.847	-	4.649.617
<b>Total</b>	<b>1.565.442</b>	<b>7.339.847</b>	<b>1.522.240</b>	<b>4.649.617</b>

<sup>(1)</sup> As of 27 November 2015, the bonds amounting to TRY 1.000.000 with maturity of 175 days and as of 11 September 2015 the bonds amounting TRY 750.000 with a maturity of 175 days are issued by the Bank.

<sup>(2)</sup> 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 and as of 11 February 2015 the treasury bills amounting to USD 500.000 with maturity of 6 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
	29.572	1.934.127	19.404	1.749.887

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### (6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 1.592.403 and does not exceed 10% of the balance sheet total (31 December 2014: TRY 1.349.147).

### (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	321	289	-	-
Between 1-4 years <sup>(1)</sup>	702	622	610	562
More than 4 years	220	179	246	163
<b>Total</b>	<b>1.243</b>	<b>1.090</b>	<b>856</b>	<b>725</b>

<sup>(1)</sup> Finance lease payables are presented with respect to original maturity.

### 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### (9) Explanations on provisions:

#### a) Information on general provisions:

	Current period	Prior period
<b>General provision</b>	<b>1.123.838</b>	<b>1.268.847</b>
Provisions for first group loans and receivables	910.447	1.134.564
<i>Additional provisions for the loans with extended payment plan</i>	<i>33.186</i>	<i>18.719</i>
Provisions for second group loans and receivables	108.328	46.989
<i>Additional provisions for the loans with extended payment plan</i>	<i>66.843</i>	<i>22.942</i>
Provisions for non cash loans	105.063	87.294
Other	-	-

Due to fact that the ratio of consumer loans to total loans has been below 25% as of the balance sheet date, 1% and 2% rate of general allowances for cumulative balance as from current period has begun to be allocated instead of 4% and 8% rate of general allowances for all consumer loans. In the consequence of the change mentioned, general allowances in the amount of 430.333 TRY were reversed in the current period. The amount regarding was recognized under "Adjustments for Prior Period Expenses" in Other Operating Income" account.

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

As of 31 December 2015 the Bank's foreign currency indexed loans and finance lease receivables amounting to losses on foreign exchange is TRY 7.222 (31 December 2014: TRY 2.977).

#### c) Specific provisions provided for unindemnified non-cash loans:

As of 31 December 2015, the Bank's specific provision for unindemnified non-cash loans balance is TRY 93.878 (31 December 2014: TRY 94.271).

#### d) Information on other provisions:

Total other provision balance amounting to TRY 334.442 (31 December 2014: TRY 243.292) consists of TRY 93.878 (31 December 2014: TRY 94.271) for specific provisions for unindemnified non cash loans, TRY 34.100 (31 December 2014: TRY 81.135) for legal cases filed against the Bank and TRY 82.964 (31 December 2014: TRY 67.886) of other provisions.

The Bank provided a general provision amounting to TRY 123.500 (31 December 2014: None) all of which was recognised as an expense in the current period for the possible result of the negative circumstances which may arise from any change in economy or market conditions. The amount was presented under "provision expenses for possible losses" in impairment losses on loans and other receivables account.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### d.1.) Movement of employee termination benefits:

Severance indemnity provision as of 31 December 2015 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation according to TAS 19, is as follows;

	Current Period	Prior Period
Inflation Rate	%7,75	%6,00
Wage growth	%10,75	%8,60
Estimated Real Wage Growth Rate	%7,95	%6,20

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

	Current Period	Prior Period
As of January 1	355.257	295.858
Charge for the year	34.074	24.691
Interest Expense	29.512	28.082
Actuarial gain/loss	6.347	35.945
Prior period service cost composed current period	48	830
Payment/The limitation of benefits/ Loss ( Gain) therefore discharge	312	224
Benefits paid within the period(-)	(34.963)	(30.373)
<b>Total</b>	<b>390.587</b>	<b>355.257</b>

As of 31 December 2015, unused vacation provision is TRY 130.187 and severance indemnity provision for outsource firms is TRY 11.848. This amount is followed under employee benefits provision under liabilities (31 December 2014: TRY 125.124 TL for unused vacation provision; TRY 9.125 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 2015, 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

#### a) Information on current tax liability:

##### a.1. Information on tax provision:

As of 31 December 2015, the Bank's corporate tax payable for the 4th quarter of 2015 is amounting to TRY 105.440 after setting off TRY 28.394 of prepaid taxes from TRY 133.834 of corporate tax liabilities tax provision.

##### a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	105.440	331.165
Income on securities tax	143.352	107.811
Property income tax	1.323	965
Banking and insurance transactions tax (BITT)	66.010	46.288
Foreign exchange transactions tax	9	11
Value added tax payable	-	-
Other	23.059	22.803
<b>Total</b>	<b>339.193</b>	<b>509.043</b>

##### a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	17	17
Social insurance premiums-employer	20	21
Bank social aid pension fund premium-employee	7.164	7.176
Bank social aid pension fund premium-employer	9.881	9.810
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	-	-
Unemployment insurance-employer	-	-
Other	1.703	1.522
<b>Total</b>	<b>18.785</b>	<b>18.546</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### b) Deferred tax liability:

	Current period	Prior period
<b>Deferred Tax (Asset) /Liability</b>		
Provisions <sup>(1)</sup>	162.891	156.021
Revaluation of Financial Assets	(224.515)	86.095
Other	(7.640)	(3.848)
<b>Deferred Tax (Asset) /Liability:</b>	<b>(69.264)</b>	<b>238.268</b>
<b>Deferred tax accounted in shareholders' equity</b>	<b>(22.850)</b>	<b>(121.814)</b>
Fair value differences for available for sale financial assets	31.975	(81.604)
Actuarial gains and losses	4.566	3.269
Subsidiaries Valuation	-	(43.479)
Property Revaluation	(59.391)	-

<sup>(1)</sup> Provisions are comprised of the employee termination benefits and other provisions.

### (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:

There is a application of registered capital system and registered capital ceiling amount is TRY 7.500.000.

#### c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

None.

#### d) Information on additions from capital reserves to capital in the current period:

None.

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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)	1.158.202	92.152	1.110.219	-
<i>Revaluation difference</i>	1.158.202	92.152	1.110.219	-
<i>Exchange rate difference</i>	-	-	-	-
Valuation differences of financial assets available for sale	(188.893)	(94.626)	169.787	19.378
<i>Revaluation difference</i>	(188.893)	(94.626)	144.098	19.378
<i>Exchange rate difference</i>	-	-	25.689	-
<b>Total</b>	<b>969.309</b>	<b>(2.474)</b>	<b>1.280.006</b>	<b>19.378</b>

i) Information on legal reserves:

	Current period	Prior period
First Legal Reserves	842.251	751.166
Second Legal Reserves	489.166	462.921
Legal reserves appropriated in accordance with the law	4.448	3.316
<b>Total</b>	<b>1.335.865</b>	<b>1.217.403</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### j) Information on the extraordinary and other profit reserves

	Current period	Prior period
Reserves appropriated by General Assembly	11.166.841	9.300.043
Retained Earnings	47.181	34.104
Accumulated Reserves	-	-
Foreign Currency Translation Differences (-)	-	-
<b>Total</b>	<b>11.214.022</b>	<b>9.334.147</b>

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

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

##### a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current period	Prior period
Commitments for credit card expenditure limits	11.157.873	10.312.329
Payment commitments for cheques	5.442.458	5.073.145
Loan granting commitments	1.691.022	2.045.738
Two days forward foreign exchange buy/sell transactions	2.543.438	554.547
Commitments for credit cards and banking services promotions	481.678	41.774
Tax and fund liabilities from export commitments	46.532	17.037
Share capital commitments to associates and subsidiaries	20.764	-
Other irrevocable commitments	-	1.407.592
<b>Total</b>	<b>21.383.765</b>	<b>19.452.162</b>

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

##### b.1. Non-cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current period	Prior period
Bank acceptance loans	5.002.040	3.899.063
Letters of credit	3.273.781	3.068.156
Other guarantees	879.817	905.190
<b>Total</b>	<b>9.155.638</b>	<b>7.872.409</b>



## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### b.2. Certain guarantees, tentative guarantees, surety ships and similar transactions:

	Current period	Prior period
Letters of certain guarantees	13.968.827	12.623.491
Letters of advance guarantees	2.934.392	1.973.059
Letters of tentative guarantees	789.535	915.139
Letters of guarantee given to customs offices	880.741	1.073.877
Other letters of guarantee	12.052.117	8.320.617
<b>Total</b>	<b>30.625.612</b>	<b>24.906.183</b>

#### c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	939.782	514.563
<i>Within one year or less original maturity</i>	69.452	140.976
<i>Within more than one year maturity</i>	870.330	373.587
Other non-cash loans	38.841.468	32.264.029
<b>Total</b>	<b>39.781.250</b>	<b>32.778.592</b>

#### c.1) Non-cash loans sectoral risk concentrations:

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	23.325	0,14	10.271	0,04	30.725	0,20	916	0,01
<i>Farming and raising livestock</i>	20.156	0,12	9.340	0,04	17.406	0,12	916	0,01
<i>Forestry</i>	152	0,00	0	0,00	174	0,00	-	0,00
<i>Fishing</i>	3.017	0,02	931	0,00	13.145	0,08	-	0,00
Manufacturing	4.018.351	24,13	12.303.794	53,20	3.800.910	25,23	10.324.279	58,29
<i>Mining</i>	126.501	0,76	48.720	0,21	92.975	0,62	381.949	2,16
<i>Production</i>	2.843.994	17,08	9.975.408	43,14	2.440.417	16,20	7.667.877	43,29
<i>Electric, gas and water</i>	1.047.856	6,29	2.279.666	9,86	1.267.518	8,41	2.274.453	12,84
Construction	4.317.501	25,92	5.514.203	23,84	3.685.543	24,46	3.173.885	17,92
Services	8.155.736	48,97	5.213.900	22,55	7.418.626	49,24	3.989.944	22,53
<i>Wholesale and retail trade</i>	4.449.349	26,72	1.893.407	8,19	3.507.006	23,28	1.744.237	9,85
<i>Hotel, food and beverage services</i>	69.933	0,42	71.913	0,31	61.570	0,41	43.576	0,25
<i>Transportation and telecommunication</i>	151.737	0,91	302.090	1,31	117.045	0,78	240.935	1,36
<i>Financial Institutions</i>	2.371.214	14,24	483.850	2,09	2.781.196	18,46	595.230	3,35
<i>Real estate and renting services</i>	992.720	5,96	2.410.147	10,42	850.808	5,65	1.359.520	7,68
<i>Self-employment services</i>	10.221	0,06	345	0,00	9.841	0,05	1.131	0,01
<i>Education services</i>	18.799	0,11	52.133	0,23	17.399	0,12	3.318	0,02
<i>Health and social services</i>	91.763	0,55	15	0,00	73.761	0,49	1.997	0,01
Other	139.766	0,84	84.403	0,36	129.543	0,87	224.221	1,25
<b>Total</b>	<b>16.654.679</b>	<b>100,00</b>	<b>23.126.571</b>	<b>100,00</b>	<b>15.065.347</b>	<b>100,00</b>	<b>17.713.245</b>	<b>100,00</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### c.2) Non-cash loans classified in Group I and II:

	Group I		Group II	
	TRY	FC	TRY	FC
<b>Non-cash loans</b>	<b>16.327.343</b>	<b>23.057.902</b>	<b>327.336</b>	<b>68.669</b>
Letters of guarantee	15.342.713	14.891.918	327.336	63.645
Bank acceptances	359.503	2.911.565	-	2.713
Letters of credit	-	4.999.729	-	2.311
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	625.127	254.690	-	-

### c.3) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Risk Management	
	Current period	Prior period	Current period	Prior period
<b>Types of trading transactions</b>				
<b>Foreign currency related derivative transactions (I)</b>	<b>15.043.387</b>	<b>26.711.138</b>	-	-
Forward foreign currency buy/sell transactions	6.434.489	4.888.037	-	-
Currency buy/sell swap	8.249.640	21.509.663	-	-
Currency futures	-	-	-	-
Currency put/call options	359.258	313.438	-	-
<b>Interest related derivative transactions (II)</b>	<b>7.580.360</b>	<b>1.866.286</b>	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	7.580.360	1.866.286	-	-
Interest rate put/call options	-	-	-	-
Interest rate buy/sell futures	-	-	-	-
<b>Other trading derivative transactions (III)<sup>(1)</sup></b>	<b>1.750.176</b>	<b>808.159</b>	-	-
<b>A. Total trading derivative transactions (I+II+III)</b>	<b>24.373.923</b>	<b>29.385.583</b>	-	-
<b>Types of derivative transactions for risk management</b>	-	-	-	-
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
<b>B. Total derivative transactions for hedging</b>	-	-	-	-
<b>Total derivative transactions (A+B)</b>	<b>24.373.923</b>	<b>29.385.583</b>	-	-

<sup>(1)</sup> Other trading derivatives include credit default swap purchases and sale transactions amounting TRY 15.278 and TRY 1.734.898 respectively.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### d) Information on contingent liabilities and assets:

The Bank has provided TRY 34.100 (31 December 2014: TRY 81.135) of provision for the disputed legal cases filed by various persons and institutions.

### e) Services supplied on behalf of others:

None.

## 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
<b>Interest on loans<sup>(1)</sup></b>				
Short term loans	2.816.169	139.757	2.255.415	112.228
Medium and long term loans	6.597.101	1.638.533	5.162.158	1.182.181
Interest on non-performing loans	66.167	-	68.922	-
Premiums from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>9.479.437</b>	<b>1.778.290</b>	<b>7.486.495</b>	<b>1.294.409</b>

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

#### b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	26.681	2.631	2.846	-
Domestic banks	988	660	1.653	2.345
Overseas banks	3.104	1.969	3.759	2.050
Head office and branches	-	-	-	-
<b>Total</b>	<b>30.773</b>	<b>5.260</b>	<b>8.258</b>	<b>4.395</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	2.465	882	1.135	691
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	621.805	179.711	696.747	125.404
Held-to-Maturity Investments	1.433.982	102.201	1.755.680	72.794
<b>Total</b>	<b>2.058.252</b>	<b>282.794</b>	<b>2.453.562</b>	<b>198.889</b>

### d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries and associates	41.746	33.429

## (2) Information on interest expenses:

### a) Information on interest expense on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	62.752	253.073	53.502	191.237
<i>Domestic banks</i>	20.596	13.681	20.977	9.744
<i>Overseas banks</i>	42.156	239.392	32.525	181.493
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	22	-	4.149	14
<b>Total</b>	<b>62.774</b>	<b>253.073</b>	<b>57.651</b>	<b>191.251</b>

### b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	85.715	70.859

### c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	143.180	319.000	95.084	183.339
<b>Total</b>	<b>143.180</b>	<b>319.000</b>	<b>95.084</b>	<b>183.339</b>

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### d) Maturity structure of interest expenses on deposits:

Account name	Demand deposits	Time deposits					Cumulative deposit	Total
		Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
<b>TRY</b>								
Bank deposits	103	429.522	127.955	11.142	743	-	-	569.465
Saving deposits	108	39.847	2.474.932	101.909	30.809	39.963	7.411	2.694.979
Public deposits	232	176.197	224.330	20.619	54.352	341	-	476.071
Commercial deposits	389	297.801	1.160.858	101.216	20.024	12.686	-	1.592.974
Other deposits	-	67.417	135.262	19.769	213.722	427	-	436.597
7 days call accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>832</b>	<b>1.010.784</b>	<b>4.123.337</b>	<b>254.655</b>	<b>319.650</b>	<b>53.417</b>	<b>7.411</b>	<b>5.770.086</b>
<b>Foreign currency</b>								
Deposits	52	73.616	335.729	62.698	19.227	63.441	-	554.763
Bank deposits	-	61.546	-	-	-	-	-	61.546
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
<b>Total</b>	<b>52</b>	<b>135.162</b>	<b>335.729</b>	<b>62.698</b>	<b>19.227</b>	<b>63.441</b>	<b>-</b>	<b>616.309</b>
<b>Grand total</b>	<b>884</b>	<b>1.145.946</b>	<b>4.459.066</b>	<b>317.353</b>	<b>338.877</b>	<b>116.858</b>	<b>7.411</b>	<b>6.386.395</b>

#### (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	4.340	3.106
Other	184.337	150.738
<b>Total</b>	<b>188.677</b>	<b>153.844</b>

#### (4) a) Information on trading profit/loss (Net):

	Current period	Prior period
<b>Profit</b>	<b>19.670.647</b>	<b>17.319.413</b>
Profit from the capital market operations	32.552	299.858
Profit on derivative financial instruments	4.013.970	3.229.700
Foreign exchange gains	15.624.125	13.789.855
<b>Loss (-)</b>	<b>19.932.277</b>	<b>17.263.408</b>
Loss from the capital market operations	1.230	919
Loss on derivative financial instruments	3.863.810	4.675.586
Foreign exchange losses	16.067.237	12.586.903

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### b) Information on derivative financial instruments:

	Current period	Prior period
<b>Profit on derivative financial instruments</b>	<b>4.013.970</b>	<b>3.229.700</b>
Effect of the change in foreign exchange on profit	3.927.388	3.221.183
Effect of the change in interest rate on profit	86.582	8.517
<b>Loss on derivative financial instruments (-)</b>	<b>3.863.810</b>	<b>4.675.586</b>
Effect of the change in foreign exchange on loss	3.807.734	4.669.057
Effect of the change in interest rate on loss	56.076	6.529
<b>Profit/loss on derivative financial instruments</b>	<b>150.160</b>	<b>(1.445.886)</b>

### (5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses <sup>(1)</sup>	744.791	427.439
Receivable from the asset sale on credit terms	67.350	56.407
Provision for communication expenses	9.981	7.775
Rent income	11.008	4.700
Other income	29.150	35.173
<b>Total</b>	<b>862.280</b>	<b>531.494</b>

<sup>(1)</sup> Related explanation is made on page 98.

### (6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	844.497	876.459
<i>Group - III loans and receivables</i>	228.199	241.544
<i>Group - IV loans and receivables</i>	180.436	555.719
<i>Group - V loans and receivables</i>	435.862	79.196
General loan provision expenses	285.324	134.159
Provision expenses for possible losses <sup>(1)</sup>	123.500	-
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	48.557	150.150
<b>Total</b>	<b>1.301.878</b>	<b>1.160.768</b>

<sup>(1)</sup> Related explanation is made on page 95.

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### (7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	1.520.467	1.247.781
Reserve for employee termination benefits	66.083	55.595
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	98.147	99.756
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	16.579	7.252
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	1.714	2.398
Amortization expenses of assets that will be disposed of	7.654	4.158
Impairment expense for property and equipment held for sale	-	25
Other operating expenses	1.129.670	1.048.663
<i>Operational leasing expenses</i>	179.380	147.158
<i>Maintenance expenses</i>	25.995	20.452
<i>Advertisement expenses</i>	127.372	142.509
<i>Other expenses</i>	796.923	738.544
Loss on sales of assets	4.394	5.420
Other	643.919	516.365
<b>Total</b>	<b>3.488.627</b>	<b>2.987.413</b>

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

The Bank's income before tax is due from continuing activities. TRY 5.662.806 of the income before tax consists of net interest income, TRY 1.194.015 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Bank is amounting to TRY 2.855.643.

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

For the year ended 31 December 2015, the Bank's tax provision amounting to TRY 540.330 consists of TRY 133.834 of current tax charge and TRY 406.496 of deferred tax income.

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

As of 31 December 2015, the Bank's net operating income after tax is amounting to TRY 2.315.313.

#### (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 2015 and 31 December 2015.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

**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

#### 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 626.567 increase for the year 2015. 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 6.426.600 decrease for the year 2015.

For the year ended 31 December 2015, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 761.160 increase (31 December 2014: TRY 97.128 increase). The average exchange rate of last five weekday has been taken in consideration as of the balance sheet date when calculating the change in the exchange rate.

**(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.



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### (4) Period beginning cash and cash equivalents balance:

	Current period	Prior period
Cash	20.276.104	19.975.784
<i>Cash in TRY and foreign currency</i>	974.390	795.406
<i>Central Bank and others<sup>(1)</sup></i>	19.301.714	19.180.378
Cash equivalents	1.265.660	1.842.776
<i>Demand and Time Deposits Up to 3 Months</i>	1.265.660	1.842.776
<i>Money Market Placements</i>	-	-
<b>Total cash and cash equivalents</b>	<b>21.541.764</b>	<b>21.818.560</b>
Reserve deposits in Central Bank of Turkey	(14.549.790)	(15.445.725)
Accruals on reserve deposits in Central Bank of Turkey	(1.606)	-
Rediscount from the money market	-	-
Accruals on banks	(1.124)	(515)
<b>Cash and Cash Equivalents</b>	<b>6.989.244</b>	<b>6.372.320</b>

<sup>(1)</sup> Others items include cheques received.

#### (5) Period ending cash and cash equivalents balance:

	Current Period	Prior Period
Cash	23.324.971	20.276.104
<i>Cash in TRY and foreign currency</i>	1.210.055	974.390
<i>Central Bank and others<sup>(1)</sup></i>	22.114.916	19.301.714
Cash Equivalents	2.513.285	1.265.660
<i>Demand and Time Deposits Up to 3 Months</i>	2.513.285	1.265.660
<i>Money Market Placements</i>	-	-
<b>Cash and Banks</b>	<b>25.838.256</b>	<b>21.541.764</b>
Reserve deposits in Central Bank of Turkey	(16.942.148)	(14.549.790)
Accruals on reserve deposits in Central Bank of Turkey	(21.203)	(1.606)
Accruals on banks	(290)	(1.124)
<b>Total Cash and Cash Equivalents</b>	<b>8.874.615</b>	<b>6.989.244</b>

<sup>(1)</sup> Others items include cheques received.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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	675.395	309.393	-	-	-	-
Closing balance	1.040.418	198.346	-	-	-	-
Interest and commissions income	41.746	1.212	-	-	-	-

b) Prior period:

Banka'nın Dâhil Olduğu Risk Grubu	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	-	-	-	-

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	803.623	961.604	-	-	-	-
Closing Balance	1.019.114	803.623	-	-	-	-
Interest expense on deposits	83.105	70.859	-	-	-	-

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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
<b>Financial Assets At Fv Through Profit And Loss</b>						
Beginning balance	20.615	1.305	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

### (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	1.040.418	%0,82
Non-cash loans	198.346	%0,50
Deposits	1.019.114	%0,83
Forward and option contracts	-	-
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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

Benefits given to the key management personnel are TRY 11.158 as of 31 December 2015 (31 December 2014: TRY 9.681).

## 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		
<b>Domestic Branches</b>	944	17.054			
<b>Agencies Abroad</b>	2	3	Tahran/İRAN Londra/İNGİLTERE		
<b>Overseas Branches</b>	4	25	Lefkoşa/KKTC Gazimagosa/KKTC Girne/KKTC Paşaköy/KKTC	Total Assets	Legal Capital
				413.440	-
				62.553	-
				55.213	-
				233	-
<b>Off-shore Branches</b> <sup>1</sup>	3		Manama/BAHREYN	7.447.524	-

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

The Bank opened 49 domestic branches during the year 2015.

## IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.

## SECTION VI: OTHER EXPLANATIONS AND NOTES

### I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### **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 2015 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 24 February 2016 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 2015  
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.  
Kavacık Rüzgarlı Bahçe Mah. Kavak Sok.  
No:29 Beykoz 34805 İstanbul  
Tel +90 (216) 681 90 00  
Fax +90 (216) 681 90 90  
www.kpmg.com.tr

Convenience Translation of the Independent Auditors' Report  
Originally Prepared and Issued in Turkish to English (See Note I in Section Three)

To the Board of Directors of Türkiye Halk Bankası Anonim Şirketi;

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Türkiye Halk Bankası Anonim Şirketi ("the Bank") and its consolidated financial subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statement of income, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRS") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRS and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette No.29314 dated 2 April 2015 by BRS and Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

#### Basis for Qualified Opinion

The accompanying consolidated financial information as of 31 December 2015 include a general provision amounting to TRY 123.500 thousands, all of which has been recognized as expense in the current period provided by the Bank management for the possible result of the negative circumstances which may arise from any circumstances from any change in economy or market conditions.

#### Qualified Opinion

In our opinion, except for the effect of the matter described in the basis for qualified opinion paragraph above, the consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ and its financial subsidiaries as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with BRS Accounting and Reporting Legislation.

### Report on Other Legal and Regulatory Requirements

Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("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 2015 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

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

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative

Alper Güvenç  
Partner, SMMM

24 February 2016  
İstanbul, Turkey

### Additional paragraph for convenience translation to English:

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.

**TÜRKİYE HALK BANKASI AŞ**  
**THE CONSOLIDATED FINANCIAL REPORT**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

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**

1. Halk Yatırım Menkul Değerler AŞ
2. Halk Sigorta 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 A.D., Skopje
9. Halkbank A.D. Beograd

**Associates**

1. Demir-Halkbank NV
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3. Türk P ve I Sigorta AŞ

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures as of and for the year ended 31 December 2015 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, 24 February 2016

R. Süleyman Özdil <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>
---	---	---	--	---	--

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

Name/Title : Pınar Küçük/Senior Specialist  
Tel No : 0216 503 52 09  
Fax No : 0212 340 0990



		<b>PAGE NO</b>
<b>SECTION ONE</b>		
<b>General Information about the Parent Bank</b>		
I.	Establishment Date of the Parent Bank, Initial Articles of Association, History of the Parent Bank Including The Changes of These Articles	259
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	259
III.	Explanations Regarding the Parent Bank's Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents and Their Shares Attributable to the Parent Bank, if any	260
IV.	Information About the Persons and Institutions that Have Qualified Shares Attributable to the Parent Bank	261
V.	Summary on the Parent Bank's Functions and Lines of Activity	262
VI.	Explanation About Companies Within The Scope Of Consolidation	264
VII.	Differences Between the Communiqué 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	266
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	266
<b>SECTION TWO</b>		
<b>Consolidated Financial Statements</b>		
I.	Consolidated Balance Sheet (Statement of Financial Position)	268
II.	Consolidated Statement of Off-Balance Sheet Items	270
III.	Consolidated Statement of Income	271
IV.	Consolidated Statement of Income and Expense Items Accounted under Shareholders' Equity	272
V.	Consolidated Statement of Changes in Shareholders' Equity	273
VI.	Consolidated Statement of Cash Flows	274
VII.	Statement of Profit Distribution Table	275
<b>SECTION THREE</b>		
<b>Explanations on Consolidated Accounting Policies</b>		
I.	Basis of Presentation	276
II.	Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	276
III.	Information About the Associates and Subsidiaries Subject to Consolidation	277
IV.	Explanations on Forward and Option Contracts and Derivative Instruments	279
V.	Interest Income and Expenses	279
VI.	Fees and Commission Income and Expenses	280
VII.	Explanations and Disclosures on Financial Assets	280
VIII.	Explanations on Impairment of Financial Assets	282
IX.	Offsetting Financial Assets and Liabilities	284
X.	Explanations on Sales and Repurchase Agreements (Repos) and Transactions on Securities Loaned	284
XI.	Explanations on Assets Held For Sale and Discontinued Operations	284
XII.	Explanations on Goodwill and Other Intangible Assets	285
XIII.	Explanations on Property, Plant and Equipment	285
XIV.	Explanations on Investment Properties	286
XV.	Explanations on Leasing Transactions	286
XVI.	Explanations on Insurance Technical Income and Expense	286
XVII.	Explanations on Insurance Technical Provisions	286
XVIII.	Explanations on Provisions and Contingent Liabilities	287
XIX.	Explanations on Employee Benefit Liabilities	288
XX.	Explanations on Taxation	289
XXI.	Additional Explanations on Borrowings	291
XXII.	Explanations on Shares and Share Issue	291
XXIII.	Explanations on Bill Guarantees and Acceptances	292
XXIV.	Explanations on Government Incentives	292
XXV.	Explanations on Segment Reporting	292
XXVI.	Explanations on Other Matters	292
<b>SECTION FOUR</b>		
<b>Information on Consolidated Financial Structure</b>		
I.	Explanations Related to the Consolidated Capital Adequacy Ratio	293
II.	Explanations Related to the Consolidated Credit Risk	297
III.	Explanations Related to the Consolidated Market Risk	308
IV.	Explanations Related to the Consolidated Operational Risk	310
V.	Explanations Related to the Consolidated Currency Risk	311
VI.	Explanations Related to the Consolidated Interest Rate Risk	313
VII.	Explanations Related to the Consolidated Position Risk of Shares	318
VIII.	Explanations Related to the Consolidated Liquidity Risk and Liquidity Coverage Ratio	318
IX.	Explanations Related to the Consolidated Securitization Positions	324
X.	Explanations Related to the Consolidated Credit Risk Mitigation Techniques	324
XI.	Explanations Related to the Consolidated Risk Management Target and Policies	325
XII.	Explanations on Leverage Ratio	327
XIII.	Explanations Related to Consolidated Business Segmentation	328
XIV.	Explanations on Presentation of Consolidated Financial Assets and Liabilities at Fair Value	332
XV.	Explanations Related to Transactions Made on Behalf of Others and Transactions Based on Trust	334
<b>SECTION FIVE</b>		
<b>Explanations and Notes to the Consolidated Financial Statements</b>		
I.	Explanations and Notes Related to the Consolidated Assets	335
II.	Explanations and Notes Related to the Consolidated Liabilities	362
III.	Explanations and Notes Related to the Consolidated Off-Balance Sheet Items	372
IV.	Explanations and Notes Related to the Consolidated Income Statement	375
V.	Explanations and Notes Related to the Consolidated Statement of Changes in Shareholders' Equity	380
VI.	Explanations and Notes Related to the Consolidated Cash Flow Statement	380
VII.	Explanation Related to the Risk Group of the Parent Bank	382
VIII.	Explanation On the Parent Bank's Domestic Branches, Agencies/Branches Abroad and Off-Shore Branches	385
IX.	Explanations Related to the Subsequent Events	385
<b>SECTION SIX</b>		
<b>Other Explanations and Notes</b>		
I.	Other Explanations on the Parent Bank's operations	385
<b>SECTION SEVEN</b>		
<b>Independent Auditors' Report</b>		
I.	Explanations on the Independent Auditors' Report	385
II.	Explanations and Notes Prepared by the Independent Auditors	385

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(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 2015 the shareholders' structure and their respective ownerships are summarized as follows:

Shareholders	31 December 2015	%	31 December 2014	%
Prime Ministry Privatization Administration <sup>(1,2)</sup>	638.276	51,06	638.276	51,06
Public shares <sup>(2)</sup>	611.640	48,93	611.279	48,90
Other shareholders <sup>(3)</sup>	84	0,01	445	0,04
<b>Total</b>	<b>1.250.000</b>	<b>100,00</b>	<b>1.250.000</b>	<b>100,00</b>

<sup>(1)</sup> 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 Parent 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> TRY 82 of the shares which are among the "Other Shareholders" group belong to our shareholders whose shares do not trade on the Exchange (though these shareholders have been dematerialized them in their own accounts) while TRY 2 of which belong to our shareholders whose shares are monitored under the DESA in the presence of MKK due to the ongoing legal action.

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 Parent Bank are controlled and represented by the Parent 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 2015

(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<sup>(1)</sup>

Name	Title	Assignment date	Educational background	Experience in banking and business administration
R. Süleyman ÖZDİL	Chairman of the Board of Directors	28.8.2015	Ankara Eco. and Com. Science (ECS) Academy - Economy Finance	27
Süleyman KALKAN	Vice Chairman of the Board of Directors, Head of the Audit Committee	1.4.2013	Ankara University, Faculty of Political Science – International Relations Department.	32
Ali Fuat TAŞKESENLİOĞLU	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.	27
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. U.K. Technology (M.Sc). Bachelor Degree: METU – Faculty of Engineering - Mechanical Engineering.	32
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.	24
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.	23
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	30
Sadık TILTAK	Member of the Board of Directors, Member of the Audit Committee	1.4.2014	Ankara University, Faculty of Political Science-Finance	27
Yunus KARAN	Member of the Board of Directors	1.4.2014	İstanbul Uni. Eco. and Com. Science Academy-FinanceAccounting	47
Faruk ÖZÇELİK	Member of the Board of Auditors	29.3.2013 <sup>(2)</sup>	Master's Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	5
Ali ARSLAN	Member of the Board of Auditors	29.3.2013 <sup>(2)</sup>	Master's Degree: Cleveland State University Business School(MBA) Bachelor Degree: Çukurova University, Faculty of Economic and Administrative Sciences-Business Administration	23
Erol GÖNCÜ	Executive Vice President	12.8.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	26
Selahattin SÜLEYMANOĞLU	Executive Vice President	14.6.2005	METU Faculty of Arts and Sciences-Mathematics Department.	25
Mehmet Akif AYDEMİR	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.	29
Mehmet Hakan ATILLA	Executive Vice President	4.3.2010	Ankara University, Faculty of Political Sciences –Economics.	20
Murat UYSAL	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.	17
Erdal ERDEM	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	20
Salim KÖSE	Executive Vice President	27.3.2014	Bachelor Degree: Afyon Kocatepe Uni. Faculty of Economic and Administrative Sciences-Finance.	25
Ömer Faruk ŞENEL	Executive Vice President	10.07.2014	İstanbul University, Faculty of Law	24
Murat OKTAY	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	22
Mehmet Sebhattin BULUT	Executive Vice President	10.07.2014	METU Faculty of Economic and Administrative Sciences-Economics	21
Hasan ÜNAL	Executive Vice President	10.07.2014	Bursa Uludağ University, Faculty of Economic and Administrative Sciences Econometrics	25
Mustafa AYDIN	Executive Vice President	10.07.2014	İstanbul Technical University, Faculty of Business Administration – Business Engineering	25

<sup>(1)</sup> People mentioned above do not own any shares in the Bank's capital.

<sup>(2)</sup> Assigned date for Audit Committee.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

a) The professionals to the Parent Bank's top management who have assigned to their position in 2015 are listed with titles and dates of assignment.

Name	Title	Assignment Date
R. Süleyman ÖZDİL	Chairman of the Board of Directors	28 August 2015

b) The professionals from the Parent Bank's top management who have left their position in 2015 are listed with titles and dates of leaving.

Name	Title	Assignment Date
Yakup DEMİRCİ	Executive Vice President	28 February 2015
Hasan CEBECİ	Chairman of the Board of Directors	27 August 2015
Taner AKSEL	Executive Vice President	30 September 2015
Mürsel ERTAŞ	Executive Vice President	30 September 2015
İsmail Hakkı İMAMOĞLU	Executive Vice President	30 September 2015
Atalay TARDUŞ	Executive Vice President	30 September 2015
Mustafa SAVAŞ	Executive Vice President	13 November 2015
Doç. Dr. Şahap KAVCIOĞLU	Executive Vice President	13 November 2015

As of July 4 2014, the officers who became associated to take orders from the General Management - Mr. Taner AKSEL, Mr. Mürsel Ertaş, Mr. İsmail Hakkı İmamoğlu, Mr. Atalay Tarduş and Mr. Yakup Demirci - haven't stayed in their active duties inclusive of the time frames that lead to their departure.

#### 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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 2015

(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 2015, the Bank operates with a total of 949 branches consisting of 944 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 36 satellite branches. The Bank has also 2 representative office in England and Iran.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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
- Halkbank A.D. Beograd

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
- Türk P ve I Sigorta AŞ

is accounted by "equity method" in the accompanying consolidated financial statements.

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%. Halk Leasing was established in September 1991 in Turkey and operates under the provisions of the Turkish financial leasing law number 3226.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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 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 39.000 and 97,5% 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.

The Parent Bank obtained the control of Halkbank AD, Beograd by acquiring 76,76% of the shares and voting interests of the company as of 28 May 2015. 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. On the date of 24 November 2015 Bank's share has increased into %82,47 by the increase of capital.

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

Halk Hayat ve Emeklilik AŞ ("Halk Emeklilik") was established in 1998 under the business name of Birlik Hayat Sigorta 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.

Halk Yatırım Menkul Değerler AŞ ("Halk Yatırım"), 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.

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 2015

(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, Halk Faktoring AŞ and Halkbank A.D. Beograd are included in the scope of consolidation by line-by-line method.

Demir-Halkbank NV ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve I Sigorta 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 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### SECTION II: CONSOLIDATED FINANCIAL STATEMENTS

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

# TÜRKİYE HALK BANKASI A.Ş.

## CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

ASSETS	Note	Audited Current period			Audited Prior period		
		31 December 2015			31 December 2014		
		TRY	FC	Total	TRY	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(1)	4.339.419	19.161.120	23.500.539	4.159.392	16.172.544	20.331.936
<b>II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)</b>	(2)	52.405	287.102	339.507	98.142	127.838	225.980
2.1 Trading financial assets		52.405	287.102	339.507	98.142	127.838	225.980
2.1.1 Public sector debt securities		28.526	33.146	61.672	52.984	12.748	65.732
2.1.2 Share certificates		3.318	-	3.318	7.334	-	7.334
2.1.3 Financial assets held for trading		7	253.097	253.104	8.669	114.951	123.620
2.1.4 Other marketable securities		20.554	859	21.413	29.155	139	29.294
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
<b>III. BANKS</b>	(3)	77.100	2.540.551	2.617.651	144.475	1.314.057	1.458.532
<b>IV. MONEY MARKET PLACEMENTS</b>		20.773	33.101	53.874	302.107	-	302.107
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market placements		19.940	-	19.940	295.531	-	295.531
4.3 Receivables from reverse repurchase agreements		833	33.101	33.934	6.576	-	6.576
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	7.478.138	4.057.005	11.535.143	6.522.618	2.673.229	9.195.847
5.1 Share certificates		22.042	94.891	116.933	23.310	3.803	27.113
5.2 Public sector debt securities		7.442.852	3.947.367	11.390.219	6.487.863	2.669.426	9.157.289
5.3 Other marketable securities		13.244	14.747	27.991	11.445	-	11.445
<b>VI. LOANS AND RECEIVABLES</b>	(5)	86.889.420	40.330.131	127.219.551	74.082.436	27.748.717	101.831.153
6.1 Loans and receivables		85.943.567	40.259.165	126.202.732	72.796.798	27.748.717	100.545.515
6.1.1 Loans extended to risk group of the Bank		-	-	-	-	-	-
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		85.943.567	40.259.165	126.202.732	72.796.798	27.748.717	100.545.515
6.2 Loans under follow-up		3.973.738	215.798	4.189.536	3.699.661	19.385	3.719.046
6.3 Specific provisions (-)		3.027.885	144.832	3.172.717	2.414.023	19.385	2.433.408
<b>VII. FACTORING RECEIVABLES</b>		417.013	69.872	486.885	361.345	-	361.345
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	(6)	14.791.048	2.113.829	16.904.877	16.292.845	1.576.237	17.869.082
8.1 Public sector debt securities		14.773.619	2.113.829	16.887.448	16.282.076	1.576.237	17.858.313
8.2 Other marketable securities		17.429	-	17.429	10.769	-	10.769
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	21.994	242.037	264.031	20.863	205.255	226.118
9.1 Accounted under equity method		15.674	242.037	257.711	14.544	205.255	219.799
9.2 Unconsolidated associates		6.320	-	6.320	6.319	-	6.319
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		6.320	-	6.320	6.319	-	6.319
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	38.029	-	38.029	37.859	-	37.859
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		38.029	-	38.029	37.859	-	37.859
<b>XI. JOINT VENTURES (Net)</b>	(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		-	-	-	-	-	-
<b>XII. FINANCE LEASE RECEIVABLES (Net)</b>	(10)	386.640	1.818.112	2.204.752	284.747	1.617.789	1.902.536
12.1 Finance lease receivables		497.208	2.054.352	2.551.560	341.837	1.856.299	2.198.136
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		110.568	236.240	346.808	57.090	238.510	295.600
<b>XIII. DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT</b>	(11)	-	-	-	-	-	-
13.1 Fair value risk hedging		-	-	-	-	-	-
13.2 Cash flow risk hedging		-	-	-	-	-	-
13.3 Net foreign investment risk hedging		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(12)	3.086.621	57.746	3.144.367	1.647.142	36.773	1.683.915
<b>XV. INTANGIBLE ASSETS (Net)</b>	(13)	84.548	17.766	102.314	65.989	16.612	82.601
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		84.548	17.766	102.314	65.989	16.612	82.601
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	(14)	482.284	3.310	485.594	24.529	-	24.529
<b>XVII. TAX ASSET</b>	(15)	48.174	2.746	50.920	309.467	-	309.467
17.1 Current tax asset		-	1.217	1.217	-	-	-
17.2 Deferred tax asset		48.174	1.529	49.703	309.467	-	309.467
<b>XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(16)	2.694	-	2.694	8.776	-	8.776
18.1 Held for sale purpose		2.694	-	2.694	8.776	-	8.776
18.2 Held from discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	(17)	1.816.201	234.561	2.050.762	1.370.246	132.232	1.502.478
<b>TOTAL ASSETS</b>		120.032.501	70.968.989	191.001.490	105.732.978	51.621.283	157.354.261

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

# TÜRKİYE HALK BANKASI A.Ş.

## CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2015

(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 2015			Audited Prior period 31 December 2014		
		TRY	FC	Total	TRY	FC	Total
<b>I. DEPOSITS</b>	(1)	<b>78.808.341</b>	<b>43.696.043</b>	<b>122.504.384</b>	<b>69.388.437</b>	<b>34.265.713</b>	<b>103.654.150</b>
1.1 Deposits Held by the Risk Group of the Bank		5.823	-	5.823	26.936	84	27.020
1.2 Other		78.802.518	43.696.043	122.498.561	69.361.501	34.265.629	103.627.130
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	<b>1.434</b>	<b>174.239</b>	<b>175.673</b>	<b>15</b>	<b>184.714</b>	<b>184.729</b>
<b>III. FUNDS BORROWED</b>	(3)	<b>1.314.519</b>	<b>20.829.218</b>	<b>22.143.737</b>	<b>1.343.590</b>	<b>12.838.184</b>	<b>14.181.774</b>
<b>IV. MONEY MARKET BALANCES</b>	(3)	<b>7.727.458</b>	<b>728.499</b>	<b>8.455.957</b>	<b>8.534.729</b>	<b>231.208</b>	<b>8.765.937</b>
4.1 Interbank money market borrowings		100.030	-	100.030	-	-	-
4.2 Istanbul Stock Exchange Takasbank borrowings		19.965	-	19.965	338.583	-	338.583
4.3 Funds from repurchase agreements		7.607.463	728.499	8.335.962	8.196.146	231.208	8.427.354
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>	(4)	<b>1.500.713</b>	<b>7.339.847</b>	<b>8.840.560</b>	<b>1.441.777</b>	<b>4.649.617</b>	<b>6.091.394</b>
5.1 Treasury bills		1.500.713	-	1.500.713	1,441.777	-	1,441.777
5.2 Asset-backed securities		-	-	-	-	-	-
5.3 Bonds		-	7,339,847	7,339,847	-	4,649,617	4,649,617
<b>VI. FUNDS</b>	(5)	<b>1.963.699</b>	<b>-</b>	<b>1.963.699</b>	<b>1,769,291</b>	<b>-</b>	<b>1,769,291</b>
6.1 Borrower Funds		27.850	-	27.850	19,412	-	19,412
6.2 Other		1,935,849	-	1,935,849	1,749,879	-	1,749,879
<b>VII. SUNDRY CREDITORS</b>		<b>2,196,538</b>	<b>202,206</b>	<b>2,398,744</b>	<b>2,028,200</b>	<b>61,332</b>	<b>2,089,532</b>
<b>VIII. OTHER LIABILITIES</b>	(6)	<b>1,332,951</b>	<b>361,001</b>	<b>1,693,952</b>	<b>1,191,543</b>	<b>246,506</b>	<b>1,438,049</b>
<b>IX. FACTORING PAYABLES</b>		<b>11</b>	<b>213</b>	<b>224</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. FINANCE LEASE PAYABLES</b>	(7)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>	(8)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Fair value risk hedging		-	-	-	-	-	-
11.2 Cash flow risk hedging		-	-	-	-	-	-
11.3 Net foreign investment risk hedging		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(9)	<b>3,079,547</b>	<b>81,930</b>	<b>3,161,477</b>	<b>2,787,238</b>	<b>13,992</b>	<b>2,801,230</b>
12.1 General loan provisions		1,123,838	15,452	1,139,290	1,268,847	8,982	1,277,829
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Employee benefits provisions		682,369	4,785	687,154	613,971	1,529	615,500
12.4 Insurance technical reserves (Net)		932,665	-	932,665	655,718	-	655,718
12.5 Other provisions		340,675	61,693	402,368	248,702	3,481	252,183
<b>XIII. TAX LIABILITY</b>	(10)	<b>447,106</b>	<b>2,159</b>	<b>449,265</b>	<b>557,185</b>	<b>3,582</b>	<b>560,767</b>
13.1 Current tax liability		376,691	7	376,698	554,863	1,430	556,293
13.2 Deferred tax liability		70,415	2,152	72,567	2,322	2,152	4,474
<b>XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(11)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1 Held for sale purpose		-	-	-	-	-	-
14.2 Held from discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED CAPITAL</b>	(12)	<b>-</b>	<b>47,144</b>	<b>47,144</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	(13)	<b>19,092,405</b>	<b>74,269</b>	<b>19,166,674</b>	<b>15,627,097</b>	<b>190,311</b>	<b>15,817,408</b>
16.1 Paid-in capital		1,250,000	-	1,250,000	1,250,000	-	1,250,000
16.2 Capital reserves		2,816,256	(181,021)	2,635,235	1,437,609	20,667	1,458,276
16.2.1 Share Premium		39,488	-	39,488	39,009	-	39,009
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities revaluation fund		(104,104)	(181,027)	(285,131)	174,118	20,667	194,785
16.2.4 Tangible assets revaluation reserves		1,672,931	-	1,672,931	-	-	-
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		3,973	-	3,973	4,031	-	4,031
16.2.8 Hedging Funds (effective portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other capital reserves		1,203,968	6	1,203,974	1,220,451	-	1,220,451
16.3 Profit reserves		12,483,964	113,259	12,597,223	10,446,591	73,615	10,520,206
16.3.1 Legal reserves		1,390,907	3,020	1,393,927	1,250,053	3,020	1,253,073
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		11,045,915	-	11,045,915	9,163,290	-	9,163,290
16.3.4 Other profit reserves		47,142	110,239	157,381	33,248	70,595	103,843
16.4 Profit/Loss		2,366,453	116,337	2,482,790	2,316,182	93,984	2,410,166
16.4.1 Prior years income/loss		70,822	93,984	164,806	67,304	72,464	139,768
16.4.2 Period profit/loss		2,295,631	22,353	2,317,984	2,248,878	21,520	2,270,398
16.5 Minority shares	(14)	175,732	25,694	201,426	176,715	2,045	178,760
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>117,464,722</b>	<b>73,536,768</b>	<b>191,001,490</b>	<b>104,669,102</b>	<b>52,685,159</b>	<b>157,354,261</b>

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 2015

(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			Audited Prior period		
		TRY	31 December 2015		TRY	31 December 2014	
			FC	Total		FC	Total
<b>A. COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>41,171,007</b>	<b>45,929,129</b>	<b>87,100,136</b>	<b>36,641,855</b>	<b>46,036,699</b>	<b>82,678,554</b>
<b>I. GUARANTEES AND SURETYSHIPS</b>	(1)	<b>16,654,679</b>	<b>23,382,547</b>	<b>40,037,224</b>	<b>15,065,347</b>	<b>17,800,594</b>	<b>32,865,941</b>
1.1 Letters of guarantee		15,670,049	15,196,628	30,866,677	14,406,581	10,562,412	24,968,993
1.1.1 Guarantees subject to public procurement law		1,039,153	10,454,344	11,493,497	1,192,549	8,229,799	9,422,348
1.1.2 Guarantees given for foreign trade operations		-	11,057	11,057	-	-	-
1.1.3 Other letters of guarantee		14,630,896	4,731,227	19,362,123	13,214,032	2,332,613	15,546,645
1.2 Bank loans		359,503	2,914,278	3,273,781	121,450	2,946,708	3,068,156
1.2.1 Import acceptances		-	154,337	154,337	-	108,977	108,977
1.2.2 Other bank acceptances		359,503	2,759,941	3,119,444	121,450	2,837,729	2,959,179
1.3 Letters of credit		-	5,016,951	5,016,951	10,996	3,912,606	3,923,602
1.3.1 Documentary letters of credit		-	5,002,398	5,002,398	10,996	3,888,067	3,899,063
1.3.2 Other letters of credit		-	14,553	14,553	-	24,539	24,539
1.4 Guaranteed prefinancings		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to Central Bank of Turkish Republic		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		625,127	254,690	879,817	526,090	378,870	904,960
1.9 Other suretyships		-	-	-	230	-	230
<b>II. COMMITMENTS</b>	(1)	<b>20,845,109</b>	<b>1,196,194</b>	<b>22,041,303</b>	<b>18,932,774</b>	<b>966,589</b>	<b>19,899,363</b>
2.1 Irrevocable commitments		20,845,109	792,417	21,637,526	18,932,774	757,931	19,690,705
2.1.1 Forward asset purchase commitments		-	-	-	-	-	-
2.1.2 Forward deposit purchase and sale commitments		99,229	382,449	481,678	121,105	433,442	554,547
2.1.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
2.1.4 Loan granting commitments		2,227,928	332,624	2,560,552	1,767,028	278,710	2,045,738
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for cheques		5,442,458	-	5,442,458	5,073,145	-	5,073,145
2.1.8 Tax and fund liabilities from export commitments		20,764	-	20,764	17,037	-	17,037
2.1.9 Commitments for credit card expenditure limits		11,157,873	23,128	11,181,001	10,312,329	17,089	10,329,418
2.1.10 Commitments for credit cards and banking services promotions		46,532	-	46,532	41,774	-	41,774
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		1,850,325	56,216	1,906,541	1,600,356	28,690	1,629,046
2.2 Revocable commitments		-	403,777	403,777	-	208,658	208,658
2.2.1 Revocable loan granting commitments		-	366,688	366,688	-	208,658	208,658
2.2.2 Other revocable commitments		-	37,089	37,089	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>3,671,219</b>	<b>21,350,388</b>	<b>25,021,607</b>	<b>2,643,734</b>	<b>27,269,516</b>	<b>29,913,250</b>
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-	-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-	-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-	-	-	-
3.2 Transactions for trading		3,671,219	21,350,388	25,021,607	2,643,734	27,269,516	29,913,250
3.2.1 Forward foreign currency buy/sell transactions		1,671,380	4,857,438	6,528,818	1,617,866	3,779,936	5,397,802
3.2.1.1 Forward foreign currency transactions-buy		801,439	3,344,181	4,145,620	955,488	2,180,906	3,136,394
3.2.1.2 Forward foreign currency transactions-sell		869,941	1,513,257	2,383,198	662,378	1,599,030	2,261,408
3.2.2 Currency and interest rate swaps		1,893,656	14,489,699	16,383,355	894,813	22,499,038	23,393,851
3.2.2.1 Currency swap-buy		278,222	4,124,940	4,403,162	232,970	10,482,142	10,715,112
3.2.2.2 Currency swap-sell		1,615,434	2,784,399	4,399,833	661,843	10,150,610	10,812,453
3.2.2.3 Interest rate swap-buy		-	3,790,180	3,790,180	-	933,143	933,143
3.2.2.4 Interest Rate swap-sell		-	3,790,180	3,790,180	-	933,143	933,143
3.2.3 Currency, interest rate and marketable securities options		106,183	253,075	359,258	131,055	182,383	313,438
3.2.3.1 Currency call options		53,198	126,438	179,636	65,484	91,238	156,720
3.2.3.2 Currency put options		52,985	126,639	179,624	65,571	91,147	156,718
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Marketable securities call options		-	-	-	-	-	-
3.2.3.6 Marketable securities put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-buy		-	-	-	-	-	-
3.2.4.2 Currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	1,750,176	1,750,176	-	808,159	808,159
<b>IV. CUSTODY AND PLEDGED ASSETS (IV+V+VI)</b>		<b>481,309,800</b>	<b>120,750,800</b>	<b>602,060,600</b>	<b>391,435,141</b>	<b>80,671,037</b>	<b>472,106,178</b>
<b>B. CUSTODIES</b>		<b>228,121,330</b>	<b>17,376,606</b>	<b>245,497,936</b>	<b>177,357,087</b>	<b>12,708,106</b>	<b>190,065,193</b>
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		90,596,004	466,338	91,062,342	68,627,317	352,794	68,975,111
4.3 Cheques in collection process		11,132,981	12,393,872	23,526,853	10,264,686	9,561,090	19,825,776
4.4 Commercial notes in collection process		104,256,213	470,162	104,726,375	78,926,097	277,564	79,203,661
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		2,772,653	15,875	2,788,528	10,378	1,826	12,204
4.8 Custodians		19,363,479	4,030,359	23,393,838	19,533,609	2,514,832	22,048,441
<b>V. PLEDGED ASSETS</b>		<b>253,188,470</b>	<b>102,394,145</b>	<b>355,582,615</b>	<b>214,078,054</b>	<b>67,962,931</b>	<b>282,040,985</b>
5.1 Marketable securities		3,350,711	247,451	3,598,162	1,941,278	10,941	1,952,219
5.2 Collateral notes		6,649,787	623,239	7,293,026	8,926,851	699,726	7,626,577
5.3 Commodity		25,813	-	25,813	25,830	-	25,830
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		199,986,465	76,697,617	276,682,082	164,981,593	51,687,039	216,668,632
5.6 Other pledged assets		39,846,268	23,476,950	63,323,218	37,008,298	14,361,636	51,369,934
5.7 Pledges		3,311,426	1,348,888	4,660,314	3,194,204	1,203,589	4,397,793
<b>VI. ACCEPTED BILL GUARANTEES AND SURETIES</b>		<b>-</b>	<b>980,049</b>	<b>980,049</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>522,480,807</b>	<b>166,679,929</b>	<b>689,160,736</b>	<b>428,076,996</b>	<b>126,707,736</b>	<b>554,784,732</b>

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 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

#### III. CONSOLIDATED STATEMENT OF INCOME

	Note	Audited	
		Current period 1 January-31 December 2015	Prior period 1 January-31 December 2014
<b>INCOME AND EXPENSES</b>			
<b>I. INTEREST INCOME</b>	(1)	<b>13.972.712</b>	<b>11.718.970</b>
1.1 Interest on loans		11.317.212	8.800.720
1.2 Interest received from reserve deposits		18.230	412
1.3 Interest received from banks		49.397	30.948
1.4 Interest received from money market placements		2.641	111
1.5 Interest income on marketable securities		2.372.295	2.694.188
1.5.1 Financial assets held for trading		5.621	5.522
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Financial assets available-for-sale		825.219	851.913
1.5.4 Investments held-to-maturity		1.541.455	1.836.753
1.6 Finance lease income		139.735	120.336
1.7 Other interest income		73.202	72.255
<b>II. INTEREST EXPENSE</b>	(2)	<b>8.038.592</b>	<b>6.385.518</b>
2.1 Interest on deposits		6.325.313	5.147.030
2.2 Interest on borrowings		413.094	322.722
2.3 Interest on money market borrowings		738.807	542.820
2.4 Interest on bonds issued		457.351	278.922
2.5 Other interest expense		104.027	94.024
<b>III. NET INTEREST INCOME [ I - II ]</b>		<b>5.934.120</b>	<b>5.333.452</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>1.093.934</b>	<b>949.165</b>
4.1 Fees and commissions income		1.522.184	1.414.162
4.1.1 Non-cash loans		220.807	186.032
4.1.2 Other		1.301.377	1.228.130
4.2 Fees and commissions expenses		428.250	464.997
4.2.1 Non-cash loans		3.169	3.242
4.2.2 Other		425.081	461.755
<b>V. DIVIDEND INCOME</b>	(3)	<b>6.254</b>	<b>23.141</b>
<b>VI. NET TRADING PROFIT (NET)</b>	(4)	<b>(240.759)</b>	<b>77.240</b>
6.1 Profit/loss from capital market operations		32.960	300.329
6.2 Profit/loss from financial derivative transactions		125.581	(1.416.795)
6.3 Foreign exchange gains/losses		(399.300)	1.193.706
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>1.677.504</b>	<b>1.095.182</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>8.471.053</b>	<b>7.478.180</b>
<b>IX. LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)</b>	(6)	<b>1.376.855</b>	<b>1.229.151</b>
<b>X. OTHER OPERATING EXPENSES(-)</b>	(7)	<b>4.206.319</b>	<b>3.413.481</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>2.887.879</b>	<b>2.835.548</b>
<b>XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER</b>		-	-
<b>XIII. PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		<b>10.481</b>	<b>10.343</b>
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)</b>	(8)	<b>2.898.360</b>	<b>2.845.891</b>
<b>XVI. TAX INCOME PROVISION (±)</b>	(9)	<b>(570.050)</b>	<b>(558.588)</b>
16.1 Current tax provision		(182.802)	(955.292)
16.2 Deferred tax provision		(387.248)	396.704
<b>XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)</b>	(10)	<b>2.328.310</b>	<b>2.287.303</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1 Property and equipment income held for sale		-	-
18.2 Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-
18.3 Other income from terminated operations		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Property and equipment expense held for sale		-	-
19.2 Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-
19.3 Other expenses from discontinued operations		-	-
<b>XX. INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>	(8)	-	-
<b>XXI. PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)</b>	(9)	-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>	(10)	-	-
<b>XXIII. NET PROFIT/(LOSS) (XVII+XXII)</b>	(11)	<b>2.328.310</b>	<b>2.287.303</b>
23.1 Group's profit/loss		2.317.984	2.270.398
23.2 Minority shares profit/loss		10.326	16.905
Earnings/losses per share (Full TRY)		1,85439	1,81632

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 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

	Audited Current period	Audited Prior period
	1 January- 31 December 2015	1 January- 31 December 2014
<b>STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		
<b>I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>(916.936)</b>	<b>584.354</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>2.091.164</b>	<b>-</b>
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>	<b>-</b>
<b>IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	<b>39.926</b>	<b>(16.970)</b>
<b>V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)</b>	<b>-</b>	<b>-</b>
<b>VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)</b>	<b>-</b>	<b>-</b>
<b>VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS</b>	<b>(62.034)</b>	<b>(34.657)</b>
<b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>	<b>92.389</b>	<b>(97.645)</b>
<b>X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)</b>	<b>1.244.509</b>	<b>435.082</b>
<b>XI. PROFIT/LOSS</b>	<b>2.328.310</b>	<b>2.287.303</b>
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	31.393	304.259
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	-	-
11.3 Transfer of hedge of net investments in foreign operations to income statement	-	-
11.4 Other	2.296.917	1.983.044
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)</b>	<b>3.572.819</b>	<b>2.722.385</b>

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 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

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

	Note	1 January 2015 = 31 December 2014	Share certificate cancellation	Share cancellation on paid in capital	Share cancellation on paid in capital	Effect of adjustments on paid in capital	Share certificate cancellation	Share cancellation on paid in capital	Share cancellation on paid in capital	Statutory reserve	Extra-ordinary income	Current period net income	Prior period net income	Valuation changes in marketable equity and intangible assets	Revaluation changes in prop. and intangible assets	Bonus shares from share repurchase	Shares from hedging	Value changes in equity held for sale prop./intangible assets	Total equity excluding minority interest	Minority interest	Total equity
I. Balance at end of prior period		1,230,000	32,009	32,009	1,230,000	1,230,000	32,009	32,009	1,230,000	4,833,648	146,403	2,842,498	74,549	(284,649)	(284,649)	2,183	-	-	13,208,048	142,247	13,371,015
II. Corrections according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. The effect of corrections of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. The effects of changes in accounting policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Changes within the period		1,230,000	32,009	32,009	1,230,000	1,230,000	32,009	32,009	1,230,000	4,833,648	146,403	2,842,498	74,549	(284,649)	(284,649)	2,183	-	-	13,208,048	142,247	13,371,015
IV. Increase/decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Value changes in marketable securities		-	-	-	-	-	-	-	-	-	-	-	-	479,454	-	-	-	-	-	479,454	87
VI. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2. 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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,648	-	-	15,648	-	-
X. Foreign currency differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Effect of changes in shareholders equity associates to bank's shareholders equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2. From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share calculation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Adjustments paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Profit or losses		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Profit distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.1. Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2. Transfers to legal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XX. Closing balance		1,230,000	32,009	32,009	1,230,000	1,230,000	32,009	32,009	1,230,000	4,833,648	146,403	2,842,498	74,549	(284,649)	(284,649)	2,183	-	-	13,208,048	142,247	13,371,015
I. January 2015 = 31 December 2015		1,230,000	32,009	32,009	1,230,000	1,230,000	32,009	32,009	1,230,000	4,833,648	146,403	2,842,498	74,549	(284,649)	(284,649)	2,183	-	-	13,208,048	142,247	13,371,015
II. Balance at end of prior period		1,230,000	32,009	32,009	1,230,000	1,230,000	32,009	32,009	1,230,000	4,833,648	146,403	2,842,498	74,549	(284,649)	(284,649)	2,183	-	-	13,208,048	142,247	13,371,015
III. Changes within the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.1. Increase or decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.2. Value changes in marketable securities		-	-	-	-	-	-	-	-	-	-	-	-	479,454	-	-	-	-	479,454	87	-
III.3. Hedging Funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2. 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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,648	-	-	15,648	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes after disposal of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Effect of changes in shareholders equity associates to bank's shareholders equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2. From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of share certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Adjustment paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Net profit or losses		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Profit distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.1. Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2. Transfers to legal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XX. Closing balance		1,230,000	32,009	32,009	1,230,000	1,230,000	32,009	32,009	1,230,000	4,833,648	146,403	2,842,498	74,549	(284,649)	(284,649)	2,183	-	-	13,208,048	142,247	13,371,015

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 2015

(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 2015	31 December 2014
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	<b>670.541</b>	<b>2.206.511</b>
1.1.1 Interest received	13.429.916	11.570.543
1.1.2 Interest paid	(7.729.275)	(6.335.886)
1.1.3 Dividend received	6.254	11.993
1.1.4 Fees and commissions received	1.522.184	1.414.162
1.1.5 Other income	1.446.916	821.288
1.1.6 Collections from previously written off loans	493.998	603.708
1.1.7 Cash payments to personnel and service suppliers	(1.664.087)	(1.355.011)
1.1.8 Taxes paid	(580.287)	(723.349)
1.1.9 Other	(1) (6.255.078)	(3.800.937)
<b>1.2 Assets and Liabilities Subject to Banking Operations</b>	<b>(2.391.044)</b>	<b>(6.008.751)</b>
1.2.1 Net decrease in financial assets held for sale	15.591	(56.473)
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	18.000	(12.000)
1.2.4 Net (increase) decrease in loans	(25.790.309)	(17.215.914)
1.2.5 Net (increase) decrease in other assets	(4.111.117)	788.478
1.2.6 Net increase (decrease) in bank deposits	(2.351.756)	7.084.142
1.2.7 Net increase (decrease) in other deposits	21.031.587	(3.850.890)
1.2.8 Net increase (decrease) in loans borrowed	7.906.157	(898.547)
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	(1) 890.803	8.152.453
<b>I. Net cash provided from banking operations</b>	<b>(1.720.503)</b>	<b>(3.802.240)</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>II. Net cash provided from/ (used in) investing activities</b>	<b>(12.078)</b>	<b>2.666.750</b>
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries	(29.076)	-
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries	-	-
2.3 Fixed assets purchases	(2.320.322)	(475.483)
2.4 Fixed assets sales	2.950.770	(129.524)
2.5 Cash paid for purchase of financial assets available for sale	(2.710.759)	(5.387.343)
2.6 Cash obtained from sale of financial assets available for sale	911.568	7.066.089
2.7 Cash paid for purchase of investment securities	(2.388.371)	(3.826.270)
2.8 Cash obtained from sale of investment securities	3.604.368	5.433.161
2.9 Other	(30.256)	(13.880)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash used in financing activities</b>	<b>2.451.094</b>	<b>1.643.809</b>
3.1 Cash obtained from loans borrowed and securities issued	4.424.647	3.019.801
3.2 Cash used for repayment of loans borrowed and securities issued	(1.750.000)	(1.100.000)
3.3 Bonds issued	-	-
3.4 Dividends paid	(223.553)	(275.992)
3.5 Payments for finance leases	-	-
3.6 Other	-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>(1) 846.458</b>	<b>263.031</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>	<b>1.564.971</b>	<b>771.350</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	<b>(4) 7.290.931</b>	<b>6.519.581</b>
<b>VII. Cash and cash equivalents at end of the period</b>	<b>(5) 8.855.902</b>	<b>7.290.931</b>

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 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

### VII. STATEMENT OF PROFIT DISTRIBUTION TABLE<sup>(1)</sup>

	Audited Current period 31 December 2015 <sup>(1)</sup>	Audited Prior period 31 December 2014
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>		
1.1. Current Period Profit	2.855.643	2.727.255
1.2. Taxes and Legal Duties Payables (-)	540.330	521.487
1.2.1. Corporate Tax (Income Tax)	133.834	905.543
1.2.2. Withholding Tax	-	-
1.2.3. Other Taxes and Duties	406.496	(384.056)
<b>A. Net Profit For The Period (1.1-1.2)</b>	<b>2.315.313</b>	<b>2.205.768</b>
1.3. Accumulated Losses (-)	-	-
1.4. First Legal Reserves (-)	-	91.086
1.5. Other Statutory Reserves (-) <sup>(2)</sup>	-	384.056
<b>B. Net Profit Available for Distribution [(A)-(1.3+1.4+1.5)]</b>	<b>-</b>	<b>1.730.626</b>
1.6. First Dividend to shareholders (-)	-	62.500
1.6.1. To Owners of Ordinary Shares	-	62.500
1.6.2. To Owners of Privileged Shares	-	-
1.6.3. To Owners of Redeemed Shares	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.7. Dividends to personnel (-)	-	115.000 <sup>(3)</sup>
1.8. Dividends to Board of Directors (-)	-	-
1.9. Second Dividend to Shareholders (-)	-	158.077
1.9.1. To Owners of Ordinary Shares	-	158.077
1.9.2. To Owners of Privileged Shares	-	-
1.9.3. To Owners of Redeemed Shares	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-	-
1.10. Second Legal Reserves (-)	-	27.308
1.11. Status Reserves (-)	-	-
1.12. Extraordinary Reserves	-	1.866.797
1.13. Other Reserves	-	-
1.14. Special Funds	-	-
<b>II. Distribution of Reserves</b>		
2.1. Appropriated Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.3. Dividends to Shareholders (-)	-	-
2.3.1. To Owners of Ordinary Shares	-	-
2.3.2. To Owners of Privileged Shares	-	-
2.3.3. To Owners of Redeemed Shares	-	-
2.3.4. To Profit Sharing Bonds	-	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-	-
2.4. Dividends to Personnel (-)	-	-
2.5. Dividends to Board of Directors (-)	-	-
<b>III. Earnings per Share</b>		
3.1. To Owners of Ordinary Shares	1.8523	1.7646
3.2. To Owners of Ordinary Shares (%)	%185,2	%176,5
3.3. To Owners of Privileged Shares	-	-
3.4. To Owners of Privileged Shares (%)	-	-
<b>IV. Dividend per Share</b>		
4.1. To Owners of Ordinary Shares	-	0.1765
4.2. To Owners of Ordinary Shares (%)	-	%17,65
4.3. To Owners of Privileged Shares	-	-
4.4. To Owners of Privileged Shares (%)	-	-

<sup>(1)</sup> As of 31 December 2015 – the ending of current period & the date financial statements have been finalized - General Assembly has not taken place yet..

<sup>(2)</sup> As of 31 December 2014 the amount of deferred tax income is shown in this line.

<sup>(3)</sup> Dividends to personnel which is added to 2014 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 2015

(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.

#### 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 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

The Group started to apply fair value hedge accounting as at 1 July 2015 by designating the exchange rate risk of Halkbank AD, Beograd, Demirhalkbank NV and Halkbank AD, Skopje are foreign investments that are recognized under fair value accounting as hedged item, in compliance with "TAS 39 Financial Instruments: Recognition and Measurement". Accordingly, the effective portion of the foreign exchange differences is recorded under equity statement in the current period.

### 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 Faktoring AŞ, Halk Banka AD, Skopje and Halkbank A.D. Beograd, are included in the scope of consolidation.

A subsidiary is an entity that is controlled by the Parent Bank. Control is the power of the Parent Bank to appoint or remove from office the decision-taking majority of members of board of directors through direct or indirect possession of the majority of a legal person's capital irrespective of the requirement of owning minimum fifty-one per cent of its capital; or by having control over the majority of the voting right as a consequence of holding 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"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve I Sigorta 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.

## TÜRKİYE HALK BANKASI A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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.

Accounting principles used by Demir Halkbank NV and Kobi Girişim Sermayesi AŞ and Türk P ve I Sigorta AS 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 acquire; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- the net recognized 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

The initial recognition of the business combination is accounted for provisionally if the fair values of the identifiable assets, liabilities and contingent liabilities acquired in a business combination can only be recognized, or the cost of a business combination is measured, only using provisional amounts. The provisional business combination accounting shall be completed in the 12 months following the date of acquisition and the adjustments shall be recognized retrospectively.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

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

Any contingent consideration payable is recognized 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.

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquire. 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.

### 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".

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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.

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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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 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 2015 and 31 December 2014.

### **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.

### **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.



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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 incurrence, future expected losses are not recognized.

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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 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 the consequence of the ratio of consumer loans to total loans has been below 25% as of the second quarter, the Bank has begun to allocate 1% and 2% rate of general allowances for all consumer loans except for real estate loans instead of 4% and 8%. 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 cancelled 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 as of the second quarter.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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.

As of 1 April 2015, the Group adopted the revaluation method for buildings in tangible assets in accordance with Turkish Accounting Standard No: 16 "Property, Plant and Equipment" (TAS 16). Expertise values determined by an independent expert companies are reflected to the financial statements. Revaluation differences are recorded in "Tangible assets revaluation reserves" under the shareholders' equity.

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

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

	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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

Investment properties are kind of property which is held by the Group to earn rent.

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

### 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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.

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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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.

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.

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 2015 and 31 December 2014, no technical deficit has been reported.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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 2014 as been paid in April 2015, accrued advance tax as of 31 December 2015 is going to be paid in February 2016.

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

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

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

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

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority on each consolidated entity's non-consolidated financial statements. Deferred tax assets and liabilities are also offset.

### Tax practices in the countries that foreign branches 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 are higher than the corporate tax payable, the difference is deducted from income tax payable.



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### **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.

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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### *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.

### Halk Bank AD Beograd.

The Parent Bank’s acquired subsidiary in 2015 Halk Bank AD, Beograd is subject to tax regulations in the Republic of Serbia.

The annual corporate income tax is payable at the rate of 15% on profit before tax, adjusted for permanent differences that prescribed tax rate adjusted to the effective tax rate.

The Law on Corporate Income Tax in the Republic of Serbia does not allow any tax losses of the current period to be used to recover taxes paid in previous periods. However, any current year losses disclosed in the tax balance up to 2009 may be used to reduce tax base for future periods, but only for a period not longer than ten years. The losses in the tax balance for 2010 and thereafter may be used for reduction of tax base for the following accounting periods, but for maximum 5 years. Such tax losses, up to the amount of assumed future taxable profit that can be offset to tax losses, are recognized in the balance sheet as deferred tax.

## **XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS**

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

Interest rate and liquidity risks are reduced by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitization and borrowing with collateral and bears higher interest than costs of those instruments. Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

## **XXII. EXPLANATIONS ON SHARES 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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 XIII.

### XXVI. EXPLANATION ON OTHER MATTERS

As of 1 April 2015, the bank changed the accounting policy regarding the revaluation of the land and buildings within property, plant and equipment and it stated to adopt the revaluation method in accordance with the TAS 16 "Property, Plant and Equipment". Independent expert appraisal values are presented in the financial statements. The effects of change in accounting policy on balance at the first adoption date is as follows:

	<b>Fixed Property</b>
Valuation focused on cost value	1.141.805
The Effect of change in Accounting Policy	1.503.559
<b>Valuation based on fair value</b>	<b>2.645.364</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

#### I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO

##### Risk Measurements in determining of 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 consolidated basis capital adequacy ratio of the Group is 13,04% as of 31 December 2015 (31 December 2014: 12,73%).

The capital adequacy ratio calculations are made in accordance with the data which legislation of account and record regulation. These data separate in terms of "Banking" and "Purchase and Sale" and subject to calculation credit risk/ market with the scope of regulation. Furthermore, operational risks also be included in the capital adequacy ratio calculation within the framework of the regulations.

"Credit Risk Mitigation Statement" may be utilized within the scope of the factors taken into account in reducing the risk to the banking account of "financial collateral simple method" while the buying and selling accounts for "financial collateral comprehensive method" is used.

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. "Statement on Credit Risk Mitigation Techniques" are weighted according to risk reduction and are subject to the following risks referred to in Annex 1 corresponding to the risk class weight class in accordance with the Regulation concerning the risks that are separated.

According to the Regulation 5, repo transactions pursuant to derivative transactions and commodity lending operations; the "Counterparty Risk" is calculated and the calculation criteria "by Fair Value Valuation Method" is used.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 1. Information on the consolidated capital adequacy ratio:

	Risk Weight																
	The Parent Bank					Consolidated											
	%0	%10	%20	%50	%100	%150	%200	%250	%	%10	%20	%50	%75	%100	%150	%200	%250
<b>Current credit risk weighted</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus credit risk weighted</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Risk</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on sovereigns and Central Banks	43,299,804	-	6,328	4,091,934	-	-	-	-	-	43,540,766	-	6,328	4,091,935	-	-	-	-
Claims on regional governments or local authorities	16,754	-	1,057,679	-	-	-	-	-	-	1,057,679	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	42,762	-	173	-	577,024	-	-	-	42,742	-	173	-	-	577,024	-	-	-
Claims on interbank deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on interbank correspondent banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	539,128	-	2,866,875	772,949	-	286,532	-	-	538,870	-	3,093,619	775,968	-	255,397	-	-	-
Claims on corporates	2,159,404	-	170,864	747,367	-	61,564,403	-	-	1,133,709	-	770,892	747,367	-	64,352,706	-	-	-
Claims included in the regulatory retail portfolios	1,546,741	-	170,864	-	38,356,989	690,594	-	-	1,546,741	-	170,864	-	-	39,135,617	-	-	-
Claims secured by residential property	23,320	-	4,085	32,220,995	-	26,735	-	-	23,520	-	4,085	32,784,126	-	26,735	-	-	-
Other risk categories decided by the Board	13,859	-	-	134,477	-	-	-	-	13,859	-	-	134,477	-	-	-	-	-
Secured by mortgages	-	-	-	-	2,593,313	4,486,746	-	773	-	-	-	-	-	18,477	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,740,173	-	20,097
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	3,455,119	-	567,450	-	423,891	5,129,840	-	-	221,000	3,631,205	-	567,450	-	429,903	3,865,489	-	307,474
<b>Prior Period</b>	<b>%0</b>	<b>%10</b>	<b>%20</b>	<b>%50</b>	<b>%75</b>	<b>%100</b>	<b>%200</b>	<b>%250</b>	<b>%</b>	<b>%10</b>	<b>%20</b>	<b>%50</b>	<b>%75</b>	<b>%100</b>	<b>%150</b>	<b>%200</b>	<b>%250</b>
<b>Surplus credit risk weighted</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Risk</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on sovereigns and Central Banks	40,918,786	-	2,856	3,385,027	-	-	-	-	41,013,434	-	2,856	3,385,027	-	-	-	-	-
Claims on regional governments or local authorities	18,243	-	854,619	-	-	-	-	-	18,243	-	854,619	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	28,273	-	199	-	527,130	-	-	-	28,273	-	199	-	-	527,130	-	-	-
Claims on interbank deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on interbank correspondent banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	7,687,225	-	242,822	48,277,479	-	242,822	-	-	752,016	-	242,822	-	-	50,494,579	-	-	-
Claims included in the regulatory retail portfolios	1,497,528	-	159,191	-	30,426,898	656,661	-	-	1,497,528	-	159,191	-	-	30,931,281	-	-	-
Claims secured by residential property	23,328	-	3,302	22,857,026	-	60,067	-	-	23,328	-	3,302	23,028,822	-	60,067	-	-	-
Other risk categories decided by the Board	-	-	-	123,381	-	1,152,077	-	-	-	-	-	123,381	-	-	-	-	-
Secured by mortgages	-	-	-	-	2,408,862	8,286,167	-	40,563	-	-	-	-	-	12,461,139	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,451,526	-	55,529
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	3,242,822	-	511,492	-	129,312	4,059,446	-	-	326,502	3,274,721	-	511,492	-	142,923	2,252,716	-	579,266

(1) As of 31 December 2015, overdue finance lease receivables amounting to TRY 193,663 is included in the 100% risk weighted of overdue loans above. (31 December 2014: TRY 106,062)

#### 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)	10,530,553	9,094,171	10,819,023	10,819,023	9,253,990	9,253,990
B Capital to be employed for market risk (II)	408,439	257,412	552,682	552,682	265,729	265,729
C Capital to be employed for operational risk (III)	878,258	810,323	963,285	963,285	875,751	875,751
Shareholders' equity	20,428,844	17,301,950	20,099,511	20,099,511	16,539,425	16,539,425
<b>Shareholders' equity / (I+II+III) * 12.5*100</b>	<b>13.83</b>	<b>13.62</b>	<b>13.04</b>	<b>13.04</b>	<b>12.73</b>	<b>12.73</b>
<b>Core Capital/((CRCR+MRCR+OROR)*12.5)*100</b>	<b>13.14</b>	<b>12.92</b>	<b>12.36</b>	<b>12.36</b>	<b>12.04</b>	<b>12.04</b>
<b>Tier I Capital/((CRCR+MRCR+OROR)*12.5)*100</b>	<b>13.17</b>	<b>12.96</b>	<b>12.40</b>	<b>12.40</b>	<b>12.09</b>	<b>12.09</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 3. Information on equity items:

	Current Period	Prior Period
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	2.470.451
Share Premium	39.488	39.009
Share Cancellation Profits	-	-
Legal Reserves	12.600.202	10.520.206
Other Comprehensive Income according to TAS	1.368.344	194.785
Profit	2.482.790	2.410.166
<i>Net Current Period Profit</i>	2.317.984	2.270.398
<i>Prior Period Profit</i>	164.806	139.768
Provisions for Possible Losses	123.500	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit Minority shares	3.973	4.031
Minority shares	143.418	152.123
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>19.232.166</b>	<b>15.790.771</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)	-	-
Leasehold improvements on operational leases (-)	70.995	67.649
Goodwill and intangible assets and related deferred tax liabilities (-)	40.926	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 (-)	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>111.921</b>	<b>84.170</b>
<b>Common Equity Tier 1 capital</b>	<b>19.120.245</b>	<b>15.706.601</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>		
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 1.1.2014)	-	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained before 1.1.2014)	-	-
Additional shares in the capital of third parties	-	-
<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 capital: regulatory adjustments</b>		
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 (-)	-	-

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

	Current Period	Prior Period
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	-	-
<b>Additional Tier 1 capital</b>	-	-
<b>Regulatory adjustments to Common Equity</b>	<b>61.388</b>	<b>66.080</b>
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	61.388	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 (-)	-	-
<b>Tier 1 capital</b>	<b>19.058.857</b>	<b>15.640.521</b>
<b>TIER 2 CAPITAL</b>		
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	1.139.290	1.277.829
<b>Additional shares in the capital of third parties</b>	-	-
<b>Tier 2 capital before regulatory adjustments</b>	<b>1.139.290</b>	<b>1.277.829</b>
<b>Tier 2 capital: regulatory adjustments</b>		
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 (-)	-	-
<b>Total regulatory adjustments to Tier 2 capital</b>	-	-
<b>Tier 2 capital</b>	<b>1.139.290</b>	<b>1.277.829</b>
<b>CAPITAL</b>	<b>20.198.147</b>	<b>16.918.350</b>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10	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 (-)	69.325	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 (-)	29.301	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 (-)	-	-
<b>EQUITY</b>	<b>20.099.511</b>	<b>16.539.425</b>
<b>Amounts below the thresholds for deduction</b>		
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	15.635	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	1.418.085	1.257.801
Remaining mortgage servicing rights	-	-
Net deferred tax assets arising from temporary differences	213.687	349.610

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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	-	-	143.418	201.426
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 01.01.2015)	-	-	-	-

The Group has no debt instruments that will be included in the calculation of equity.

#### 4. Information on assessment process of internal capital adequacy requirements:

The Parent Bank's internal capital requirements assessment process, for the date of 11 July 2014 and No: 29057 Official Newspaper's publication of Banks' Internal Systems and Internal Capital Adequacy Assessment Process is carried out under the regulations of rights.

The ultimate goal of the mentioned process is; to ensure the maintenance of capital adequacy via the bank's growth strategy; the formation of the current and future period anticipated asset-liability structure, future funding sources and liquidity, dividend policy and the economic cycle depending on capital taking into account the fluctuations that may occur in the risk profile of the Parent Bank; and in accordance with the risk appetite, to ensure the maintenance of capital adequacy.

## II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK

Credit risk refers to the risks and damage caused by failure to fulfill the obligations of the other party in the contracts of the Group. Credit limits are assigned according to the customer's financial condition and credit need by the branches, regional credit committee, head of credit department, in charge of general manager of the credit, general manager, credit committee and board of directors and also they can be replaced when necessary situation in terms of the scope of the legislation.

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.



## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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.

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 2015, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 21,37% and 26,70% of its total cash loans.

As of 31 December 2015, receivables of the Group from its top 100 and 200 non-cash loan customers are respectively 50,12 % and 60,73% of its total non-cash loans.

As of 31 December 2015, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 18,27% and 23,47% of its total balance sheet and off-balance sheet assets.

As of 31 December 2015, 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 1.139.290 (31 December 2014: TRY 1.277.829).

Risk Classifications:	Current Period		Prior Period	
	Risk Amount <sup>(1)</sup>	Average Risk Amount	Risk Amount <sup>(1)</sup>	Average Risk Amount
Claims on sovereigns and Central Banks	47.714.758	44.994.513	44.431.404	43.998.647
Claims on regional governments or local authorities	1.074.473	844.635	572.882	214.352
Claims on administrative bodies and other non-commercial undertakings	619.959	555.877	555.602	389.362
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	4.663.854	5.257.788	6.437.151	5.013.469
Claims on corporates	67.003.874	61.631.983	51.489.417	45.879.970
Claims included in the regulatory retail portfolios	41.549.469	39.969.666	33.250.597	29.865.862
Claims secured by residential property	32.818.466	28.248.340	23.121.419	21.861.288
Overdue loans <sup>(1*)</sup>	1.001.856	1.125.496	1.391.520	918.747
Higher risk categories decided by the Board	7.541.693	7.945.993	10.958.476	10.247.589
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	8.694.071	7.724.019	6.711.118	6.040.868

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

<sup>(1\*)</sup> As of 31 December 2015, overdue finance lease receivables amounting to TRY 193.653 is included overdue loans above. (31 December 2014: TRY 106.062)

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Risk profile according to the geographical concentration:

Current Period	Risk Classifications <sup>(*)</sup>										
	Contingent and Non-Contingent Receivables from Central Banks	Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	Contingent and Non-Contingent Receivables from Banks and Intermediaries	Contingent and Non-Contingent Corporate Receivables	Contingent and Non-Contingent Retail Receivables	Contingent and Non-Contingent Receivables Secured by Residential Property	Receivables Performing as high risk	Other Receivables by the Board	Total	
1. Domestic	47714,749	1.074.473	619.959	2.613.515	64.009.318	41.456.405	32.654.414	1.001.702	7.541.693	8.688.952	207.375.180
2. EU Countries <sup>(**)</sup>	-	-	-	601.156	248.554	89.806	162.973	154	-	5.119	1.107.362
3. OECD Countries	-	-	-	1.207.789	2.204	1.738	171	-	-	-	1.211.902
4. Off-shore banking regions	-	-	-	29	-	-	-	-	-	-	29
5. USA, Canada	-	-	-	65.356	678.889	174	129	-	-	-	744.548
6. Other Countries	9	-	-	31.710	857.580	1.346	1.179	-	-	-	891.824
7. Investment and associates, subsidiaries and joint ventures	-	-	-	144.299	1.207.329	-	-	-	-	-	1.351.628
8. Undistributed Assets/Liabilities <sup>(***)</sup>	-	-	-	-	-	-	-	-	-	-	-
<b>9. Total</b>	<b>47.714.758</b>	<b>1.074.473</b>	<b>619.959</b>	<b>4.643.854</b>	<b>67.003.874</b>	<b>41.549.449</b>	<b>32.818.466</b>	<b>1.001.856</b>	<b>7.541.693</b>	<b>8.694.071</b>	<b>212.682.473</b>
	Risk Classifications <sup>(*)</sup>										
	Contingent and Non-Contingent Receivables from Central Banks	Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	Contingent and Non-Contingent Receivables from Banks and Intermediaries	Contingent and Non-Contingent Corporate Receivables	Contingent and Non-Contingent Retail Receivables	Contingent and Non-Contingent Receivables Secured by Residential Property	Receivables Performing as high risk	Other Receivables by the Board	Total	
<b>Prior Period</b>											
1. Domestic	44.363.234	572.882	555.602	5.812.033	50.322.982	33.243.217	23.121.419	1.391.520	10.735.882	6.711.118	176.829.589
2. EU Countries <sup>(**)</sup>	-	-	-	136.731	111.315	-	-	-	-	-	248.046
3. OECD Countries	-	-	-	4.518	690	-	-	-	-	-	5.208
4. Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-
5. USA, Canada	-	-	-	299.801	980.471	980	-	-	-	-	1.281.252
6. Other Countries	68.170	-	-	142.685	74.649	5.710	-	-	222.894	-	514.108
7. Investment and associates, subsidiaries and joint ventures	-	-	-	41.383	-	-	-	-	-	-	41.383
8. Undistributed Assets/Liabilities <sup>(***)</sup>	-	-	-	-	-	-	-	-	-	-	-
<b>9. Total</b>	<b>44.431.404</b>	<b>572.882</b>	<b>555.602</b>	<b>6.437.151</b>	<b>51.689.417</b>	<b>33.250.597</b>	<b>23.121.419</b>	<b>1.391.520</b>	<b>10.958.476</b>	<b>6.711.118</b>	<b>178.919.586</b>

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

<sup>(\*\*)</sup> OECD Countries other than the EU Countries, USA and Canada.

<sup>(\*\*\*)</sup> Assets and liabilities that are not consistently allocated.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Risk Profile according to sectors:

Current Period	Risk Classifications <sup>1)</sup>										FC	Total	
	Contingent and Non-Contingent Receivables from Central Banks	Contingent and Non-Contingent Receivables from Regional Governments or Domestic Government	Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	Contingent and Non-Contingent Receivables from Banks and Intermediaries	Contingent and Non-Contingent Receivables from Corporate	Contingent and Non-Contingent Receivables from Retail	Contingent and Non-Contingent Receivables Secured by Residential Property	Receivables are Non-identified as high risk by Performing the Board	Other Receivables	TRY			
Agricultural	11	34	110	-	183.244	458.044	65.650	13.861	-	120.920	720.893	120.981	841.874
Farming and raising livestock	11	34	42	-	138.553	432.342	60.313	13.710	-	120.850	683.404	82.471	765.875
Forestry	-	-	5	-	1.924	3.015	234	8	-	70	4.866	390	5.256
Fishing	-	-	63	-	42.767	22.667	5.103	143	-	-	32.623	38.120	70.743
Manufacturing	42	104	70.863	-	28.792.868	7.028.230	8.551.061	604.864	-	86.607	20.837.078	24.297.561	45.134.639
Mining	-	-	12.459	-	349.744	118.541	75.698	15.794	-	-	324.689	247.547	572.236
Production	42	104	49.596	-	22.859.313	6.881.495	7.711.504	589.013	-	86.607	19.166.436	19.011.238	38.177.674
Electric, gas and water	-	-	8.808	-	5.583.811	28.194	763.859	57	-	-	1.345.953	5.038.776	6.384.729
Construction	12	15	128	-	6.428.257	1.213.875	1.046.485	96.503	-	148.426	4.789.597	4.144.104	8.933.701
Services	45.587.842	21.296	442.470	4.587.267	21.697.614	18.903.454	9.170.233	257.021	-	309.951	62.334.240	38.642.908	100.977.148
Wholesale and retail trade	20	50	326.643	-	8.800.741	11.990.854	4.959.898	141.152	-	31.381	21.981.960	4.268.779	26.250.739
Hotel, food and beverage services	-	319	1.368	-	2.836.664	505.691	2.064.090	26.054	-	84	1.199.818	4.234.472	5.434.290
Transportation and telecommunication	-	6	28.480	-	4.373.219	5.267.251	467.478	7.277	-	25.304	5.778.201	4.390.814	10.169.015
Financial institutions	45.444.261	2.677	7.926	4.587.267	2.792.349	79.762	269.738	848	-	222.216	31.071.088	22.335.956	53.407.044
Real estate and renting services	114.199	2.214	-	-	1.795.960	236.064	926.827	72.465	-	23.671	617.017	2.554.383	3.171.400
Self-employment services	3	5	16	-	198	628.418	101.426	1.511	-	6.019	734.103	3.493	737.596
Education services	323	5	48.733	-	471.084	82.347	110.380	381	-	1.172	390.848	323.577	714.425
Health and social services	29.036	16.020	29.304	-	627.379	113.067	270.396	7.333	-	104	561.205	531.434	1.092.639
Other	2.126.851	1.053.024	106.388	76.587	9.901.891	13.945.866	13.985.037	29.607	7.541.693	8.028.167	47.580.986	9.214.125	56.795.111
<b>Total</b>	<b>47.714.758</b>	<b>1.074.473</b>	<b>619.959</b>	<b>4.663.854</b>	<b>67.003.874</b>	<b>61.549.469</b>	<b>32.818.466</b>	<b>1.001.056</b>	<b>7.541.693</b>	<b>8.694.071</b>	<b>136.262.794</b>	<b>76.619.679</b>	<b>212.882.473</b>

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Prior Period	Risk Classifications <sup>1)</sup>										TR	FC	Total	
	Contingent and Non-Contingent Receivables from Central Banks	Contingent and Non-Contingent Receivables from Government or Domestic Government	Contingent and Non-Contingent Receivables from Regional Government	Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	Contingent and Non-Contingent Receivables from Banks and Intermediaries	Contingent and Non-Contingent Receivables from Corporate	Contingent and Non-Contingent Receivables from Retail	Contingent and Non-Contingent Receivables Secured by Residential Property	Contingent and Non-Contingent Receivables Secured by Performing high risk by the Board	Receivables are Non-identified as high risk by the Board				
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	617,555	42,695	660,250
Forestry	-	-	-	-	-	-	3,564	898	12	-	75	4,544	5	4,549
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	18,105,478	40,153,376
Mining	-	80	100,634	-	-	359,330	106,248	121,872	69,755	-	-	479,030	278,889	757,919
Production	-	-	-	31,284	-	18,864,582	7,073,188	8,638,849	846,909	-	128,353	20,864,904	14,518,261	35,383,165
Electric, gas and water	-	-	-	-	-	3,751,750	22,102	238,095	345	-	-	703,964	3,308,328	4,012,292
Construction	-	54	9	9	-	5,330,879	905,433	1,679,688	60,999	-	224,407	6,032,294	2,169,175	8,201,469
Services	42,464,943	220,383	215,390	6,437,151	-	19,366,534	21,136,558	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	11,922,503	5,561,549	134,824	-	8,799	21,906,378	3,520,941	25,427,319
Hotel, food and beverage services	-	10	21	-	-	1,187,273	491,135	2,122,338	31,399	-	87	2,672,288	1,159,975	3,832,263
Transportation and telecommunication	-	-	-	31,859	-	2,231,664	5,295,532	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	-	1,199,958	28,468	375,960	354	-	130,888	31,749,925	18,865,473	50,615,398
Real estate and renting services	11,198	213,000	28,971	-	-	6,468,205	2,562,616	2,417,276	99,110	-	160,552	7,803,692	4,257,236	12,160,928
Self-employment services	1,513	-	-	-	-	262	679,573	118,245	1,580	-	5,344	792,471	12,533	805,004
Education services	20,368	2,023	30,714	-	-	266,209	69,307	163,752	1,115	-	2	397,315	153,326	540,641
Health and social services	1,966,461	352,365	208,129	-	-	593,596	127,424	382,613	4,172	-	73	743,785	386,598	1,130,383
Other	-	-	-	208,129	-	3,709,849	3,594,242	361,574	115,190	10,958,476	5,964,470	26,456,520	776,236	27,230,756
<b>Total</b>	<b>44,431,404</b>	<b>572,882</b>	<b>555,602</b>	<b>6,437,151</b>	<b>6,437,151</b>	<b>51,489,417</b>	<b>33,250,597</b>	<b>23,121,419</b>	<b>1,391,520</b>	<b>10,958,476</b>	<b>6,711,118</b>	<b>127,384,883</b>	<b>51,534,703</b>	<b>178,919,586</b>

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Distribution of maturity risk factors according to their outstanding maturities:

Current Period	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	29.040.134	208.857	998.529	163.063	17.304.175
2.Claims on regional governments or local authorities	9.108	1.024	7.734	13.746	1.042.861
3.Claims on administrative bodies and other non-commercial undertakings	139.275	39.343	333.415	29.651	78.275
4.Claims on banks and intermediary institutions	4.403.115	82.004	45.020	13.095	120.620
5.Claims on corporate	9.304.990	4.054.928	7.119.983	12.177.351	46.017.535
6.Claims included in the regulatory retail portfolios	3.902.928	2.081.313	3.923.020	8.587.008	51.744.446
7. Overdue loans <sup>(*)</sup>	858.370	100.934	256	4.217	38.079
8. Other receivables	393.762	76.478	15.447	69.654	8.138.730
<b>Total</b>	<b>48.051.682</b>	<b>6.644.881</b>	<b>12.443.404</b>	<b>21.057.785</b>	<b>124.484.721</b>

<sup>(\*)</sup> As of 31 December 2015, overdue finance lease receivables amounting to TRY 193.653 is included in the overdue loans above.

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

<sup>(\*\*\*)</sup> 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	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 <sup>(**)</sup>	1.391.520	-	-	-	-
8. Other receivables	4.988.481	195.627	485.034	419.300	622.676
<b>Total</b>	<b>34.133.560</b>	<b>15.738.427</b>	<b>13.668.896</b>	<b>22.165.675</b>	<b>89.385.502</b>

<sup>(\*)</sup> Commitments amounting TRY 3.827.526 are not included in the table above.

<sup>(\*\*)</sup> As of 31 December 2014, overdue finance lease receivables amounting to TRY 106.062 is included in the overdue loans above.

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

<sup>(\*\*\*\*)</sup> 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.

#### 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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	---

#### 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	47.071.350	-	5.142.671	18.433.212	51.028.837	83.157.296	2.760.173	4.761.423	327.511	271.945
2. Amount after Credit Risk Mitigation	50.386.042	-	5.670.530	38.513.873	39.592.255	70.670.666	2.760.173	4.761.423	327.511	271.945

#### 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	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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Risk balances according to risk weights:

#### Information according to sectors and counterparties:

Current Period	Loans			
	Non-performing loans <sup>(1)</sup>	Overdue <sup>(2)</sup>	Value Adjustments	Provisions
<b>Sectors / Counterparties</b>				
<b>Agricultural</b>	<b>82.674</b>	<b>29.001</b>	<b>803</b>	<b>69.072</b>
Farming and raising livestock	75.043	26.658	733	61.592
Forestry	482	60	1	474
Fishing	7.149	2.283	69	7.006
<b>Manufacturing</b>	<b>1.968.771</b>	<b>1.012.086</b>	<b>35.221</b>	<b>1.363.198</b>
Mining	132.563	17.825	892	116.770
Production	1.833.302	678.404	24.340	1.244.890
Electric, gas and water	2.906	315.857	9.989	1.538
<b>Construction</b>	<b>354.552</b>	<b>407.911</b>	<b>12.054</b>	<b>255.290</b>
<b>Services</b>	<b>1.054.435</b>	<b>1.183.229</b>	<b>47.963</b>	<b>825.700</b>
Wholesale and retail trade	717.866	868.212	34.304	575.296
Hotel, food and beverage services	112.807	68.391	2.034	87.096
Transportation and telecommunication	46.794	89.761	2.504	36.405
Financial institutions	11.258	2.736	118	10.939
Real estate and renting services	123.143	50.849	5.119	88.494
Self-employment services	21.166	50.761	1.458	14.001
Education services	2.862	3.805	119	2.481
Health and social services	18.539	48.714	2.307	10.988
<b>Other</b>	<b>729.104</b>	<b>711.386</b>	<b>17.171</b>	<b>659.457</b>
<b>Total</b>	<b>4.189.536</b>	<b>3.343.613</b>	<b>113.212</b>	<b>3.172.717</b>

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

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

#### Previous Period

Previous Period	Loans			
	Non-performing loans <sup>(1)</sup>	Overdue <sup>(2)</sup>	Value Adjustments	Provisions
<b>Sectors / Counterparties</b>				
<b>Agricultural</b>	<b>85.785</b>	<b>8.279</b>	<b>560</b>	<b>69.203</b>
Farming and raising livestock	78.103	7.431	522	61.664
Forestry	487	95	2	476
Fishing	7.195	753	36	7.063
<b>Manufacturing</b>	<b>1.814.175</b>	<b>171.501</b>	<b>12.441</b>	<b>910.316</b>
Mining	132.615	4.025	93	62.855
Production	1.680.279	167.340	11.938	846.525
Electric, gas and water	1.281	136	410	936
<b>Construction</b>	<b>251.084</b>	<b>132.172</b>	<b>6.967</b>	<b>186.694</b>
<b>Services</b>	<b>963.206</b>	<b>299.603</b>	<b>12.817</b>	<b>702.894</b>
Wholesale and retail trade	590.476	202.201	7.998	459.559
Hotel, food and beverage services	114.689	19.900	514	97.583
Transportation and telecommunication	39.297	36.768	936	29.821
Financial institutions	7.713	922	20	7.363
Real estate and renting services	187.138	13.396	607	92.797
Self-employment services	5.934	5.422	326	3.334
Education services	3.358	11.911	404	2.245
Health and social services	14.601	9.083	2.012	10.192
<b>Other</b>	<b>604.796</b>	<b>282.522</b>	<b>15.895</b>	<b>564.301</b>
<b>Total</b>	<b>3.719.046</b>	<b>894.077</b>	<b>48.680</b>	<b>2.433.408</b>

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Information about value adjustments and changes in the loan impairment:

	The opening balance	Provision amounts set aside during the period	The cancelation of the provisions	Other adjustments	Close out balance
<b>Current Period</b>					
1. Specific Provisions	2.433.408	864.690	125.334	(47)	3.172.717
2. General Provisions	1.277.829	291.794	430.333	-	1.139.290

	The opening balance	Provision amounts set aside during the period	The cancelation of the provisions	Other adjustments	Close out balance
<b>Prior Period</b>					
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

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	23.500.539	19.331.801
Due from banks	2.617.651	1.458.532
Money Market Receivables	53.874	302.107
Financial Assets at Fair Value through profit or loss	336.189	218.646
Financial Assets Available for Sale	11.418.210	9.168.734
Held to maturity Investments	16.904.877	17.869.082
Loans	127.219.551	101.831.153
Finance Lease Receivables (Net)	2.204.752	1.902.536
Factoring Receivables	486.885	361.345
<b>Total</b>	<b>184.742.528</b>	<b>152.443.936</b>
Contingent Liabilities	40.037.226	32.865.941
Commitments	22.041.303	19.899.363
<b>Total</b>	<b>62.078.529</b>	<b>52.765.304</b>
<b>Total Credit Risk Exposure</b>	<b>246.821.057</b>	<b>205.209.240</b>

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.



## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Corporate and Commercial Loans	Internal/External Valuation Grade	Total	Entrepreneur Firms	Internal/External Valuation Grade	Total
Risk rating group 1	AAA	145.630	<b>High</b>		
Risk rating group 2	AA	5.444.182	Risk rating group 1	1	2.413.697
Risk rating group 3	A	12.093.621	Risk rating group 2	2	2.721.949
Risk rating group 4	BBB	13.832.579	<b>Standard</b>		
Risk rating group 5	BB	19.745.720	Risk rating group 3	3	2.403.499
Risk rating group 6	B	20.837.666	Risk rating group 4	4	3.217.861
Risk rating group 7	CCC	11.184.294	Risk rating group 5	5	5.111.963
Risk rating group 8	CC	1.095.319	<b>Below the standard</b>		
Risk rating group 9	C	17.281.502	Risk rating group 6	6	7.749.367
			Risk rating group 7	7	6.865.732
<b>Total</b>		<b>101.660.513</b>	<b>Total</b>		<b>30.484.068</b>

<sup>(1)</sup> Prepared in accordance with the internal grading results of the Parent Bank

<sup>(2)</sup> Includes the total of cash and non cash loans.

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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Carrying amount per class of financial assets whose terms have been renegotiated:

	Current Period	Prior Period
<b>Loans<sup>(1), (2)</sup></b>		
Corporate Loans	73.375	80.479
SME Loans	12.054	17.989
Consumer Loans	13.824	12.265
Other	-	64
<b>Total</b>	<b>99.253</b>	<b>110.797</b>

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

<sup>(2)</sup>Presents loans accounted under in restructured or rescheduled loan accounts.

The net value and type of collaterals of the loans amounting TRY 3.460.287 followed under loans and other receivables under close monitoring section is below: (31 December 2014 : TRY 1.588.045).

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Real estate mortgage	1.643.306	959.346
Salary pledge, vehicle pledge and pledge of commercial undertaking	115.919	80.652
Financial collaterals (cash, securities pledge, etc.)	566	387
Cheque /bills	61.345	24.246
Suretyship	1.307.826	353.289
Other	331.325	170.125
<b>Total</b>	<b>3.460.287</b>	<b>1.588.045</b>

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

<sup>(2)</sup> Income accruals amounting to TRY 44.463 (31 December 2014: TRY 20.166) are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 4.189.536 followed under non performing loans section is below: (31 December 2014: TRY 3.719.046)

Collateral Types	Net Value of Collateral Current Period <sup>(1)</sup>	Net Value of Collateral Prior Period
Cash	1.291	448
Mortgage	947.098	839.526
Pledge	206.789	181.137
Cheque/bills	43.175	4.955
Surety ship	2.178.702	1.967.625
Other <sup>(2)</sup>	812.481	725.355
<b>Total</b>	<b>4.189.536</b>	<b>3.719.046</b>

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

<sup>(2)</sup> Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### 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.

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	297.857	193.635
(II) Capital requirement to be employed for specific risk	75.855	39.666
(III) Capital requirement to be employed for specific risk in securitization positions- Standard Method	-	-
(IV) Capital requirement to be employed for currency risk	159.123	20.215
(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	542	576
(VIII) Capital requirement to be employed for general market risk.	19.305	11.637
<b>(IX) Total capital requirement to be employed for market risk</b>	<b>-</b>	<b>-</b>
<b>(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)</b>	<b>552.682</b>	<b>265.729</b>
<b>(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)</b>	<b>6.908.525</b>	<b>3.321.613</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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	303.179	353.127	228.555	235.930	252.536	215.272
Share Risk	11.557	47.312	4.790	3.945	7.602	648
Currency Risk	46.166	159.123	17.177	39.161	107.288	20.215
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Options Risk	837	1.926	497	1.056	2.538	350
Counterparty Credit Risk	16.848	20.256	11.646	7.075	11.637	4.566
<b>Amount Subject to Total Risk</b>	<b>378.587</b>	<b>581.744</b>	<b>262.665</b>	<b>287.167</b>	<b>381.601</b>	<b>241.051</b>

#### 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 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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.

	<b>Amount<sup>(1)</sup></b>
Contracts based on Interest rate	4.080.180
Contracts based on currency	8.451.789
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	3.861.905
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	-
The net position of derivatives	151.195

<sup>(1)</sup> Counterparty risk related to the trading accounts is included.

#### 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 12.041.060 for the current period. (31 December 2014: TRY 10.946.889)

	<b>2 PP Value</b>	<b>1 PP Value</b>	<b>CD Value</b>	<b>Total / Total number of years for which gross income is positive</b>	<b>Rate (%)</b>	<b>Total</b>
Gross Income	6.260.887	6.469.646	6.535.163	6.421.899	15	963.285
<b>Amount subject to operational risk (Total*12,5)</b>						<b>12.041.060</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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 2015 and the previous five working days in full TRY are as follows:**

	24.12.2015	25.12.2015	28.12.2015	29.12.2015	30.12.2015	31.12.2015
USD	2,9000000	2,8900000	2,8800000	2,8800000	2,8900000	2,9000000
CHF	2,9308000	2,9229000	2,9093000	2,8996000	2,9144000	2,9033000
GBP	4,3205000	4,3092000	4,2853000	4,2541000	4,2813000	4,2902000
JPY	0,0240592	0,0239823	0,0238953	0,0238854	0,0239385	0,0240572
EURO	3,1720000	3,1628000	3,1605000	3,1451000	3,1530000	3,1551000

**The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 31 December 2015 are as follows:**

	Monthly average
USD	2,8926087
CHF	2,9054043
GBP	4,3286565
JPY	0,0237570
EURO	3,1495304

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Information related to the consolidated currency risk:

Current Period	EURO	USD	OTER FC	TOTAL
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	2.849.880	13.409.708	2.901.532	19.161.120
Banks	2.078.425	288.936	173.190	2.540.551
Financial assets at fair value through profit and loss <sup>(3)</sup>	89.043	166.466	817	256.326
Money market placements	-	-	33.101	33.101
Financial assets available-for-sale	957.133	2.975.675	124.197	4.057.005
Loans <sup>(2)</sup>	17.220.659	23.732.797	910.834	41.864.290
Subsidiaries, associates and entities under common control	242.037	-	-	242.037
Held-to-maturity investments	10.728	1.931.468	171.633	2.113.829
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	57.746	57.746
Intangible assets	-	-	-	-
Other assets <sup>(3)</sup>	1.113.900	965.936	48.478	2.128.314
<b>Total assets</b>	<b>24.561.805</b>	<b>43.470.986</b>	<b>4.421.528</b>	<b>72.454.319</b>
<b>Liabilities</b>				
Bank deposits	2.609.967	3.464.758	1.094.569	7.169.294
Foreign currency deposits	14.828.856	19.738.567	1.959.326	36.526.749
Money market balances	-	728.499	-	728.499
Funds provided from other financial institutions	7.801.692	12.984.388	43.138	20.829.218
Bonds issued	-	7.339.847	-	7.339.847
Sundry creditors	53.741	145.829	2.636	202.206
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities <sup>(3)</sup>	260.937	247.613	131.138	639.688
<b>Total liabilities</b>	<b>25.555.193</b>	<b>44.649.501</b>	<b>3.230.807</b>	<b>73.435.501</b>
<b>Net balance sheet position</b>	<b>(993.388)</b>	<b>(1.178.515)</b>	<b>1.190.721</b>	<b>(981.182)</b>
<b>Net off-balance sheet position</b>				
<b>Financial derivative assets<sup>(4)</sup></b>	<b>2.200.997</b>	<b>4.318.311</b>	<b>1.300.229</b>	<b>7.819.537</b>
<b>Financial derivative liabilities<sup>(4)</sup></b>	<b>978.442</b>	<b>3.117.172</b>	<b>2.237.326</b>	<b>6.332.940</b>
<b>Non-cash loans<sup>(1)</sup></b>	<b>6.417.859</b>	<b>16.013.743</b>	<b>950.945</b>	<b>23.382.547</b>
<b>Prior period</b>				
Total assets	15.608.806	33.502.132	3.503.692	52.614.630
Total liabilities	24.138.532	25.397.415	2.826.586	52.362.533
<b>Net balance sheet position</b>	<b>(8.529.726)</b>	<b>8.104.717</b>	<b>677.106</b>	<b>252.097</b>
<b>Net off-balance sheet position</b>				
<b>Financial derivative assets</b>	<b>9.614.242</b>	<b>2.857.612</b>	<b>682.364</b>	<b>13.154.218</b>
<b>Financial derivative liabilities</b>	<b>724.885</b>	<b>10.738.530</b>	<b>1.219.039</b>	<b>12.682.454</b>
<b>Non-cash loans<sup>(1)</sup></b>	<b>4.426.846</b>	<b>12.734.159</b>	<b>639.589</b>	<b>17.800.594</b>

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

<sup>(2)</sup> Includes TRY 1.534.159 of foreign currency indexed loans and their accruals. (31 December 2014: 1.047.457 TL)

<sup>(3)</sup> In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 30.776 ), foreign currency intangible assets (TRY 17.776), prepaid expenses (TRY 287) in assets; and derivative financial instruments foreign currency expense accruals (TRY 26.998) and shareholders' equity (TRY 74.269) and foreign currency minority shares (TRY 25.649) in liabilities are not taken into consideration in the currency risk measurement.

<sup>(4)</sup> Receivables from derivative financial instruments include precious metal purchase transactions which amount to TRY 15.278 ; and derivative transaction liabilities from financial instruments include precious metal sale transactions which amount to TRY 1.734.898.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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	2.262	22.380
EURO	% 10 increase	22.917	35.963
Other	% 10 increase	25.362	14.043

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.



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	16.755.948	-	-	-	-	6.744.591	23.500.539
Banks and financial institutions	798.714	51.765	-	-	-	1.767.172	2.617.651
Financial assets at fair value through profit and loss	247.364	25.553	33.349	269	5.144	27.828	339.507
Money market placements	33.101	20.773	-	-	-	-	53.874
Financial assets available-for-sale	2.359.097	529.117	1.645.419	2.436.137	4.448.231	117.142	11.535.143
Loans	44.877.032	17.838.272	33.895.040	23.210.103	4.329.749	2.052.536	126.202.732
Held-to-maturity investments	7.732.528	761.017	1.352.000	2.154.709	4.904.623	-	16.904.877
Other assets <sup>(1)(2)</sup>	1.016.183	221.785	593.799	1.488.452	163.986	6.362.962	9.847.167
<b>Total assets</b>	<b>73.819.967</b>	<b>19.448.282</b>	<b>37.519.607</b>	<b>29.289.670</b>	<b>13.851.733</b>	<b>17.072.231</b>	<b>191.001.490</b>
<b>Liabilities</b>							
Bank deposits	8.427.245	2.409.694	525.038	-	-	3.328.873	14.690.850
Other deposits	56.054.414	27.198.528	6.642.534	478.726	22.424	17.416.908	107.813.534
Money market balances	7.823.894	632.063	-	-	-	-	8.455.957
Sundry creditors	986.732	33.100	1.001.111	118.869	-	258.932	2.398.744
Bonds issued	47.656	707.800	858.861	5.781.652	1.444.591	-	8.840.560
Funds provided from other financial institutions <sup>(4)</sup>	1.219.171	4.536.538	11.529.545	4.612.874	245.262	347	22.143.737
Other liabilities <sup>(3)</sup>	2.215.332	189.464	860.918	4.745	-	23.387.649	26.658.108
<b>Total liabilities</b>	<b>76.774.444</b>	<b>35.707.187</b>	<b>21.418.007</b>	<b>10.996.866</b>	<b>1.712.277</b>	<b>44.392.709</b>	<b>191.001.490</b>
Balance sheet long position	-	-	16.101.600	18.292.804	12.139.456	-	46.533.860
Balance sheet short position	(2.954.477)	(16.258.905)	-	-	-	(27.320.478)	(46.533.860)
Off-balance sheet long position	-	764.369	612.369	1.332.390	1.346.914	-	4.056.042
Off-balance sheet short position	-	(619.754)	(627.927)	(1.565.778)	(1.319.421)	-	(4.132.880)
<b>Total position</b>	<b>(2.954.477)</b>	<b>(16.114.290)</b>	<b>16.086.042</b>	<b>18.059.416</b>	<b>12.166.949</b>	<b>(27.320.478)</b>	<b>(76.838)</b>

<sup>(1)</sup> TRY 49.703 of deferred tax assets is disclosed under the non interest bearing column in other assets and TRY 72.567 of deferred tax liability is disclosed under the non interest bearing column in other liabilities.

<sup>(2)</sup> TRY 1.016.819 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
<b>Assets</b>							
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 <sup>(1),(2)</sup>	95.155	221.542	723.584	1.395.715	146.015	4.843.251	7.425.262
<b>Total assets</b>	<b>50.379.044</b>	<b>16.448.453</b>	<b>26.314.737</b>	<b>27.890.845</b>	<b>11.138.949</b>	<b>25.182.233</b>	<b>157.354.261</b>
<b>Liabilities</b>							
Bank deposits	9.289.406	2.277.003	201.468	-	-	5.414.668	17.182.545
Other deposits	43.066.190	18.922.779	7.932.795	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 <sup>(4)</sup>	1.294.679	4.868.097	5.336.585	2.339.739	334.591	8.083	14.181.774
Other liabilities <sup>(3)</sup>	1.925.178	175.644	1.382.168	8.304	-	19.080.180	22.571.474
<b>Total liabilities</b>	<b>64.749.951</b>	<b>27.359.077</b>	<b>16.783.542</b>	<b>5.564.051</b>	<b>2.050.616</b>	<b>40.847.024</b>	<b>157.354.261</b>
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
<b>Total position</b>	<b>(14.254.440)</b>	<b>(9.508.869)</b>	<b>9.594.085</b>	<b>23.179.536</b>	<b>9.088.333</b>	<b>(15.664.791)</b>	<b>2.433.854</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> TRY 1.285.638 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

Current period	EURO	USD	JPY	TRY
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey <sup>(5)</sup>	-	0,22	-	2,07
Due from other banks and financial institutions <sup>(1)</sup>	0,15	0,20	-	11,80
Financial assets at fair value through profit and loss	-	2,03	-	10,44
Money market placements	-	-	-	-
Available-for-sale financial assets	5,26	5,49	-	12,26
Loans <sup>(2)</sup>	4,26	5,13	-	12,47
Held-to-maturity investments	-	5,91	-	15,15
<b>Liabilities</b>				
Bank deposits	0,61	2,28	-	13,27
Other deposits <sup>(4)</sup>	1,49	2,00	0,25	10,92
Money market borrowings	-	1,44	-	8,76
Sundry creditors <sup>(3)</sup>	-	-	-	4,75
Bonds issued	-	4,53	-	10,72
Funds provided from other financial institutions <sup>(4)</sup>	0,86	1,82	-	7,24
<b>Prior Period</b>				
	EURO	USD	YEN	TL
<b>Assets</b>				
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	0,71	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	4,55	4,78	-	11,64
Held-to-maturity investments	-	5,80	-	8,86
<b>Liabilities</b>				
Bank deposits	0,40	0,80	-	9,59
Other deposits	1,87	2,13	0,25	9,03
Money market borrowings	-	0,95	-	9,18
Sundry creditors	-	-	-	3,56
Bonds issued	-	4,47	-	8,84
Funds provided from other financial institutions	0,50	1,57	-	7,33

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

<sup>(2)</sup> Interest rates are calculated using weighted average method for loans given as of balance sheet date.

<sup>(3)</sup> Declared maximum deposits interest rate with a maturity of twelve months as of 31 December 2015.

<sup>(4)</sup> Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 December 2015.

<sup>(5)</sup> Required reserve ratio of the Central Bank of TRNC and Central Bank of Macedonia.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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	(2.222.523)	(%10,88)
	(200)	2.256.145	%11,04
2 EURO	400	288.034	%1,41
	(200)	(313.850)	(%1,54)
3 USD	400	124.102	%0,61
	(200)	(11.649)	(%0,06)
<b>Total (For negative shocks)</b>		<b>(1.810.387)</b>	<b>(%8,86)</b>
<b>Total (For positive shocks)</b>		<b>1.930.646</b>	<b>%9,45</b>

#### Prior 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
<b>Total (For negative shocks)</b>		<b>(1.927.793)</b>	<b>(%11,14)</b>
<b>Total (For positive shocks)</b>		<b>2.086.047</b>	<b>%12,06</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### VII. EXPLANATIONS RELATED TO THE CONSOLIDATED POSITION RISK OF SHARES

##### Information about position risk of shares:

Equities	Balance Sheet Value	Comparison	
		Fair Value Change	Market Value
<b>1. Associates</b>	<b>264.031</b>	<b>208.237</b>	
<i>Quoted in a stock exchange</i>	-	-	
<i>Unquoted in a stock exchange</i>	264.031 <sup>(1)</sup>	208.237	
<b>2. Subsidiaries</b>	<b>38.029</b>	<b>38.029</b>	
<i>Quoted in a stock exchange</i>	-	-	
<i>Unquoted in a stock exchange</i>	38.029	38.029	

<sup>(1)</sup> The amount of TRY 264.031 includes, TRY 6.320 amounted associates accounted under equity method and TRY 257.711 amounted associates which is shown at cost value.

##### 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	-	9.155	9.155	-	-	-
<b>Total</b>	<b>-</b>	<b>9.155</b>	<b>9.155</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Purpose is to have the level of liquidity to meet its obligations and commitments, which are due under the Parent Bank liquidity planning program and aim to reach a reasonable cost with necessary liquidity. The liquidity risk measurement made under this purpose contains days that are left for maturity made on the basis of liquidity gap as well as the analysis of "Liquidity Emergency Plan (LAEP)" – projected ratios that are also followed in the former phrase. Short-term liquidity needs of the Parent Bank are satisfied via BIST Repo Market, Interbank Money Market, Interbank Money Market securities sales, TCMB Repo Market, the Central Bank Interbank, currency swaps, the use of reserve and reserve option coefficients (YP).

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

The extension of the maturity structure of term deposits reflects the primary funding source for the Parent Bank; the development of new products that encourage saving and the protection of core deposit levels have been implemented as a strategic objective. Limits have been determined for exportation of bonds based on Turkish Liras to provide long term resource allocation ; besides deposit , maturity structure extension of passives was established.

To benefit from new borrowing opportunities to meet the needs of the Parent Bank, in this context, is sourced from the price in the international capital markets / costs to be closely monitored and for the circumstances to be parallel to evaluation of alternative sources of funds.

Effective collateral management structure is provided by the reduction of liquidity risk. Our Bank participates in the organized markets (CBT, BIST and TAKASBANK). Debt upper limits are determined under certain criteria and balance sheet size by the relevant authorities. Open are the current limits to use our bank's current and anticipated liquidity needs to deposit additional collateral. Treasury Management Middle Office Operations are managed by the Treasury Department and monitored continuously.

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

To show the ratio of withdrawal of interest-bearing deposits in the bank, deposit section of each foreign currency is analyzed through Deposit Analysis.

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

"Regulations on the Banks' Liquidity Coverage Ratio Calculation" by BDDK, calculated in accordance to "Liquidity Coverage Ratio" and "Liquidity Emergency Action Plan"; the coverage of the former is required for liquidity ratios and daily changes in these rates are monitored, then the information received is shared with the Audit Committee and the Asset-Liability Committee on a regularly basis.

Throughout the current period, bank's Liquidity Satisfactory Rate's lowest and highest values and the weeks which have held these values are portrayed in the table below:

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Liquidity Minimum-Maximum

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Week	(%)	Related Week	(%)
Maximum	October	252.34	October	112.90
Minimum	December	160.20	November	86.87
Current Period	Total Unweighted Value (average) <sup>(1)</sup>		Total Weighted Value (average) <sup>(1)</sup>	
	TRY+FC	FC	TRY+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			36.483.530	22.619.177
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	59.928.266	21.968.753	4.678.946	1.887.215
Stable Deposits	26.277.613	6.193.200	1.313.881	309.660
Less Stable Deposits	33.650.653	15.775.553	3.365.065	1.577.555
Unsecured wholesale funding , of which;	59.588.342	20.871.972	33.700.026	12.882.386
Operational Deposits	-	-	-	-
Non-operational Deposits	53.696.843	18.867.534	29.191.654	11.350.496
Other Unsecured Funding	5.891.499	2.004.438	4.508.372	1.531.890
Secured Funding			-	-
Other cash outflows, of which;	5.272.792	1.585.399	3.952.254	1.465.588
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	3.071.895	1.385.714	3.071.895	1.385.714
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	2.200.897	199.685	880.359	79.874
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	53.179.861	22.395.598	4.724.560	2.171.561
<b>Total Cash Outflows</b>			<b>47.055.786</b>	<b>18.406.750</b>
<b>Cash Inflows</b>				
Secured Lending	16.643	11.311	-	-
Unsecured Lending	11.184.432	4.374.289	6.730.818	3.316.671
Other Cash Inflows	3.129.692	3.005.108	3.129.692	3.005.108
<b>Total Cash Inflows</b>	<b>14.330.767</b>	<b>7.390.708</b>	<b>9.860.510</b>	<b>6.321.779</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>36.483.530</b>	<b>22.619.177</b>
<b>Total Net Cash Outflows</b>			<b>37.195.276</b>	<b>12.084.971</b>
<b>Liquidity Coverage Ratio(%)</b>			<b>98,95</b>	<b>192,75</b>

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Prior Period	Total Unweighted Value (average) <sup>(1)</sup>		Total Weighted Value (average) <sup>(1)</sup>	
	TRY+FC	FC	TRY+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			35.438.631	22.297.031
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	58.596.750	21.806.376	4.428.323	1.797.964
Stable Deposits	28.627.040	7.653.473	1.431.352	382.674
Less Stable Deposits	29.969.710	14.152.903	2.996.971	1.415.290
Unsecured wholesale funding , of which;	52.432.775	20.953.520	30.612.056	12.939.001
Operational Deposits	-	-	-	-
Non-operational Deposits	45.560.236	17.278.871	25.932.338	10.491.694
Other Unsecured Funding	6.872.539	3.674.649	4.679.718	2.447.307
Secured Funding			-	-
Other cash outflows, of which;	7.237.337	847.269	5.849.805	677.241
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	4.924.784	563.889	4.924.784	563.889
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	2.312.553	283.380	925.021	113.352
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	45.597.344	22.622.372	3.963.700	2.190.428
<b>Total Cash Outflows</b>			<b>44.853.884</b>	<b>17.604.634</b>
<b>Cash Inflows</b>				
Secured Lending	18.339	14.625	-	-
Unsecured Lending	12.651.007	5.816.570	8.146.840	4.687.051
Other Cash Inflows	4.980.799	4.884.708	4.980.799	4.884.708
<b>Total Cash Inflows</b>	<b>17.650.145</b>	<b>10.715.903</b>	<b>13.127.639</b>	<b>9.571.759</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>35.438.631</b>	<b>22.297.031</b>
<b>Total Net Cash Outflows</b>			<b>31.726.245</b>	<b>8.032.875</b>
<b>Liquidity Coverage Ratio(%)</b>			<b>112,07</b>	<b>313,23</b>

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



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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
<b>Assets</b>								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	6.442.160	4.722.218	7.400.316	4.763.830	120.582	269	51.164	23.500.539
Banks	1.756.514	839.928	633	-	-	475	20.101	2.617.651
Financial assets at fair value through profit and loss	9.094	18.535	97.350	162.255	48.953	2	3.318	339.507
Money market placements	33.101	20.773	-	-	-	-	-	53.874
Financial assets available-for-sale	-	138.213	326.186	589.280	4.055.050	6.309.482	116.932	11.535.143
Loans <sup>(2)</sup>	1.461.769	7.150.008	9.465.212	39.613.982	54.228.091	14.279.908	3.762	126.202.732
Held-to-maturity investments	-	765.436	765.234	1.618.752	4.143.116	9.612.339	-	16.904.877
Other assets <sup>(3)</sup>	2.122.150	56.424	221.789	594.599	1.492.565	182.439	5.177.201	9.847.167
<b>Total assets</b>	<b>11.824.788</b>	<b>13.711.535</b>	<b>18.276.720</b>	<b>47.342.698</b>	<b>64.088.357</b>	<b>30.384.914</b>	<b>5.372.478</b>	<b>191.001.490</b>
<b>Liabilities</b>								
Bank deposits	3.328.873	8.427.813	2.409.126	525.038	-	-	-	14.690.850
Other deposits	17.599.960	56.005.036	27.097.314	6.591.511	511.874	7.839	-	107.813.534
Funds provided from other financial institutions <sup>(4)</sup>	37	812.985	2.651.138	11.023.415	5.689.030	1.966.879	253	22.143.737
Money market balances	-	7.823.894	632.063	-	-	-	-	8.455.957
Bonds issued	-	47.656	707.800	858.861	5.781.652	1.444.591	-	8.840.560
Sundry creditors	254.480	1.035.717	75.059	317.417	707.465	155	8.451	2.398.744
Other liabilities <sup>(1)</sup>	4.487.674	333.183	330.120	930.213	595.299	603.501	19.378.118	26.658.108
<b>Total liabilities</b>	<b>25.671.024</b>	<b>74.486.284</b>	<b>33.902.620</b>	<b>20.246.455</b>	<b>13.285.320</b>	<b>4.022.965</b>	<b>19.386.822</b>	<b>191.001.490</b>
<b>Liquidity gap</b>	<b>(13.846.236)</b>	<b>(60.774.749)</b>	<b>(15.625.900)</b>	<b>27.096.243</b>	<b>50.803.037</b>	<b>26.361.949</b>	<b>(14.014.344)</b>	<b>-</b>
<b>Previous period</b>								
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
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
<b>Liquidity gap</b>	<b>(17.108.974)</b>	<b>(49.889.529)</b>	<b>(6.776.423)</b>	<b>24.301.318</b>	<b>42.361.211</b>	<b>19.035.759</b>	<b>(11.923.362)</b>	<b>-</b>

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

<sup>(2)</sup> TRY 1.016.819 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

<sup>(3)</sup> Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses, deferred tax assets and receivables from NPL are disclosed in other assets under the undistributed column.

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Deposits	85.549.835	29.814.711	7.292.681	531.220	7.839	(691.902)	122.504.384
Funds provided from other financial intuitions	814.497	2.667.550	11.165.398	5.880.670	2.064.916	(449.294)	22.143.737
Money market borrowings	7.832.684	634.574	-	-	-	(11.301)	8.455.957
Securities issued	53.016	723.544	1.052.216	6.630.355	1.479.029	(1.097.600)	8.840.560
Funds	568.336	127.139	132.675	603.780	634.541	(102.772)	1.963.699
<b>Total</b>	<b>94.818.368</b>	<b>33.967.518</b>	<b>19.642.970</b>	<b>13.646.025</b>	<b>4.186.325</b>	<b>(2.352.869)</b>	<b>163.908.337</b>

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Deposits	74.105.831	21.424.794	8.272.519	427.040	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
<b>Total</b>	<b>84.315.428</b>	<b>24.182.647</b>	<b>14.191.878</b>	<b>9.661.608</b>	<b>4.100.518</b>	<b>(1.989.533)</b>	<b>134.462.546</b>

Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

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

Current Period <sup>(1)</sup>	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	726.221	2.206.989	905.864	532.124	-	4.371.198
Forward Contracts – Sell	727.658	446.265	905.270	529.626	-	2.608.819
Swaps – Buy	3.381.020	491.953	106.570	438.820	-	4.418.363
Swaps – Sell	3.404.572	483.630	121.016	405.893	-	4.415.111
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal – Buy	-	15.278	-	-	-	15.278
Forward Precious Metal – Sell	-	1.734.898	-	-	-	1.734.898
Money Buy Options	86.586	61.398	31.650	-	-	179.634
Money Sell Options	86.790	61.184	31.650	-	-	179.624
Swaps Interest – Buy	-	-	-	-	3.790.180	3.790.180
Swaps Interest – Sell	-	-	-	-	3.790.180	3.790.180
<b>Total</b>	<b>8.412.847</b>	<b>5.501.595</b>	<b>2.102.020</b>	<b>1.906.463</b>	<b>7.580.360</b>	<b>25.503.285</b>

<sup>(1)</sup>TRY 481.678 amount of commitment for the forward sale and purchase of assets have been included in the table.

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Prior Period <sup>(1)</sup>	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	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
<b>Total</b>	<b>15.834.177</b>	<b>7.710.338</b>	<b>2.289.991</b>	<b>2.767.005</b>	<b>1.866.286</b>	<b>30.467.797</b>

<sup>(1)</sup> TRY 554.547 amount of commitment for the forward sale and purchase of assets have been included in the table.

#### 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 Bank reviews to reevaluate the value of the mortgages during the credit period.

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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Standard volatility adjustments are taken into account regarding to portfolios in which comprehensive approach is used.

#### Information about guaranties according to risk classifications:

Risk Classifications	Amount	Financial guaranties	Other/Physical guaranties	Guarantees and credit derivatives
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	47.714.758	6.168.814	-	-
Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	1.074.473	23.480	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	619.959	77.780	-	100
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-	-	-
Contingent and Non-Contingent Receivables from International Organizations	-	-	-	-
Contingent and Non-Contingent Receivables from Banks and Intermediaries	4.663.854	539.128	-	-
Contingent and Non-Contingent Corporate Receivables	67.003.874	2.132.274	-	19.785
Contingent and Non-Contingent Retail Receivables	41.549.469	1.838.116	-	44.647
Contingent and Non-Contingent Receivables Secured by Residential Property	32.818.466	27.615	-	-
Non-Performing Receivables	1.001.856	-	134.477	-
Receivables are identified as high risk by the Board	7.541.693	-	-	-
Secured Marketable Securities	-	-	-	-
Securitization Positions	-	-	-	-
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries	-	-	-	-
Investments as Collective Investment Institutions	-	-	-	-
Other Receivables	8.694.071	-	-	-
<b>Total</b>	<b>212.682.473</b>	<b>10.807.207</b>	<b>134.477</b>	<b>64.532</b>

<sup>(1)</sup>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.

## TÜRKİYE HALK BANKASI A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### XII. EXPLANATIONS ON LEVERAGE RATIO

The article "Regulation Regarding the Measurement and Evaluation of Banks' leverage level" published on November 5, 2013 and containing No: 28812 includes the table for the calculation of the leverage ratio below.

	Current Period <sup>(2)</sup>	Prior Period <sup>(2)</sup>
Summary Comparison Table Related to Total Amount of Asset and Risk Situated in The Consolidated Financial Statements Prepared in Accordance with IAS <sup>(1)</sup>	178.782.596	156.991.330
The difference between Total Amount of Asset in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1)</sup>	102.283	(362.931)
The difference between total amount and total risk amount of derivative financial instruments with credit derivative in the Communiqué on Preparation of Consolidated Financial Statements of Banks	12.750.695	15.209.840
The difference between total amount and total risk amount of risk investment securities or commodity collateral financing transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks	9.619.091	6.695.609
The difference between total amount and total risk amount of off-balance sheet transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks	356.768	182.929
The other differences between amount of assets and risk in the Communiqué on Preparation of Consolidated Financial Statements of Banks	-	-
<b>Total Risk Amount</b>	<b>249.728.209</b>	<b>203.534.254</b>

<sup>(1)</sup> As of reporting date, in the cause of consolidated financial statements is not published yet, the amounts are represented in the table as of 30 June 2015 and 31 December 2014.

<sup>(2)</sup> Three-month average of the amounts in the table.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

	Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
<b>On-Balance Sheet Items</b>		
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	188.320.683	151.872.594
Assets that are deducted from core capital	(170.073)	(144.563)
Total on balance sheet exposures	188.150.610	151.728.031
<b>Derivative exposures and credit derivatives</b>		
Replacement cost associated with derivative financial instruments and credit derivatives	444.606	125.152
The potential amount of credit risk with derivative financial instruments and credit derivatives	166.866	166.866
The total amount of risk on derivative financial instruments and credit derivatives	611.472	292.018
<b>Investment securities or commodity collateral financing transactions</b>		
The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	352.063	-
Risk amount of exchange brokerage operations	-	-
Total risks related with securities or commodity financing transactions	352.063	-
<b>Off -Balance Sheet Items</b>		
Gross notional amount of off-balance sheet items	60.970.833	51.697.133
Adjustments for conversion to credit equivalent amounts	(356.768)	(182.929)
The total risk of off-balance sheet items	60.614.064	51.514.204
<b>Capital and Total Exposures</b>		
Tier 1 Capital	18.669.310	15.514.662
Total Exposures	249.728.209	203.534.254
<b>Leverage Ratio</b>		
Leverage Ratio	7,48	7,63

<sup>(1)</sup> Three-month average of the amounts in the table

### XIII. 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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.
- Acting as an operator in order to provide risk management systems related to technical support and consulting services,
- Providing technical support and consulting services to Bank's subsidiaries,
- Acting as a portfolio storage institute in order to store client's assets related to individual portfolio management of portfolio management companies.
- Acting as a portfolio management agency.

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.



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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 2015 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment <sup>(1)</sup>	Other <sup>(3)</sup>	Total
<b>OPERATING INCOME / EXPENSES</b>						
<b>Interest income</b>	<b>1.252.248</b>	<b>1.566.379</b>	<b>7.834.586</b>	<b>3.093.570</b>	<b>225.929</b>	<b>13.972.712</b>
Interest on loans	1.252.216	1.566.211	7.829.954	668.831	-	11.317.212
Interest income on marketable securities	-	-	-	2.350.827	21.468	2.372.295
Interest received from banks	-	-	-	49.333	64	49.397
Other interest income <sup>(2)</sup>	32	168	4.632	24.579	204.397	233.808
<b>Interest expense</b>	<b>754.908</b>	<b>305.330</b>	<b>4.773.771</b>	<b>2.117.074</b>	<b>87.509</b>	<b>8.038.592</b>
Interest on deposits	743.956	294.970	4.705.333	581.054	-	6.325.313
Interest on borrowings	1.388	9.620	17.423	297.774	86.889	413.094
Interest on money market borrowings	-	-	-	738.807	-	738.807
Interest on marketable bonds issued	-	-	-	457.351	-	457.351
Other interest expense <sup>(2)</sup>	9.564	740	51.015	42.088	620	104.027
<b>Net interest income</b>	<b>497.340</b>	<b>1.261.049</b>	<b>3.060.815</b>	<b>976.496</b>	<b>138.420</b>	<b>5.934.120</b>
Net fees and commissions income	180.974	227.705	624.468	210.111	(149.324)	1.093.934
Net trading profit / (loss)	-	-	-	(260.313)	19.554	(240.759)
Dividend income	-	-	-	6.254	-	6.254
Other income	6.976	51.758	272.851	614.795	741.605	1.687.985
Loans and other receivables' impairment loss	371.039	81.570	386.691	487.797	49.758	1.376.855
Other expenses	19.171	64.802	1.658.274	1.852.837	611.235	4.206.319
<b>Income before taxes</b>	<b>295.080</b>	<b>1.394.140</b>	<b>1.913.169</b>	<b>(793.291)</b>	<b>89.262</b>	<b>2.898.360</b>
Income tax provision	-	-	-	(541.708)	(28.342)	(570.050)
<b>Net profit for the period</b>	<b>295.080</b>	<b>1.394.140</b>	<b>1.913.169</b>	<b>(1.334.999)</b>	<b>60.920</b>	<b>2.328.310</b>
<b>SEGMENT ASSETS</b>						
Marketable securities	-	-	-	28.245.148	281.275	28.526.423
Derivative financial assets held for trading	-	-	-	247.060	6.044	253.104
Banks and money market receivables	-	-	-	2.667.826	3.699	2.671.525
Associates and subsidiaries (net)	-	-	-	302.060	-	302.060
Loans	19.120.030	23.941.048	73.389.277	10.769.196	-	127.219.551
Other assets <sup>(1)</sup>	411	219.166	994.259	27.816.286	2.998.705	32.028.827
<b>TOTAL ASSETS</b>	<b>19.120.441</b>	<b>24.160.214</b>	<b>74.383.536</b>	<b>70.047.576</b>	<b>3.289.723</b>	<b>191.001.490</b>
<b>SEGMENT LIABILITIES</b>						
Deposits	14.534.734	7.832.679	84.745.717	15.391.254	-	122.504.384
Derivative financial liabilities held for trading	-	-	-	150.716	24.957	175.673
Money market balances	-	-	-	8.455.957	-	8.455.957
Borrowing funding loans	2.623	178.763	524.629	20.005.468	1.432.254	22.143.737
Bonds issued	-	-	-	8.840.560	-	8.840.560
Other liabilities	182.692	227.718	3.890.413	1.732.360	70.580	6.103.763
Provisions and tax payable	44.141	35.196	165.682	2.399.525	966.198	3.610.742
Shareholders' equity	-	-	-	18.347.846	818.828	19.166.674
<b>TOTAL LIABILITIES</b>	<b>14.764.190</b>	<b>8.274.356</b>	<b>89.326.441</b>	<b>75.323.686</b>	<b>3.312.817</b>	<b>191.001.490</b>
<b>OFF BALANCE SHEET ITEMS</b>						
Guarantees and surety ships	11.598.690	8.607.657	9.653.785	10.177.094	-	40.037.226
Commitments	42.388	761.495	8.566.394	12.664.419	6.607	22.041.303
Derivative financial instruments	-	-	-	24.388.456	633.151	25.021.607

<sup>(1)</sup> Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Cancanska Bank AD, Cacak, Halk Banka AD, Skopje transactions are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 3.144.367 (net), deferred tax assets amounting TRY 49.703 is presented under the Treasury / Investment column.

<sup>(2)</sup> Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

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.

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment <sup>(1)</sup>	Other <sup>(3)</sup>	Total
<b>OPERATING INCOME / EXPENSES</b>						
<b>Interest income</b>	<b>1.006.215</b>	<b>1.099.435</b>	<b>6.212.934</b>	<b>3.185.047</b>	<b>215.339</b>	<b>11.718.970</b>
Interest on loans	1.006.164	1.099.343	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	-	-	-	27.670	3.278	30.948
Other interest income <sup>(2)</sup>	51	92	4.352	7.550	181.069	193.114
<b>Interest expense</b>	<b>625.823</b>	<b>180.959</b>	<b>4.002.182</b>	<b>1.499.195</b>	<b>77.359</b>	<b>6.385.518</b>
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 <sup>(2)</sup>	32.116	7.003	50.341	4.564	-	94.024
<b>Net interest income</b>	<b>380.392</b>	<b>918.476</b>	<b>2.210.752</b>	<b>1.685.852</b>	<b>137.980</b>	<b>5.333.452</b>
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
<b>Income before taxes</b>	<b>136.189</b>	<b>924.274</b>	<b>1.339.249</b>	<b>324.933</b>	<b>121.247</b>	<b>2.845.891</b>
Income tax provision	-	-	-	(525.563)	(33.025)	(558.588)
<b>Net profit for the period</b>	<b>136.189</b>	<b>924.274</b>	<b>1.339.249</b>	<b>(200.630)</b>	<b>88.222</b>	<b>2.287.303</b>
<b>SEGMENT ASSETS</b>						
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 <sup>(1)</sup>	601	11.029	812.486	22.870.743	2.512.724	26.207.583
<b>TOTAL ASSETS</b>	<b>14.954.174</b>	<b>16.308.849</b>	<b>62.873.416</b>	<b>60.390.896</b>	<b>2.826.926</b>	<b>157.354.261</b>
<b>SEGMENT LIABILITIES</b>						
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
<b>TOTAL LIABILITIES</b>	<b>12.804.088</b>	<b>6.297.753</b>	<b>71.768.533</b>	<b>63.511.718</b>	<b>2.972.169</b>	<b>157.354.261</b>
<b>OFF BALANCE SHEET ITEMS</b>						
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	19,899,363
Derivative financial instruments	-	-	-	29.384.723	528.527	29.913.250

<sup>(1)</sup> 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.

<sup>(2)</sup> Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### XIV. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>183.722.815</b>	<b>152.165.767</b>	<b>172.124.292</b>	<b>143.573.535</b>
Cash and Balances with the Central Bank of Turkey	23.500.539	20.331.936	23.500.539	20.331.936
Financial assets fair value changes reflected to income statement <sup>(3)</sup>	333.295	225.980	333.295	225.980
Banks	2.617.651	1.458.532	2.617.651	1.458.532
Money market placements	53.874	302.107	53.874	302.107
Available for sale financial assets <sup>(1)</sup>	11.418.210	9.168.734	11.418.210	9.168.734
Held to maturity investments	16.904.877	17.869.082	16.520.672	19.079.880
Loans <sup>(2)</sup>	126.202.732	100.545.515	114.988.414	90.742.485
Finance Lease Receivables (Net)	2.204.752	1.902.536	2.204.752	1.902.536
Factoring Receivables	486.885	361.345	486.885	361.345
<b>Financial Liabilities</b>	<b>164.519.055</b>	<b>134.967.516</b>	<b>166.080.713</b>	<b>136.529.174</b>
Deposits	122.504.384	103.654.150	122.606.101	103.755.867
Derivative financial liabilities held for trading	175.673	184.729	175.673	184.729
Funds provided from other financial institutions	22.143.737	14.181.774	23.656.563	15.694.600
Money market borrowings	8.455.957	8.765.937	8.455.957	8.765.937
Securities issued	8.840.560	6.091.394	8.840.758	6.091.592
Miscellaneous payables	2.398.744	2.089.532	2.345.661	2.036.449

<sup>(1)</sup> As of 31 December 2015 TRY 116.993 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 2014: TRY 27.113).

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

<sup>(3)</sup> As of 31 December 2015 marketable securities amounting to TRY 6.212 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

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.

#### 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:

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

Classification requires using observable market data if possible.

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

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit/loss:</b>				
Financial assets held for trading purpose	80.191	253.104	-	333.295
<i>Debt securities</i>	61.672	-	-	61.672
<i>Derivative financial assets held for trading purpose</i>	-	253.104	-	253.104
<i>Bonds</i>	3.318	-	-	3.318
<i>Other Securities<sup>(2)</sup></i>	15.201	-	-	15.201
Available-for-sale financial assets <sup>(1)</sup>	11.418.210	-	-	11.418.210
<i>Debt securities</i>	11.390.219	-	-	11.390.219
<i>Other Securities</i>	27.991	-	-	27.991
Subsidiaries	-	-	38.029	38.029
<b>Total Financial Assets</b>				
<b>Toplam Finansal Varlıklar</b>	<b>11.498.401</b>	<b>253.104</b>	<b>38.029</b>	<b>11.789.534</b>
<b>Financial liabilities at fair value through profit/loss:</b>				
Derivative financial liabilities held for trading purpose	-	175.673	-	175.673
<b>Total Financial Liabilities</b>	<b>-</b>	<b>175.673</b>	<b>-</b>	<b>175.673</b>

<sup>(1)</sup> December 2015, share certificates amounting to TRY 116.933 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

<sup>(2)</sup> As of 31 December 2015, marketable securities amounting to TRY 6.212 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Prior Period	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit/loss:</b>				
<i>Financial assets held for trading purpose</i>	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
<i>Bonds</i>	7.334	-	-	7.334
<i>Other Securities<sup>(2)</sup></i>	25.495	-	-	25.495
Available-for-sale financial assets <sup>(1)</sup>	9.168.734	-	-	9.168.734
<i>Debt securities</i>	9.157.289	-	-	9.157.289
<i>Other Securities</i>	11.445	-	-	11.445
Subsidiaries	-	-	37.859	37.859
<b>Total Financial Assets</b>	<b>9.267.295</b>	<b>123.620</b>	<b>37.859</b>	<b>9.428.774</b>
<b>Financial liabilities at fair value through profit/loss:</b>				
Derivative financial liabilities held for trading purpose	-	184.729	-	184.729
<b>Total Financial Liabilities</b>	<b>-</b>	<b>184.729</b>	<b>-</b>	<b>184.729</b>

<sup>(1)</sup>December 2014, share certificates amounting to TRY 27.113 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

<sup>(2)</sup>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.

#### Movement of financial assets at level three is as follows:

	Current Period	Prior Period
Beginning Balance	37.859	30.604
Purchases during the year	-	-
Bonus shares obtained profit from current year's share	-	13.000
Valuation differences	170	(5.745)
<b>Balance at the end of the period</b>	<b>38.029</b>	<b>37.859</b>

#### XV. 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(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	924.601	334.193	755.299	244.836
Central Bank of Turkey	3.414.818	18.700.084	3.404.093	15.897.276
Other <sup>(1)</sup>	-	126.843	-	30.432
<b>Total</b>	<b>4.339.419</b>	<b>19.161.120</b>	<b>4.159.392</b>	<b>16.172.544</b>

<sup>(1)</sup>As of 31 December 2015, blocked reserve deposits kept in Central Bank of Macedonia amounted TRY 34.937 and amounted TRY 91.892 kept in Central Bank of Serbia (31 December 2014: TRY 30.087).

###### Information on the account of Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount <sup>(1)</sup>	3.377.292	1.774.258	3.389.735	1.360.238
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits <sup>(2)</sup>	37.526	16.925.826	14.358	14.537.038
<b>Total</b>	<b>3.414.818</b>	<b>18.700.084</b>	<b>3.404.093</b>	<b>15.897.276</b>

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

<sup>(2)</sup> 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 2014: between 5% and 11,5% according to their maturities), foreign currency liabilities in USD, EUR and/or standard gold at the rates between 5% and 25% according to their maturities (31 December 2014: 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 to TL and FC reserves.

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 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 press relates dated 22 April 2015, the interest rate for TL raised 50 basis points.

## TÜRKİYE HALK BANKASI A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

With the the change in press release dated 23 January 2015, it has been decided to apply a 20 basis point annual commission, to be charged on daily account balances and collected on a monthly basis, on required reserves and two days notice account denominated in Euro held by banks and these are going to be collected as of 1 February 2015. According to the press release dated 30 June 2015, the balances denominated in Euro in required reserves and notice accounts held with the Central Bank is reduced temporarily to 5 basis points due to the recent developments in the Eurozone.

As of 27 July 2015 commission ratios have been announced on the CBRT website as the zero percent.

With the change in 2 May 2015 made by CBRT, US Dollars denominated required reserves, reserve options and free reserves held at Central Bank of Republic of Turkey will be remunerated. The interest rate will be set on daily basis by taking global and local financial markets conditions into account. Effective interest rate is 0,49 % after 17 December 2015.

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.

Accordingly to Official Gazette of Serbia No. 78/2015, Central Bank of Serbia keep reserved required ratio 5% for short term liabilities which have been less than two years and 0% for long term liabilities, more than two years, 22% for foreign short term currency liabilities, less than two years, and 15% for long term foreign liabilities more than two years.

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

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

In the current year the Group's collateral / blocked amount of 12.598 TL has a fair value which was reflected through profit / loss of its financial assets. (31 December 2014: None).

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

The fair value of the Group which are subject to repurchase agreements in the current period and prior period through profit / loss has no financial assets.

#### c) Positive differences related to the derivative financial assets held-for-trading:

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	131.507	-	69.995
Swap transactions	-	121.519	-	44.193
Futures transactions	-	-	138	-
Options	7	71	8	763
Other	-	-	8.523	-
<b>Total</b>	<b>7</b>	<b>253.097</b>	<b>8.669</b>	<b>114.951</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

##### a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	21.842	531.222	98.565	567.451
Foreign banks	55.258	2.009.329	45.910	746.606
Branches and offices abroad	-	-	-	-
<b>Total</b>	<b>77.100</b>	<b>2.540.551</b>	<b>144.475</b>	<b>1.314.057</b>

##### b) Information on foreign banks:

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1.644.575	480.019	24.786	-
USA and Canada	165.995	79.595	378	-
OECD Countries <sup>(1)</sup>	42.808	148.231	1.245	-
Offshore Banking Regions	-	-	-	-
Other	184.800	84.671	-	-
<b>Total</b>	<b>2.038.178</b>	<b>792.516</b>	<b>26.409</b>	<b>-</b>

<sup>(1)</sup> 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	141.315	709.473	145.325	848.984
<b>Total</b>	<b>141.315</b>	<b>709.473</b>	<b>145.325</b>	<b>848.984</b>



## TÜRKİYE HALK BANKASI A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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	1.269.031	355.458	1.286.912	-
<b>Total</b>	<b>1.269.031</b>	<b>355.458</b>	<b>1.286.912</b>	<b>-</b>

b) Information on financial assets available-for-sale portfolio:

	Current period	Prior period
Debt securities	11.602.861	9.169.408
<i>Quoted on a stock exchange</i>	11.462.094	9.169.408
<i>Not quoted</i>	140.767	-
Share certificates	141.875	45.995
<i>Quoted on a stock exchange</i>	104.185	6.267
<i>Not quoted</i>	37.690	39.728
Impairment provision(-)	209.593	19.556
<b>Total</b>	<b>11.535.143</b>	<b>9.195.847</b>

(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	197.937	-	174.840	-
<b>Total</b>	<b>197.937</b>	<b>-</b>	<b>174.840</b>	<b>-</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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
<b>Cash loans</b>						
Non-specialized loans	98.306.299	1.133.587	-	3.247.975	1.334.984	-
<i>Corporation loans</i>	62.910.456	900.957	-	2.849.035	1.319.344	-
<i>Export loans</i>	3.896.644	85.981	-	28.843	11.850	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	2.271.599	-	-	-	-	-
<i>Consumer loans<sup>(1)</sup></i>	24.823.780	49.876	-	217.125	3.784	-
<i>Credit cards<sup>(2)</sup></i>	3.020.473	95.928	-	68.555	-	-
<i>Other</i>	1.383.347	845	-	84.417	6	-
Specialized lending	22.818.358	96.656	-	212.312	1.881	-
Other receivables	-	-	-	-	-	-
Accruals	1.573.325	15.941	-	44.463	17.323	-
<b>Total</b>	<b>122.697.982</b>	<b>1.246.184</b>	<b>-</b>	<b>3.504.750</b>	<b>1.354.188</b>	<b>-</b>

<sup>(1)</sup> Includes TRY 151.819 of personnel loans.

<sup>(2)</sup> Includes TRY 46.118 of personnel credit cards.

Number of modifications made to extend payment plan	Standard Loans and Other Receivables <sup>(1)</sup>	Loans and Other Receivables Under Close Monitoring <sup>(2)</sup>
	Extended by 1 or 2 times	1.146.565
Extended by 3,4 or 5 times	77.553	4.575
Extended by more than 5 times	6.125	738

<sup>(1)</sup> Accruals amounting to TRY 15.941 are not included in the table above.

<sup>(2)</sup> Accruals amounting to TRY 17.323 are not included in the table above.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Extended period of time	Standard Loans and Other	Loans and Other Receivables
	Receivables <sup>(1)</sup>	Under Close Monitoring <sup>(2)</sup>
0-6 Months	385.959	116.549
6 Months - 12 Months	339.172	185.822
1-2 Years	92.663	142.616
2-5 Years	277.548	458.017
5 Years and over	134.901	433.861

<sup>(1)</sup>Accruals amounting to TRY 15.941 are not included in the table above.

<sup>(2)</sup>Accruals amounting to TRY 17.323 are not included in the table above.

#### c) Loans according to their maturity structure:

Current Period	Standard loans and other	Loans and other receivables under		
	receivables	Agreement	Loans and other	Agreement
	Loans and other	conditions	receivables	conditions
	receivables	modified	receivables	modified
<b>Short term loans and other receivables</b>	<b>26.726.056</b>	<b>376.526</b>	<b>664.528</b>	<b>241.806</b>
Non-specialized loans	26.112.868	358.948	656.032	238.713
Specialized lending	275.005	12.762	55	-
Other receivables	-	-	-	-
Accruals	338.183	4.816	8.441	3.093
<b>Medium and long term loans and other receivables</b>	<b>95.971.926</b>	<b>869.658</b>	<b>2.840.222</b>	<b>1.112.382</b>
Non-specialized loans	72.193.431	774.639	2.591.943	1.096.271
Specialized lending	22.543.353	83.894	212.257	1.881
Other receivables	-	-	-	-
Accruals	1.235.142	11.125	36.022	14.230

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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
<b>Short term loans and other receivables</b>	<b>22.492.658</b>	<b>332.560</b>	<b>273.380</b>	<b>28.324</b>
<i>Non-specialized loans</i>	21.986.196	305.605	269.892	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
<b>Medium and long term loans and other receivables</b>	<b>75.716.206</b>	<b>395.879</b>	<b>871.826</b>	<b>434.682</b>
<i>Non-specialized loans</i>	57.348.523	340.402	684.013	417.150
<i>Specialized lending</i>	17.402.527	50.466	176.905	12.031
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	965.156	5.011	10.908	5.501

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### d) Information on consumer loans, individual credit cards, personnel loans and credit cards:

	Short-term	Medium and long-term	Total
Consumer loans-TRY	297.572	23.639.551	23.937.123
<i>Real estate loans</i>	3.757	12.235.397	12.239.154
<i>Automobile loans</i>	2.369	175.268	177.637
<i>Consumer loans</i>	291.446	11.228.886	11.520.332
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	2.702	475.576	478.278
<i>Real estate loans</i>	302	71.375	71.677
<i>Automobile loans</i>	52	2.189	2.241
<i>Consumer loans</i>	1.380	353.108	354.488
<i>Other</i>	968	48.904	49.872
Individual credit cards-TRY	2.228.104	2.282	2.230.386
<i>Installment</i>	950.767	-	950.767
<i>Non-installment</i>	1.277.337	2.282	1.279.619
Individual credit cards-FC	477	38.024	38.501
<i>Installment</i>	312	38.024	38.336
<i>Non-installment</i>	165	-	165
Personnel loans-TRY	6.929	130.483	137.412
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	6.929	130.483	137.412
<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	112	14.295	14.407
<i>Real estate loans</i>	11	13.102	13.113
<i>Automobile loans</i>	-	61	61
<i>Consumer loans</i>	76	966	1.042
<i>Other</i>	25	166	191
Personnel credit cards-TRY	45.335	5	45.340
<i>Installment</i>	18.484	-	18.484
<i>Non-installment</i>	26.851	5	26.856
Personnel credit cards-FC	108	670	778
<i>Installment</i>	11	670	681
<i>Non-installment</i>	97	-	97
Overdraft accounts-TRY (Retail customer)	447.488	-	447.488
Overdraft accounts-FC (Retail customer)	26.197	-	26.197
<b>Total</b>	<b>3.055.024</b>	<b>24.300.886</b>	<b>27.355.910</b>

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### e) Information on commercial installments loans and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	4.549	1.048.741	1.053.290
<i>Business residential loans</i>	-	668.708	668.708
<i>Automobile loans</i>	4.549	308.096	312.645
<i>Consumer loans</i>	-	71.937	71.937
<i>Other</i>	-	-	-
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	210.414	356.619	567.033
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	210.414	356.619	567.033
Corporate credit cards-TRY	772.911	-	772.911
<i>Installment</i>	382.196	-	382.196
<i>Non-installment</i>	390.715	-	390.715
Corporate credit cards-FC	2	1.110	1.112
<i>Installment</i>	-	1.110	1.110
<i>Non-installment</i>	2	-	2
Overdraft accounts-TRY (Commercial customer)	707.423	-	707.423
Overdraft accounts-FC (Commercial customer)	-	-	-
<b>Total</b>	<b>1.695.299</b>	<b>1.406.470</b>	<b>3.101.769</b>

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

#### f) Loan according to type of borrowers:

	Current period	Prior period
Public	3.705.794	2.642.267
Private	122.496.938	97.903.248
<b>Total</b>	<b>126.202.732</b>	<b>100.545.515</b>

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	123.564.724	99.349.779
Foreign loans	2.638.008	1.195.736
<b>Total</b>	<b>126.202.732</b>	<b>100.545.515</b>

#### h) Loans granted to subsidiaries and associates:

None.

#### i) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	226.175	214.256
Loans and receivables with doubtful collectability	236.470	580.108
Uncollectible loans and receivables	2.710.072	1.639.044
<b>Total</b>	<b>3.172.717</b>	<b>2.433.408</b>

#### 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	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Current period</b>	<b>39.536</b>	<b>137.879</b>	<b>204.800</b>
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	39.536	137.879	204.800
<b>Prior period</b>	<b>45.487</b>	<b>14.610</b>	<b>42.346</b>
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	45.487	14.610	42.346

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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	333.161	1.454.684	1.931.201
Additions (+)	688.887	140.899	134.702
Transfers from other categories of loans under follow-up (+)	-	490.029	1.753.040
Transfers to other categories of loans under follow-up (-)	518.488	1.724.581	-
Collections (-)	137.008	76.002	280.988
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
<b>Current period end balance</b>	<b>366.552</b>	<b>285.029</b>	<b>3.537.955</b>
Specific provision (-)	226.175	236.470	2.710.072
<b>Net balance on balance sheet</b>	<b>140.377</b>	<b>48.559</b>	<b>827.883</b>

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
<b>Current period</b>			
Balance at the end of the period	61.214	85.054	1.552.061
Specific provisions(-)	28.646	73.308	995.276
<b>Net balance in the balance sheet</b>	<b>32.568</b>	<b>11.746</b>	<b>556.785</b>
<b>Prior period</b>			
Balance at the end of the period	17.479	1.240.601	185.683
Specific provisions(-)	11.698	432.404	123.135
<b>Net balance in the balance sheet</b>	<b>5.781</b>	<b>808.197</b>	<b>62.548</b>

Foreign currency non-performing loans amounting to TRY 215.798 and their related provisions amounting to TRY 144.832 of the consolidated foreign subsidiaries are recognized under foreign currency accounts and the foreign currency non-performing loans of the Parent Bank's and its domestic subsidiaries are recognized under Turkish Lira accounts.



## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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
<b>Current period (Net)</b>	<b>140.377</b>	<b>48.559</b>	<b>827.883</b>
Loans to granted real persons and legal entities (Gross)	366.257	284.416	3.484.285
Specific provisions (-)	225.880	235.857	2.656.402
<b>Loans to granted real persons and legal entities (Net)</b>	<b>140.377</b>	<b>48.559</b>	<b>827.883</b>
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	295	613	53.670
Specific provisions (-)	295	613	53.670
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior period (Net)</b>	<b>118.905</b>	<b>874.576</b>	<b>292.157</b>
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
<b>Loans to granted real persons and legal entities (Net)</b>	<b>118.905</b>	<b>874.576</b>	<b>292.157</b>
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	709	1.179	52.500
Specific provisions (-)	709	1.179	52.500
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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.

#### 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
<b>Loans</b>				
Corporate Loans	60.244	6.553	4.388	71.185
SME Loans	185.466	41.183	32.274	258.923
Consumer Loans	27.899	9.775	6.242	43.916
Credit cards	117.687	19.847	11.814	149.348
<b>Total</b>	<b>391.296</b>	<b>77.358</b>	<b>54.718</b>	<b>523.372</b>

<sup>(1)</sup> Relevant total installment and terms contained in credit and installment consumer loans and corporate loans are only given the amount overdue that are loan payments of undue principal amounts of institutional order: Corporate: 274.279 TL, SME: 1.771.260 TL and for individual: 701.126 TL.

Prior Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
<b>Loans</b>				
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
<b>Total</b>	<b>293.229</b>	<b>43.966</b>	<b>39.977</b>	<b>377.172</b>

<sup>(2)</sup> Only the overdue loans those subject to outstanding principal payment amounting to TRY 516.905 are included.

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### (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	17.430	-	10.769	-
Government bonds and similar securities	3.390.012	771.973	3.374.880	416.619
<b>Total</b>	<b>3.407.442</b>	<b>771.973</b>	<b>3.385.649</b>	<b>416.619</b>

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	6.504.701	534.883	6.744.155	248.221
<b>Total</b>	<b>6.504.701</b>	<b>534.883</b>	<b>6.744.155</b>	<b>248.221</b>

#### b) Information on public sector debt investments held-to-maturity:

	Current period	Prior period
Government bonds	16.705.087	17.790.143
Treasury bills	182.361	68.170
Other public sector debt securities	-	-
<b>Total</b>	<b>16.887.448</b>	<b>17.858.313</b>

#### c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	16.904.877	17.869.082
<i>Quoted on a stock exchange</i>	16.733.595	17.186.321
<i>Not quoted</i>	171.282	682.761
Impairment provision (-)	-	-
<b>Total</b>	<b>16.904.877</b>	<b>17.869.082</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### d) Movement of held-to-maturity investments within the year:

	Current period	Prior period
Beginning balance	17.869.082	18.973.598
Foreign currency differences on monetary assets	389.988	94.395
Purchases during the year <sup>(1)</sup>	2.250.175	4.234.250
Disposals through sales and redemptions	(3.604.368)	(5.433.161)
Impairment provision (-) / provision reversal (+)	-	-
<b>Balance at the of the period</b>	<b>16.904.877</b>	<b>17.869.082</b>

<sup>(1)</sup> Interest income accrual difference between 31 December 2015 amounting to TRY 1.684.621 and 31 December 2014 amounting to TRY 1.546.425 has been included in purchases row.

#### 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	9.979.565	1.177.317	11.239.817	1.197.590	10.441.188	553.127	11.704.037	565.483
Obtained with the transfer	-	-	-	-	600.000	-	614.589	-
Reclassified from other securities portfolios	3.151.239	720.407	3.551.231	733.878	3.731.605	928.818	3.974.219	942.584
Other	-	170.983	-	182.361	-	68.041	-	68.170
<b>Total</b>	<b>13.130.804</b>	<b>2.068.707</b>	<b>14.791.048</b>	<b>2.113.829</b>	<b>14.772.793</b>	<b>1.549.986</b>	<b>16.292.845</b>	<b>1.576.237</b>

#### (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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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: <sup>(2)</sup>

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	146.724	100.690	73.874	4.877	-	33.299	17.802	-
2.	68.358	29.660	42.971	985	-	3.869	3.490	-

<sup>(1)</sup> No investment is listed on the stock exchange.

<sup>(2)</sup> The financial data of Kredi Kayıt Bürosu AŞ and Bankalar Arası Kart Merkezi AŞ is obtained from 31 December 2015 audited financial statements.

#### c) Information on consolidated associates:

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	5.987.184	745.560	28.516	142.231	11.788	34.505	33.943	208.237 <sup>(2)</sup>
2.	47.368	46.911	164	2.544	-	698	508	-
3.	10.773	3.789	531	332	-	(539)	-	-

<sup>(1)</sup> The financial data is obtained from 31 December 2015 reviewed financial statements.

<sup>(2)</sup> The financial informations of Demir-Halkbank NV has been obtained from its independent audit report as of 31 December 2015.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### d) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	226.118	227.051
Movements during the period	37.913	(933)
<i>Purchases<sup>(1)</sup></i>	1.245	-
<i>Bonus shares obtained profit from current year's share</i>	-	-
<i>Dividends from current year income</i>	-	10.343
<i>Sales</i>	-	-
<i>Transfers</i>	-	-
<i>Revaluation decrease (-) / increase</i>	36.668	(11.276)
<i>Provision for impairment (-) / reversals (+)</i>	-	-
<b>Balance at the end of the period</b>	<b>264.031</b>	<b>226.118</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(1)</sup> In the current period, the insurance company located in Istanbul called "Türk P & I Insurance's %16,67 shares have been bought out by the bank for 1.245TL

#### e) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	242.037	205.255
Insurance companies	910	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	14.763	14.544

#### f) Associates quoted to a stock exchange:

None.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### (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 Faktoring AŞ	Halbank A.D. Beograd
<b>CORE CAPITAL</b>									
Paid in Capital	82.000	94.000	183.000	743.000	272.250	8.000	109.685	46.500	53.667
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-
Share Premiums	-	-	-	49.945	-	-	11.633	-	44.552
Share cancellation profits	-	-	-	(20.947)	-	-	-	-	-
Reserves	9.517	44.572	30.859	50.023	8.429	412	50.288	1.216	45.055
Other Comprehensive Income according to TAS	(290)	(323)	(9.843)	3	(98)	(22)	370	-	7.278
<b>Profit / Loss</b>	<b>10.293</b>	<b>(19.982)</b>	<b>120.385</b>	<b>57.425</b>	<b>24.478</b>	<b>4.781</b>	<b>37.355</b>	<b>10.214</b>	<b>(3.292)</b>
Net Profit	10.876	(24.978)	109.758	58.360	6.992	4.530	19.196	8.586	(3.292)
Prior Period Profit/Loss	(583)	4.996	10.627	(935)	17.486	251	18.159	1.628	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-	-	-	-	-	-	-	-	-
Minority shares	-	-	-	-	-	-	-	-	-
Leasehold Improvements (-)	-	-	208	-	-	-	3.240	297	-
Intangible Assets (-)	1.153	3.624	1.296	530	743	27	1.870	224	715
<b>Total Core Capital</b>	<b>100.367</b>	<b>114.643</b>	<b>322.897</b>	<b>878.919</b>	<b>304.316</b>	<b>13.144</b>	<b>204.221</b>	<b>57.409</b>	<b>146.545</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12.328</b>	<b>-</b>	<b>3.124</b>
<b>CAPITAL</b>	<b>100.367</b>	<b>114.643</b>	<b>322.897</b>	<b>878.919</b>	<b>304.316</b>	<b>13.144</b>	<b>216.549</b>	<b>57.409</b>	<b>149.669</b>
<b>NET AVAILABLE CAPITAL</b>	<b>100.367</b>	<b>114.643</b>	<b>322.897</b>	<b>878.919</b>	<b>304.316</b>	<b>13.144</b>	<b>216.549</b>	<b>57.409</b>	<b>149.669</b>

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.

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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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 (%)	Bank's risk group share percentage (%)
1. Bileşim Alternatif Dağ. Kan. AŞ	İstanbul	100,00	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 <sup>(2)</sup>
1.	31.955	20.248	3.593	507	1.133	1.467	2.248	38.029

<sup>(1)</sup> The financial data of Bileşim Alternatif Dağ. Kan. is obtained from 31 December 2015 unaudited financial statements.

<sup>(2)</sup> The information is presented from valuation report as 31 December 2015.

#### 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	93,59
3. Halk Hayat ve Emeklilik AŞ	İstanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul	79,03	79,06
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
9. Halk Banka A.D. Beograd	Serbia	82,47	82,47



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value <sup>(2)</sup>
1.	175.857	100.367	1.926	22.851	2.174	10.876	18.122	132.810
2.	827.730	114.643	6.095	48.859	2.994	(24.978)	50.962	346.980(4)
3.	679.709	322.897	2.506	60.043	22.353	109.758	90.304	850.105
4.	974.716	878.919	672.935	1.568	998	58.360	61.347	550.804(3)
5.	2.395.200	304.316	1.081	140.227	-	6.992	5.142	413.336
6.	14.264	13.144	351	1.125	8	4.530	2.328	16.466
7.	1.491.204	216.549	37.177	70.471	6.091	19.196	12.045	210.180
8.	493.914	57.409	1.104	60.554	-	8.586	8.585	61.758
9.	815.866	149.669	16.718	40.419	1.460	(3.292)	-	65.466

<sup>(1)</sup> The information is presented from financial statements subject to consolidation as 31 December 2015.

<sup>(2)</sup> The information is presented from valuation reports as 31 December 2015. Halk Gayrimenkul Yatırım Ortaklığı AŞ has been evaluated by using quoted prices.

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

<sup>(4)</sup> In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

#### f) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period(before elimination)	2.576.816	2.334.263
Movements during the period	109.118	242.553
Purchases <sup>(1)</sup>	28.907	44.296
Bonus shares obtained profit from current year's share	61.035	140.007
Dividends from current year income	-	-
Sales	-	-
Transfer	-	-
Revaluation increase	19.176	58.250
Reversal of provision for impairment (-)	-	-
Share capital elimination of subsidiaries	(2.647.905)	(2.538.957)
<b>Balance at the end of the period</b>	<b>38.029</b>	<b>37.859</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(1)</sup> Purchase includes purchases of 76,76% share of Halkbank AD. Beograd amounting to TRY 28.907. In the current period The Bank paid TRY 30.704 to Halkbank AD. Beograd and increased its shares to 82,47.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### g) Sectoral information on subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	275.646	145.359
Insurance companies	1.197.085	1.171.567
Factoring companies	61.758	58.123
Leasing companies	413.336	409.660
Financing companies	-	-
Other financial subsidiaries	700.080	754.248

#### h) Acquisition of subsidiaries:

##### *Halkbank A.D. Beograd*

On 28 May 2015, the Group obtained the control of Halk Bank AD, Beograd by acquiring 76,76% of the shares and voting interests in the company in cash amounting to TL 28.907. Taking control of Halkbank AD, Beograd. will enable the Group to operate in Republic of Serbia.

Pre-acquisition carrying amounts of Halk Bank AD, Skopje were determined based on the applicable IFRSs at acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values. In accordance with IFRS 3 "Business Combinations", the measurement period shall not exceed one year from the acquisition date and the provisional amounts recognised in the acquisition date should be corrected.

#### i) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock <sup>(1) (2)</sup>	897.784	952.993
Quoted foreign stock exchange	-	-

<sup>(1)</sup> In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

<sup>(2)</sup> Halk Gayrimenkul Yatırım Ortaklığı AŞ has been public offering on 22 February 2013 and its shares are traded on the Istanbul Stock Exchange A.Ş.

#### (9) Information on jointly controlled entities (joint ventures):

None.

## TÜRKİYE HALK BANKASI A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### (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	779.458	640.029	646.374	523.211
Between 1-4 years	1.342.529	1.191.590	1.189.060	1.028.472
More than 4 years	429.573	373.133	362.702	350.853
<b>Total</b>	<b>2.551.560</b>	<b>2.204.752</b>	<b>2.198.136</b>	<b>1.902.536</b>

#### b) Information on gross investments of financial lease:

	Current period	Prior period
Gross financial lease investment	2.551.560	2.198.136
Unearned revenues from financial lease	(346.808)	(295.600)
<b>Total</b>	<b>2.204.752</b>	<b>1.902.536</b>

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

	Current period	Prior period
Financial lease receivables with limited collectability	1.419	5.401
Financial lease receivables with doubtful collectability	118.335	65.237
Uncollectible financial lease receivables	237.783	151.128
Specific provisions	(163.884)	(115.704)
<b>Total</b>	<b>193.653</b>	<b>106.062</b>

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

None.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### (12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Additions	Revaluation Increase	Disposals(-)	Transfers	Balance at the end of the period
<b>Cost:</b>						
Immovables	1.130.977	98.267	2.224.434	256.452	(765.396)	2.431.830
Tangible assets purchased through financial lease	30.787	335	-	3.381	-	27.741
Office machines	374.276	120.831	-	32.035	-	463.072
Fixed assets obtained due to non-performing loans	508.102	1.997.997	-	1.935.495	-	570.604
Lease hold improvements costs	146.739	69.560	-	72.879	-	143.420
Other	283.499	33.332	-	5.614	(1.987)	309.230
<b>Total Cost</b>	<b>2.474.380</b>	<b>2.320.322</b>	<b>2.224.434</b>	<b>2.305.856</b>	<b>(767.383)</b>	<b>3.945.897</b>
<b>Accumulated depreciation(-)</b>						
Immovables	252.941	24.466	160.308	117.948	(125.276)	194.491
Tangible assets purchased through financial lease	29.099	669	-	3.356	-	26.412
Office machines	196.901	72.709	-	12.349	-	257.261
Fixed assets obtained due to non-performing loans	10.676	4.678	-	2.101	-	13.253
Lease hold improvements costs	79.090	28.114	-	34.778	-	72.426
Other	213.512	19.846	-	4.118	-	229.240
<b>Total accumulated depreciation</b>	<b>782.219</b>	<b>150.482</b>	<b>160.308</b>	<b>174.650</b>	<b>(125.276)</b>	<b>793.083</b>
<b>Provision for impairment (-)</b>						
Immovables	1.855	-	-	591	49	1.313
Fixed assets obtained due to non-performing loans	6.391	1.872	-	1.129	-	7.134
<b>Total provision for impairment (-)</b>	<b>8.246</b>	<b>1.872</b>	<b>-</b>	<b>1.720</b>	<b>49</b>	<b>8.447</b>
<b>Net Book Value</b>	<b>1.683.915</b>	<b>2.167.968</b>	<b>2.064.126</b>	<b>2.129.486</b>	<b>(642.156)</b>	<b>3.144.367</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### Fair Value Measurement

The fair value of the lands and buildings which are held for use are determined with equivalence value. And that measurement is classified as Level 2.

Prior Period	Balance at the end of the prior period	Additions	Disposals(-)	Transfers	Balance at the end of the period
<b>Cost:</b>					
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
<b>Total Cost</b>	<b>2.194.422</b>	<b>475.483</b>	<b>187.402</b>	<b>(8.123)</b>	<b>2.474.380</b>
<b>Accumulated depreciation(-)</b>					
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
<b>Total accumulated depreciation</b>	<b>720.820</b>	<b>117.471</b>	<b>53.752</b>	<b>(2.320)</b>	<b>782.219</b>
<b>Provision for impairment (-)</b>					
Immovables	5.616	-	3.796	35	1.855
Fixed assets obtained due to non-performing loans	4.684	2.037	330	-	6.391
<b>Total provision for impairment (-)</b>	<b>10.300</b>	<b>2.037</b>	<b>4.126</b>	<b>35</b>	<b>8.246</b>
<b>Net Book Value</b>	<b>1.463.302</b>	<b>355.975</b>	<b>129.524</b>	<b>(5.838)</b>	<b>1.683.915</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### (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
<b>Cost:</b>					
Other intangible assets	112.581	55.777	10.896	-	157.462
<b>Total Cost</b>	<b>112.581</b>	<b>55.777</b>	<b>10.896</b>	<b>-</b>	<b>157.462</b>
<b>Accumulated Depreciation(-)</b>					
Other intangible assets	29.980	25.521	353	-	55.148
<b>Total Accumulated Depreciation(-)</b>	<b>29.980</b>	<b>25.521</b>	<b>353</b>	<b>-</b>	<b>55.148</b>
<b>Net Book Value</b>	<b>82.601</b>	<b>30.256</b>	<b>10.543</b>	<b>-</b>	<b>102.314</b>

Prior Period	Balance at the end of the prior period	Additions	Disposals	Transfers	Balance at the end of the period
<b>Cost:</b>					
Other intangible assets	86.107	21.069	2.484	-	112.581
<b>Total Cost</b>	<b>86.107</b>	<b>21.069</b>	<b>2.484</b>	<b>-</b>	<b>112.581</b>
<b>Accumulated Depreciation(-)</b>					
Other intangible assets	19.068	7.567	14	-	29.980
<b>Total Accumulated Depreciation(-)</b>	<b>19.068</b>	<b>7.567</b>	<b>14</b>	<b>-</b>	<b>29.980</b>
<b>Net Book Value</b>	<b>67.039</b>	<b>13.502</b>	<b>2.470</b>	<b>-</b>	<b>82.601</b>

## TÜRKİYE HALK BANKASI A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### (14) Information on investment property:

	Current Period	Prior Period
<b>Cost</b>		
<b>Opening Balance</b>	<b>24.686</b>	<b>36.344</b>
Acquisitions	2.289	-
Transfer	523.471	(11.658)
Disposals	-	-
Impairment Charge/Cancellation(-)	353	-
<b>Ending Balance</b>	<b>550.093</b>	<b>24.686</b>
<b>Accumulated Depreciation</b>		
<b>Opening Balance</b>		
Amortization Charge (-)	157	157
Disposals	721	-
Transfer	96	-
Impairment Charge/Cancellation (-)	63.525	-
<b>Ending Balance</b>	<b>64.499</b>	<b>157</b>
<b>Net Book Value</b>	<b>485.594</b>	<b>24.529</b>

<sup>(1)</sup> As of December 2015 The Bank's former headquarters building in Ankara that had been evacuated depending upon the personnel moving to Istanbul; has been leased and classified as investment .

### (15) Information on tax assets:

#### a) Current tax assets:

As of 31 December 2015, the Group's current tax asset is TRY 1.217 (31 December 2014: None).

#### b) Deferred tax assets:

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### (16) Information on tax assets:

	Current period	Prior period
Cost	4.460	11.072
Accumulated Depreciation (-) <sup>(1)</sup>	(1.766)	(2.296)
<b>Net Book Value</b>	<b>2.694</b>	<b>8.776</b>
<b>Opening Balance</b>	<b>8.776</b>	<b>6.971</b>
Acquisitions (Transfers) (Net)	167	8.639
Disposals (Net)	(8.485)	(5.741)
Impairment Charge/Cancellation(-)	49	10
Amortization Charge(-) <sup>(1)</sup>	2.187	(1.103)
<b>Net Book Value</b>	<b>2.694</b>	<b>8.776</b>

<sup>(1)</sup> 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 2.050.762 and does not exceed 10% of the balance sheet total (31 December 2014: TRY 1.502.478).



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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	4.293.350	-	474.007	28.297.921	1.096.767	366.364	581.833	103.000	35.213.242
Foreign currency deposits	6.205.436	34.348	3.395.518	18.689.673	2.669.844	1.172.686	3.463.561	10.680	35.641.746
Residents in Turkey	4.614.977	-	3.248.873	18.013.646	2.459.778	709.667	2.100.420	10.508	31.157.869
Residents abroad	1.590.459	34.348	146.645	676.027	210.066	463.019	1.363.141	172	4.483.877
Public sector deposits	2.446.626	-	3.016.281	2.937.312	272.240	1.773.372	90.299	-	10.536.130
Commercial inst. deposits	3.212.174	-	3.081.974	15.644.561	816.279	33.215	28.447	-	22.816.650
Other inst. deposits	557.371	-	644.038	1.468.290	8.244	38.413	4.407	-	2.720.763
Precious metals	885.003	-	-	-	-	-	-	-	885.003
Interbank deposits	3.328.873	-	5.527.445	4.567.731	333.396	-	933.405	-	14.690.850
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	12.428	-	5.296.445	2.767.451	288.091	-	-	-	8.364.415
Foreign banks	2.366.254	-	231.000	1.800.280	45.305	-	933.405	-	5.376.244
Participation banks	950.191	-	-	-	-	-	-	-	950.191
<b>Total</b>	<b>20.928.833</b>	<b>34.348</b>	<b>16.139.263</b>	<b>71.605.488</b>	<b>5.196.770</b>	<b>3.384.050</b>	<b>5.101.952</b>	<b>113.680</b>	<b>122.504.384</b>

###### 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	3.931.504	-	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	11.191	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
<b>Total</b>	<b>21.638.400</b>	<b>-</b>	<b>12.825.223</b>	<b>54.079.359</b>	<b>6.414.101</b>	<b>4.681.157</b>	<b>3.898.100</b>	<b>117.810</b>	<b>103.654.150</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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	20.718.253	19.038.326	14.405.969	11.249.274
Foreign currency saving deposits	6.632.903	6.234.492	11.027.597	8.181.125
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	129.662	92.647		
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	177.772	120.160
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	9.720	5.406
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	-	-

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### (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	-	84.160	-	48.231
Swap transactions	1.416	89.725	-	135.720
Future transactions	-	-	-	-
Options	18	354	15	763
Other	-	-	-	-
<b>Total</b>	<b>1.434</b>	<b>174.239</b>	<b>15</b>	<b>184.714</b>

#### (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	757.763	1.123.810	703.890	314.058
Foreign banks, institutions and funds	556.756	19.705.408	639.700	12.524.126
<b>Total</b>	<b>1.314.519</b>	<b>20.829.218</b>	<b>1.343.590</b>	<b>12.838.184</b>

#### b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	851.253	7.965.899	685.036	7.186.701
Medium and long-term	463.266	12.863.319	658.554	5.651.483
<b>Total</b>	<b>1.314.519</b>	<b>20.829.218</b>	<b>1.343.590</b>	<b>12.838.184</b>

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

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

Main liability of the Group is deposit, which is composed of 29 % of saving deposits and 29 % 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 49% of banks deposits and 34% of other deposits consist of foreign currency deposits.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Information on funds provided from repurchase agreement transactions:

	Current period		Prior period	
	TRY	FC	TRY	FC
<b>From domestic transactions</b>	<b>7.499.973</b>	<b>-</b>	<b>8.190.406</b>	<b>-</b>
Financial inst. and organizations	7.434.203	-	8.111.292	-
Other institutions and organizations	29.509	-	39.752	-
Real persons	36.261	-	39.362	-
<b>From overseas transactions</b>	<b>100.299</b>	<b>726.001</b>	<b>305</b>	<b>231.074</b>
Financial inst. and organizations	-	726.001	-	231.074
Other institutions and organizations	100.069	-	-	-
Real persons	230	-	305	-
Accruals	7.191	2.498	5.435	134
<b>Total</b>	<b>7.607.463</b>	<b>728.499</b>	<b>8.196.146</b>	<b>231.208</b>

#### (4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills <sup>(1)</sup>	1.500.713	-	1.441.777	-
Bonds <sup>(2)</sup>	-	7.339.847	-	4.649.617
<b>Total</b>	<b>1.500.713</b>	<b>7.339.847</b>	<b>1.441.777</b>	<b>4.649.617</b>

<sup>(1)</sup> As of 27 November 2015, the treasury bills amounting to TRY 1.000.000 with maturity of 175 days are issued by the Parent Bank. Also, as of 11 September 2015, the Parent Bank issued treasury bills amounting to TRY 750.000 with maturity of 175 days.

<sup>(2)</sup> 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 and 11 February 2015 the bonds amounting to USD 500.000 with maturity of 5 years are issued by the Parent 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
29.572	1.934.127	19.404	1.749.887

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### (6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 1.693.952 and does not exceed 10% of the balance sheet total (31 December 2014: TRY 1.438.049).

#### (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.

#### (8) Information on derivative financial liabilities for hedging purposes:

None.

#### (9) Explanations on provisions:

##### a) Information on general provisions:

	Current period	Prior period
<b>General provision</b>	<b>1.139.290</b>	<b>1.277.829</b>
Provisions for first group loans and receivables	920.263	1.141.397
<i>Additional provisions for the loans with extended payment plan</i>	33.186	18.719
Provisions for second group loans and receivables	113.212	48.680
<i>Additional provisions for the loans with extended payment plan</i>	66.843	22.942
Provisions for non cash loans	105.815	87.752
Other	-	-

Due to fact that the ratio of consumer loans to total loans has been below 25% as of the balance sheet date, 1% and 2% rate of general allowances for cumulative balance as from current period has begun to be allocated instead of 4% and 8% rate of general allowances for all consumer loans. In the consequence of the change mentioned, general allowances in the amount of 430.333 TRY were reversed in the current period. The amount regarding was recognized under "Adjustments for Prior Period Expenses" in Other Operating Income" account.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

As of 31 December 2015 the Bank's foreign currency indexed loans and finance lease receivables amounting to losses on foreign exchange is TRY 7.222 (31 December 2014: TRY 2.977).

#### c) Specific provisions provided for unindemnified non-cash loans:

As of 31 December 2015, the Parent Bank's specific provision for unindemnified non-cash loans balance is TRY 93.877 (31 December 2014: TRY 94.271).

#### d) Information on other provisions:

Total other provision balance amounting to TRY 402.368 (31 December 2014: TRY 252.183) consists of 93.877 (31 December 2014: TRY 94.271) for specific provisions for unindemnified non cash loans, TRY 37.481 (31 December 2014: TRY 85.109) for legal cases filed against the Bank, TRY 147.510 (31 December 2014: TRY 72.803) of other provisions.

The Parent Bank provided a general provision amounting to TRY 123.500, all of which was recognised as an expense in the current period for the possible result of the negative circumstances which may arise from any change in economy or market conditions (31 December 2014: None). The amount was presented under "provision expenses for possible losses" in impairment losses on loans and other receivables account.

#### 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
Inflation Rate	%7,75	%6,00
Discount Rate	%10,75	%8,60
Estimated Real Wage Growth Rate	%7,95	%6,20

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

	Current Period	Prior Period
As of January 1	358.851	298.493
Charge for the year	34.426	25.479
Interest Expense	30.120	28.342
Actuarial gain/loss	6.488	36.245
Previous Charge for the last financial period	203	830
Payment / The limitation of benefits/Loss( Gain) because of discharge	286	224
Benefits paid within the period (-)	(35.356)	(30.762)
<b>Total</b>	<b>395.018</b>	<b>358.851</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

As of 31 December 2015, the Group's unused vacation provision is TRY 131.873 and severance indemnity provision for outsource firms is TRY 11.848. This amount is followed under employee benefits provision under liabilities (31 December 2014: TRY 132.524 TL for unused vacation provision; TRY 9.125 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 2015 and 31 December 2014, 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.

#### g) Insurance Technical Provisions (Net):

	Current period	Prior period
Life-Mathematical Provisions	222.007	217.823
Provisions for unearned premium claims	345.222	220.952
Provision for outstanding claims	344.534	216.239
Provisions for unexpired risk reserves	18.940	-
Other	1.962	704
<b>Total</b>	<b>932.665</b>	<b>655.718</b>

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

##### a) Information on current tax liability:

a.1. Information on tax provision:

The remaining corporate tax liability of the Parent Bank after the deduction of the temporary tax amount stands at TRY 118.241 as of 31 December 2015.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	118.241	352.743
Income on securities tax	143.398	107.853
Property income tax	1.323	965
Banking and insurance transactions tax (BITT)	71.486	49.264
Foreign exchange transactions tax	9	11
Value added tax payable	5.180	4.648
Other	17.019	15.326
<b>Total</b>	<b>356.656</b>	<b>530.810</b>

#### a.3. Primlere ilişkin bilgiler:

	Current period	Prior period
Social insurance premiums-employee	377	364
Social insurance premiums-employer	818	571
Bank social aid pension fund premium-employee	7.164	7.176
Bank social aid pension fund premium-employer	9.881	9.810
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	25	23
Unemployment insurance-employer	74	48
Other	1.703	7.491
<b>Total</b>	<b>20.042</b>	<b>25.483</b>

#### b) Explanations regarding deferred tax liability:

	Current period	Prior period
<b>Deferred Tax Asset/(Liability)</b>		
Provisions <sup>(1)</sup>	203.319	176.684
Revaluation of Financial Assets	(224.107)	86.475
Other	(2.076)	41.834
<b>Deferred Tax Asset /(Liability) (Net):</b>	<b>(22.864)</b>	<b>304.993</b>
<b>Deferred tax accounted in shareholders' equity</b>	<b>16.499</b>	<b>(75.890)</b>
Fair value differences for available for sale financial assets	431.805	(79.377)
Actuarial gains and losses	2.927	3.487
Property Revaluation	(418.233)	-

<sup>(1)</sup> Provisions are comprised of the employee termination benefits and other provisions

As of 31 December 2015 net deferred tax liability represents TRY 22.864 (31 December 2014: TRY 304.993 deferred tax asset), it consists of deferred tax assets which amount to TRY 49.703 (31 December 2014: TRY 309.467) and deferred tax liabilities amount to TRY 72.567 (31 December 2014: TRY 4.474 TL).



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### (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.

### (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:

There is a application of registered capital system and registered capital ceiling amount TRY 7.500.000.

#### c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

None.

#### d) Information on additions from capital reserves to capital in the current period:

None.

#### e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

None.

#### f) Indicators of the Group's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Group's equity due to the uncertainty of these indicators:

Grup'un karlılık yapısı devam etmektedir. Karlılık ile bağlantılı özkaynak yapısı gelişmekte olup, bu durumu etkileyecek belirsizlikler bulunmamaktadır.

#### g) Information on preferred shares:

None.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### h) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	9.155	-	10.984	-
Revaluation difference	(113.259)	(181.027)	163.134	20.667
Exchange rate difference	-	-	-	-
<b>Total</b>	<b>(104.104)</b>	<b>(181.027)</b>	<b>174.118</b>	<b>20.667</b>

#### i) Information on legal reserves:

	Current period	Prior period
First Legal Reserves	850.090	776.033
Second Legal Reserves	507.000	473.685
Legal reserves appropriated in accordance with the law	36.837	3.355
<b>Total</b>	<b>1.393.927</b>	<b>1.253.073</b>

#### j) Information on the extraordinary reserves

	Current period	Prior period
Reserves appropriated by General Assembly	11.002.900	9.127.515
Retained Earnings	200.396	139.813
Accumulated Reserves	-	(195)
<b>Total</b>	<b>11.203.296</b>	<b>9.267.133</b>

#### (14) a) Information on minority interest shares:

	Current Period	Prior period
Paid-in capital	151.230	141.953
Export Premium	15.717	11.085
Marketable Securities Revaluation Fund	1.281	172
Legal Reserves	8.061	1.125
Extraordinary Reserves	10.949	7.689
Retained Earnings	1.095	(506)
Other Profit Reserves	2.767	337
Net Period Income / Loss	10.326	16.905
<b>Closing Balance</b>	<b>201.426</b>	<b>178.760</b>

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### b) Movement of minority interest shares:

	Current Period	Prior period
Beginning Balance	178.760	162.947
Change in Minority Interest	12.340	(1.092)
Net Period Income / Loss	10.326	16.905
<b>Closing Balance</b>	<b>201.426</b>	<b>178.760</b>

### 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	11.181.001	10.329.418
Payment commitments for cheques	5.442.458	5.073.145
Loan granting commitments	2.560.552	2.045.738
Two days forward foreign exchange buy/sell transactions	481.678	554.547
Commitments for credit cards and banking services promotions	46.532	41.774
Tax and fund liabilities from export commitments	20.764	17.037
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	1.904.541	1.629.046
<b>Total</b>	<b>21.637.526</b>	<b>19.690.705</b>

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

b.1. Non-cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current period	Prior period
Letters of credit	5.016.951	3.923.602
Bank acceptance loans	3.273.781	3.068.156
Other guarantees	879.817	905.190
<b>Total</b>	<b>9.170.549</b>	<b>7.896.948</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### b.2. Certain guarantees, tentative guarantees, surety ships and similar transactions:

	Current period	Prior period
Letters of certain guarantees	13.968.827	12.623.491
Letters of advance guarantees	2.992.251	1.973.059
Letters of tentative guarantees	789.535	915.139
Letters of guarantee given to customs offices	880.741	1.073.877
Other letters of guarantee	12.235.323	8.383.427
<b>Total</b>	<b>30.866.677</b>	<b>24.968.993</b>

#### c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	1.181.205	601.912
<i>Within one year or less original maturity</i>	184.804	211.977
<i>Within more than one year maturity</i>	996.401	389.935
Other non-cash loans	38.856.021	32.264.029
<b>Total</b>	<b>40.037.226</b>	<b>32.865.941</b>

#### c.1) Non-cash loans sectoral risk concentrations:

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	23.325	0,14	10.947	0,05	30.725	0,21	916	0,01
<i>Farming and raising livestock</i>	20.156	0,12	10.016	0,04	17.406	0,12	916	0,01
<i>Forestry</i>	152	-	-	-	174	-	-	-
<i>Fishing</i>	3.017	0,02	931	-	13.145	0,09	-	-
Manufacturing	4.018.351	24,13	12.342.069	52,78	3.800.910	25,23	10.349.555	58,14
<i>Mining</i>	126.501	0,76	48.833	0,21	92.975	0,62	382.003	2,15
<i>Production</i>	2.843.994	17,08	10.013.570	42,82	2.440.417	16,20	7.690.657	43,20
<i>Electric, gas and water</i>	1.047.856	6,29	2.279.666	9,75	1.267.518	8,41	2.276.895	12,79
Construction	4.317.501	25,92	5.578.617	23,86	3.685.543	24,46	3.199.413	17,97
Services	8.155.736	48,97	5.362.202	22,93	7.418.626	49,26	4.024.788	22,61
<i>Wholesale and retail trade</i>	4.449.349	26,72	1.970.494	8,43	3.507.006	23,28	1.760.789	9,89
<i>Hotel, food and beverage services</i>	69.933	0,42	72.426	0,31	61.570	0,41	43.658	0,25
<i>Transportation and telecommunication</i>	151.737	0,91	327.059	1,40	117.045	0,78	250.984	1,41
<i>Financial Institutions</i>	2.371.214	14,24	525.539	2,25	2.781.196	18,46	600.150	3,37
<i>Real estate and renting services</i>	992.720	5,96	2.413.268	10,32	850.808	5,65	1.361.165	7,65
<i>Self-employment services</i>	10.221	0,06	407	-	9.841	0,07	1.131	0,01
<i>Education services</i>	18.799	0,11	52.991	0,23	17.399	0,12	4.911	0,03
<i>Health and social services</i>	91.763	0,55	18	-	73.761	0,49	2.000	0,01
Other	139.766	0,84	88.712	0,38	129.543	0,84	225.922	1,27
<b>Total</b>	<b>16.654.679</b>	<b>100,00</b>	<b>23.382.547</b>	<b>100,00</b>	<b>15.065.347</b>	<b>100,00</b>	<b>17.800.594</b>	<b>100,00</b>

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

c.2) Non-cash loans classified in Group I and II:

	Group I		Group II	
	TRY	FC	TRY	FC
<b>Non-cash loans</b>	<b>16.327.343</b>	<b>23.312.244</b>	<b>327.336</b>	<b>70.303</b>
Letters of guarantee	15.342.713	15.132.197	327.336	64.431
Bank acceptances	359.503	2.911.565	-	2.713
Letters of credit	-	5.013.792	-	3.159
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	625.127	254.690	-	-

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				
<b>Foreign currency related derivative transactions (I)</b>	<b>15.691.071</b>	<b>27.238.805</b>	-	-
Forward foreign currency buy/sell transactions	6.528.818	5.397.802	-	-
Currency buy/sell swap	8.802.995	21.527.565	-	-
Currency futures	-	-	-	-
Currency put/call options	359.258	313.438	-	-
<b>Interest related derivative transactions (II)</b>	<b>7.580.360</b>	<b>1.866.286</b>	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	7.580.360	1.866.286	-	-
Interest rate put/call options	-	-	-	-
Interest rate buy/sell futures	-	-	-	-
<b>Other trading derivative transactions (III)<sup>(1)</sup></b>	<b>1.750.176</b>	<b>808.159</b>	-	-
<b>A. Total trading derivative transactions (I+II+III)</b>	<b>25.021.607</b>	<b>29.913.250</b>	-	-
<b>Types of derivative transactions for risk management</b>	-	-	-	-
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
<b>B. Total derivative transactions for hedging</b>	-	-	-	-
<b>Total derivative transactions (A+B)</b>	<b>25.021.607</b>	<b>29.913.250</b>	-	-

<sup>(1)</sup> Other trading derivatives include credit default swap purchases and sale transactions amounting TRY 15.278 and TRY 1.734.898 respectively.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### d) Information on contingent liabilities and assets:

The Group has provided TRY 37.481 (31 December 2014: TRY 85.109) of provision for the disputed legal cases filed by various persons and institutions.

#### e) Services supplied on behalf of others:

None.

### 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
<b>Interest on loans<sup>(1)</sup></b>				
Short term loans	2.814.447	160.691	2.246.196	119.631
Medium and long term loans	6.572.326	1.700.220	5.152.678	1.212.717
Interest on non-performing loans	66.167	3.361	68.922	576
Premiums from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>9.452.940</b>	<b>1.864.272</b>	<b>7.467.796</b>	<b>1.332.924</b>

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

##### b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	26.681	2.631	2.846	-
Domestic banks	13.486	1.004	17.141	4.721
Overseas banks	3.104	2.491	3.759	2.481
Head office and branches	-	-	-	-
<b>Total</b>	<b>43.271</b>	<b>6.126</b>	<b>23.746</b>	<b>7.202</b>

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	4.739	882	4.831	691
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	641.758	183.461	723.711	128.202
Held-to-Maturity Investments	1.435.453	106.002	1.760.607	76.146
<b>Total</b>	<b>2.081.950</b>	<b>290.345</b>	<b>2.489.149</b>	<b>205.039</b>

#### d) Interest income from associates:

None.

#### (2) Information on interest expenses:

##### a) Information on interest expense on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	118.005	295.067	93.967	224.592
<i>Domestic banks</i>	71.964	15.831	60.018	17.425
<i>Overseas banks</i>	46.041	279.236	33.949	207.167
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	22	-	4.149	14
<b>Total</b>	<b>118.027</b>	<b>295.067</b>	<b>98.116</b>	<b>224.606</b>

##### b) Interest expenses to associates:

	Current period	Prior period
Interest expenses to associates	3.092	2.859

##### c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	138.351	319.000	95.583	183.339
<b>Total</b>	<b>138.351</b>	<b>319.000</b>	<b>95.583</b>	<b>183.339</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### d) Maturity structure of interest expenses on deposits:

Account name	Demand deposits	Up to 1 month	Up to 3 months	Time deposits			Cumulative deposit	Total
				Up to 6 months	Up to 1 Year	More than 1 year		
<b>TRY</b>								
Bank deposits	103	429.687	127.963	11.142	743	-	-	569.638
Saving deposits	108	39.847	2.474.932	101.909	30.809	39.963	7.411	2.694.979
Public deposits	232	176.197	224.330	20.619	54.352	341	-	476.071
Commercial deposits	389	293.514	1.082.919	101.216	20.024	12.686	-	1.510.748
Other deposits	-	67.417	135.262	19.769	213.722	427	-	436.597
7 days call accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>832</b>	<b>1.006.662</b>	<b>4.045.406</b>	<b>254.655</b>	<b>319.650</b>	<b>53.417</b>	<b>7.411</b>	<b>5.688.033</b>
<b>Foreign currency</b>								
Deposits	390	73.507	336.322	64.140	23.125	77.461	789	575.734
Bank deposits	-	61.546	-	-	-	-	-	61.546
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
<b>Total</b>	<b>390</b>	<b>135.053</b>	<b>336.322</b>	<b>64.140</b>	<b>23.125</b>	<b>77.461</b>	<b>789</b>	<b>637.280</b>
<b>Grand total</b>	<b>1.222</b>	<b>1.141.715</b>	<b>4.381.728</b>	<b>318.795</b>	<b>342.775</b>	<b>130.878</b>	<b>8.200</b>	<b>6.325.313</b>

#### (3) Information on dividend income:

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	26	-
Financial assets available-for-sale	4.340	3.335
Other	1.888	19.806
<b>Total</b>	<b>6.254</b>	<b>23.141</b>

#### (4) a) Information on trading profit/loss (Net):

	Current period	Prior period
<b>Profit</b>	<b>20.498.674</b>	<b>17.908.235</b>
Profit from the capital market operations	37.077	301.261
Profit on derivative financial instruments	4.018.119	3.258.940
Foreign exchange gains	16.443.478	14.348.034
<b>Loss (-)</b>	<b>20.739.433</b>	<b>17.830.995</b>
Loss from the capital market operations	4.117	932
Loss on derivative financial instruments	3.892.538	4.675.735
Foreign exchange losses	16.842.778	13.154.328



# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### b) Information on derivative financial instruments:

	Current period	Prior period
<b>Profit on derivative financial instruments</b>	<b>4.018.119</b>	<b>3.258.940</b>
Effect of the change in foreign exchange on profit	3.929.463	3.245.225
Effect of the change in interest rate on profit	88.656	13.715
<b>Loss on derivative financial instruments (-)</b>	<b>3.892.538</b>	<b>4.675.735</b>
Effect of the change in foreign exchange on loss	3.836.462	4.669.174
Effect of the change in interest rate on loss	56.076	6.561
<b>Profit/loss on derivative financial instruments</b>	<b>125.581</b>	<b>(1.416.795)</b>

#### (5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses <sup>(*)</sup>	748.861	428.843
Life insurance income	731.824	523.378
Receivable from the asset sale on credit terms	71.300	70.129
Rent income	23.200	7.129
Other income	102.319	65.703
<b>Total</b>	<b>1.677.504</b>	<b>1.095.182</b>

<sup>(\*)</sup> Related explanation is made on page 105.

#### (6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	864.690	879.361
<i>Group - III loans and receivables</i>	231.262	241.854
<i>Group - IV loans and receivables</i>	190.811	556.587
<i>Group - V loans and receivables</i>	442.617	80.920
General loan provision expenses	291.794	135.445
Provision expenses for possible losses <sup>(*)</sup>	123.500	-
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	96.871	214.345
<b>Total</b>	<b>1.376.855</b>	<b>1.229.151</b>

<sup>(\*)</sup> Related explanation is made on page 105.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### (7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	1.629.124	1.329.790
Reserve for employee termination benefits	67.067	56.204
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	114.110	113.313
Intangible assets impairment expense	-	-
Amortization expenses of intangible assets	20.973	9.489
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	1.714	2.398
Amortization expenses of assets that will be disposed of	7.654	4.158
Impairment expense for property and equipment held for sale	-	25
Other operating expenses	1.130.048	1.057.108
<i>Operational leasing expenses</i>	187.384	150.018
<i>Maintenance expenses</i>	31.115	22.967
<i>Advertisement expenses</i>	140.671	145.922
<i>Other expenses</i>	770.878	738.201
Loss on sales of assets	4.503	10.746
Other	1.231.126	830.250
<b>Total</b>	<b>4.206.319</b>	<b>3.413.481</b>

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

The Group's income before tax is due from continuing activities. TRY 5.934.120 of the income before tax consists of net interest income, TRY 1.093.934 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is amounting to TRY 2.898.360.

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

For the year ended 31 December 2015, the Bank's tax provision amounting to TRY 570.050 consists of TRY 182.802 of current tax charge and TRY 387.248 of deferred tax income.

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

For the year ended 31 December 2015; the Bank's net operating income after tax is amounting to TRY 2.328.310.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

### (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 2015 and 31 December 2015.

**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 890.803 thousands for the year 2015. (31 December 2014 TRY 8.152.453) 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 6.225.078 thousands cash out for the year 2015.(31 December 2014 TRY 3.800.937 Cash Outflow)

For the year ended 31 December 2015, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 846.458 increase (31 December 2014: TRY 263.031,increase).

**(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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### (3) The effect of any change in accounting policies:

None.

#### (4) Period beginning 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 <sup>(1)</sup>	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
<b>Total cash and cash equivalents</b>	<b>22.074.575</b>	<b>22.154.854</b>
Reserve deposits in Central Bank	(14.579.877)	(15.470.667)
Bank blockage balance <sup>(2)</sup>	(199.262)	(161.784)
Accruals for reserve deposits	(1.606)	-
Accruals for money market placement	-	(211)
Accruals for banks	(2.899)	(2.611)
<b>Cash and Cash Equivalents</b>	<b>7.290.931</b>	<b>6.519.581</b>

<sup>(1)</sup> Others items include cheques received and blocked reserve deposits kept in Central Bank of Macedonia.

<sup>(2)</sup> Technical reserves of Halk Hayat ve Emeklilik AŞ amounting to TRY 182.627, 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 16.635 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	23.500.539	20.331.936
Cash in TRY and foreign currency	1.258.794	1.000.135
Central Bank and others <sup>(1)</sup>	22.241.745	19.331.801
Cash Equivalents	2.671.525	1.742.639
Demand and Time Deposits Up to 3 Months	2.617.651	1.440.532
Money Market Placements	53.874	302.107
<b>Cash and Banks</b>	<b>26.172.064</b>	<b>22.074.575</b>
Reserve deposits in Central Bank	(17.068.977)	(14.579.877)
Bank blockage balance <sup>(2)</sup>	(224.139)	(199.262)
Accruals for reserve deposits	(21.204)	(1.606)
Accruals for money market placement	-	-
Accruals for banks	(1.842)	(2.899)
<b>Total Cash and Cash Equivalents</b>	<b>8.855.902</b>	<b>7.290.931</b>

<sup>(1)</sup> Others items include cheques received and blocked reserve deposits kept in Central Bank of Macedonia.

<sup>(2)</sup> Technical reserves of Halk Hayat ve Emeklilik AŞ amounting to TRY 200.998, 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 TRY23.141 which is given as collateral to Republic of Turkey Prime Ministry Undersecretariat of Treasury.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(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	-	1.878	-	-	-	-
Closing balance	-	-	-	-	-	-
Interest and commissions income	-	-	-	-	-	-

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	-	1.119	-	-	-	-
Closing balance	-	1.878	-	-	-	-
Interest and commissions income	-	6	-	-	-	-

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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 Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
<b>Deposits</b>						
Beginning balance	27.020	34.651	-	-	-	-
Closing Balance	5.823	27.020	-	-	-	-
Interest expense on deposits	482	2.859	-	-	-	-

#### 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.

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.

## TÜRKİYE HALK BANKASI A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

	Amount	% compared to the amounts in the financial statements
Cash loans	-	-
Non-cash loans	-	-
Deposits	5.823	%0,01
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 23.316 as of 31 December 2015 (31 December 2014: TRY 19.564).

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

#### 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		
Domestic Branches	944	17.054			
Agencies Abroad	2	3	Tahran/İRAN		
			<sup>(1)</sup> Londra/İNGİLTERE	<b>Total Assets</b>	<b>Legal Capital</b>
Overseas Branches	4	25	Lefkoşa/KKTC	413.440	-
		10	Gazimagosa/KKTC	62.553	-
		8	Girne/KKTC	55.213	-
		1	Paşaköy/KKTC	233	-
Off-shore Branches	1	3	Manama/BAHREYN	7.447.524	-

<sup>(1)</sup> Regarding personnel has worked for Halk Yatırım AŞ.

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

The Parent Bank opened 49 domestic branches during the year.

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

None.

#### SECTION VI: OTHER EXPLANATIONS AND NOTES

##### I. OTHER EXPLANATIONS ON THE PARENT BANK'S OPERATIONS

None.

#### 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 2015 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 24 February 2016 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 0850 222 0 400

SME Dialog 0850 222 0 401

### Head Office (Main)

Barbaros Mahallesi, Şebboy Sokak  
No: 4 34746

Ataşehir/ISTANBUL-TURKEY

Telephone: +90 (216) 503 70 70

- Department of Budget and Performance Management
- Department of Support Services
- Department of Foreign Operations
- Department of Staff Training
- Department of Artisans Banking
- Department of Financial Institutions and Investor Relations
- Department of Financial Accounting and Reporting
- Department of Treasury Operations
- Department of Treasury Management Mid-Office
- Department of Legal Affairs
- Department of Human Resources
- Department of Premises Construction and Appraisal
- 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-1
- Department of Loan Risk Liquidation-2
- Department of Corporate Loans
- Department of Corporate Marketing
- Department of Operational Strategy and Innovation Management

- Department of Organization
- 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 Branch Operations
- Department of and Publicity and Public Relations
- Department of Commercial Loans-1
- Department of Commercial Loans-2
- Department of Commercial Marketing-1
- Department of Commercial Marketing-2
- Department of International Banking and Structured Finance
- Department of Tax Management and Accounting
- Board of Directors Office Services

### Head Office (Support Unit)

İçerenköy Mahallesi, Karaman Çiftlik Yolu Caddesi

No: 49 34752

Ataşehir/ISTANBUL

- Department of Retail Loans
- Department of Retail Products Marketing
- Department of Internal Control
- Department of Delivery Channels Management
- Department of Payment Card Systems
- Department of Deposit Management and Marketing
- Department of Cash Management
- Department of Risk Management
- Department of the Board of Inspectors

### Head Office (Support Unit)

YTÜ Davutpaşa Kampüsü Çifte Havuzlar Mahallesi

Eski Londra Asfaltı Caddesi

A2 Blok No: 151/1H 34220

Esenler/ISTANBUL

- Department of Infrastructure Operation and Management
- Department of Technological Architecture Management
- Department of Software Development

Anafartalar Caddesi No: 39 Kat: 4  
Ulus Altındağ/ANKARA

- Department of SME Loans-1

### INTERNATIONAL NETWORK OF HALKBANK

#### Bahrain Branch

Almoayyed Tower, 33rd Floor, Suite 3302, Al Seef District, P.O. Box 11378

Manama/Kingdom of Bahrain

Telephone: (+973) 175 37711

Fax: (+973) 175 35463

#### Lefkoşa Branch

Köşklü Çiftlik Mah. Osmanpaşa Cad.

Ümit Apt. No: 1

Lefkoşa/KKTC

Telephone: (+392) 228 8545

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

Telephone: (+392) 816 0230

Fax: (+392) 816 0234

#### Paşaköy Satellite Branch

28'inci Mknz. P. Tüm. K.İği

Paşaköy-Lefkoşa/KKTC

Telephone: (+392) 236 9151

Fax: (+392) 236 9153







# 2015

[www.halkbank.com.tr](http://www.halkbank.com.tr)  
Halkbank Dialog 0850 222 0 400  
SME Dialog 0850 222 0 401

