

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

Türkiye Halk Bankası Anonim Şirketi

**Consolidated Financial Statements
As of and For the Three-Month Period Ended 31 March 2014
With Independent Auditors' Review 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
Anonim Şirketi

16 May 2014

*This report contains "Independent Auditors'
Review Report" comprising 1 pages and;
"Consolidated Financial Statements and Related
Disclosures and Footnotes" comprising 96
pages.*

*Convenience Translation of the Independent Auditors' Review Report
Originally Prepared and Issued in Turkish (See Section 3.1)*

**INDEPENDENT AUDITORS' REVIEW REPORT
AS OF AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014**

To the Board of Directors of Türkiye Halk Bankası AŞ;

We have reviewed the consolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") and its financial affiliates (together "the Group") as of 31 March 2014 and the consolidated statements of income, cash flows and changes in shareholders' equity for the three-month period then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility as independent auditors is to issue a review report on these consolidated financial statements based on our review.

We conducted our review in accordance with the regulations related with the "Accounting and Recording Rules" and "Independent Auditing Standards" of the (Turkish) Banking Law No 5411. These regulations require that we plan and perform the review to obtain limited assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the personnel of the Bank and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

The accompanying consolidated financial statements as of 31 March 2014 include a general reserve amounting to net TRY 132.231 thousands which is recorded in previous periods. It is provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

Based on our review, except for the effect of the matter described in the third paragraph above on the consolidated financial statements, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements are not presented fairly, the financial position of Türkiye Halk Bankası AŞ as of 31 March 2014, and the result of its operations and cash flows for the three-month period then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 and Article 38 of the ("Turkish") Banking Law No. 5411 and other regulations, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

İstanbul,
16 May 2014

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Partner

Additional paragraph for convenience translation to English:

As explained in Section 3.1, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

TÜRKİYE HALK BANKASI AŞ
THE CONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

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

The consolidated 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' REVIEW REPORT

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

Subsidiaries		Associates	
1.	Halk Yatırım Menkul Değerler AŞ	1.	Demir-Halkbank NV
2.	Halk Sigorta AŞ	2.	Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3.	Halk Hayat ve Emeklilik AŞ		
4.	Halk Gayrimenkul Yatırım Ortaklığı AŞ		
5.	Halk Finansal Kiralama AŞ		
6.	Halk Portföy Yönetimi AŞ		
7.	Halk Faktoring AŞ		
8.	Halk Banka AD, Skopje		

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

İstanbul, 16 May 2014

Hasan Cebeci	Ali Fuat Taşkesenoğlu	Süleyman Kalkan	Sadık Tiltak	Erdal Erdem	Yusuf Duran Ocak
<i>Chairman of the Board of Directors</i>	<i>Member of the Board of Directors, Chief Executive Officer</i>	<i>Vice Chairman of the Board of Directors, Head of the Audit Committee</i>	<i>Member of the Board of Directors, Member of the Audit Committee</i>	<i>Financial Management and Planning Vice Chief Executive Officer</i>	<i>Financial Accounting and Reporting Department Head</i>

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

Name/Title : Gönül Özdemir / Manager
Tel No : 0312 289 30 13
Fax No : 0312 289 30 50

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TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

The capital of the Parent Bank is controlled directly by the Republic of Turkey Prime Ministry Privatization Administration.

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

Shareholders	31 March 2014	%	31 December 2013	%
Prime Ministry Privatization Administration ^(1,2)	638.276	51,06	638.276	51,06
Public shares ⁽²⁾	611.267	48,90	611.272	48,90
Other shareholders	457	0,04	452	0,04
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾ As per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007; 25% of the public shares that were previously held by the Privatization Administration were privatized by a public offering and the 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 A.Ş. as of 10 May 2007. As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

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

⁽³⁾ 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 AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

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

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan CEBECİ	Chairman of the Board of Directors	13.4.2005	Ankara Eco. and Com. Science (ECS) Academy - Economy Finance	35
Süleyman KALKAN	Vice Chairman of the Board of Directors / Head of the Audit Committee	1.4.2013	Ankara University, Faculty of Political Science – International Relations Department.	31
Ali Fuat TAŞKESENLIOĞLU	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. Doctor's Degree: Washington International University- Doctor of Philosophy in Business Administration.	26
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.3.2003	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. Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization.	31
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.4.2005	Master's Degree: Marmara Uni. Banking and Insurance Ins. – International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance. Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department, 2005-At The Stage of Thesis.	23
Dr. Ahmet YARIZ	Member of the Independent Board of Directors	9.4.2008	Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department. Bachelor Degree: Istanbul Uni. - Business Administration.	21
Yunus KARAN	Member of the Board of Directors	31.3.2014	Istanbul Uni. Eco. and Com. Science Academy- Public Finance and Accounting	45
Sadık TILTAK	Member of the Independent Board of Directors	31.3.2014	Ankara University, Faculty of Political Science-Finance	25
İsmail Erol İŞBİLEN	Member of the Independent Board of Directors	1.4.2013	Bachelor Degree: Ankara University, Faculty of Political Sciences – Economy and Public Finance Department	29
Faruk ÖZÇELİK	Member of the Audit Committee	29.3.2013 ^(*)	Master's Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	3
Ali ARSLAN	Member of the Audit Committee	29.3.2013 ^(*)	Master's Degree: Cleveland State University Business School(MBA) Bachelor Degree: Çukurova University, Faculty of Economic and Administrative Sciences-Business Administration	21
Yakup DEMİRCİ	Executive Vice President	11.6.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	25
Mustafa SAVAŞ	Executive Vice President	12.8.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	23
Erol GÖNCÜ	Executive Vice President	14.6.2005	METU Faculty of Arts and Sciences-Mathematics Department. Doctor's Degree: Marmara University, Banking and Insurance Ins.-Banking Department.	24
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.6.2005	Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	22
Selahattin SÜLEYMANOĞLU	Executive Vice President	1.7.2007	Master Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	23
Mehmet Akif AYDEMİR	Executive Vice President	4.3.2010	Ankara University, Faculty of Political Sciences –Economics.	27
Taner AKSEL	Executive Vice President	26.3.2010	Anadolu University, Faculty of Economic and Administrative Sciences -Economics.	27
Ufuk Hacer DENİZCİ YÜCE	Executive Vice President	12.10.2010	Istanbul Technical University Business Administration Faculty- Business Engineering.	24
Mürsel ERTAŞ	Executive Vice President	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences-Foreign Trade & Exchange.	27
İsmail Hakkı İMAMOĞLU	Executive Vice President	28.3.2011	Ankara Eco. Com. Science (ECS) Academy – Faculty of Management Sciences – Department of Social Politics.	29
Atalay TARDUŞ	Executive Vice President	4.8.2011	METU Faculty of Economic and Administrative Sciences- Department of Economics.	21
Mehmet Hakan ATILLA	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.	18
Murat UYSAL	Executive Vice President	11.11.2011	Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department Bachelor Degree: Istanbul Uni. - Faculty of Economic and Administrative Sciences-Department of Economics	15
Erdal ERDEM	Executive Vice President	27.3.2014	Bachelor Degree: Afyon Kocatepe Uni. Faculty of Economic and Administrative Sciences-Finance.	19

^(*) Assigned date for Audit Committee.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

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

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

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

- a) The professionals to the Parent Bank's top management who have assigned to their position in 2013 are listed with titles and dates of assignment.

Name	Title	Assignment Date
Ali Fuat TAŞKESENOĞLU	Member of the Board of Directors and Chief Executive Officer	6 February 2014
Sadık TILTAK	Member of the Independent Board of Directors	31 March 2014
Yunus KARAN	Member of the Board of Directors	31 March 2014
Erdal ERDEM	Executive Vice President	25 March 2014

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

Name	Title	Assignment Date
Süleyman ASLAN ^(*)	Member of the Board of Directors and Chief Executive Officer	31 March 2014
Sabahattin BİRDAL	Member of the Board of Directors	31 March 2014

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

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

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

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

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

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

a) General information about the Parent Bank:

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

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

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

c.1 When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Parent Bank shares were decided to be sold before 25 May 2008 using the block sale method. By the Privatization High Council's decree numbered 2006/4258 and dated 29 November 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 was executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on 11 August 2006, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Parent Bank corresponding to 24.98% was completed in the first week of May 2007 and Halkbank shares were traded on Borsa İstanbul A.Ş. 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 AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

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

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

V. SUMMARY ON THE PARENT BANK’S FUNCTIONS AND LINES OF ACTIVITY (continued)

- d) Under No: 25539 Law regarding the “Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası AŞ and amendments to other acts” which came into force as 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 March 2014, the Parent Bank operates with a total of 878 branches consisting of 873 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 37 satellite branches and 2 financial services branches. The Parent Bank has also 1 representative office in Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

- Halk Yatırım Menkul Değerler AŞ
- Halk Sigorta AŞ
- Halk Hayat ve Emeklilik AŞ
- Halk Gayrimenkul Yatırım Ortaklığı AŞ
- Halk Finansal Kiralama AŞ
- Halk Portföy Yönetimi AŞ
- Halk Faktoring AŞ
- Halk Banka AD, Skopje

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

The Parent Bank’s associates;

- Demir-Halkbank NV
- Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ

is accounted by “equity method” in the accompanying consolidated financial statements.

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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

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

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

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

As at 15 February 2013 28% shares of Halk GYO has been offered to public. After the collecting the demand the Company's shares started to be traded on Borsa İstanbul AŞ at 22 February 2013.

Halk Finansal Kiralama AŞ ("Halk Leasing"), was an associate of the Parent Bank with 47,75% of the shares and consolidated according to the equity method until 27 May 2011. The Group obtained the control of Halk Leasing by acquiring 52,24% of the shares and voting interests in the company as of 27 May 2011. As a result, the Group's equity interest in Halk Leasing has increased from 47,75% to 99,99%. Halk Leasing was established in September 1991 in Turkey and operates under the provisions of the Turkish financial leasing law number 3226.

Halk Banka AD Skopje, formerly Export and Credit Bank AD Skopje is a subsidiary of the Parent Bank. The Group obtained the control of Halk Banka AD, Skopje by acquiring 98,12% of the shares and voting interests of the company as of 8 April 2011 and 8 August 2011. Halk Banka AD Skopje has taken over Ziraat Banka AD Skopje which the is a Turkish capital bank that operates in Macedonia, through the merger as of 1 October 2012. As a result, the Group's equity interest in Halk Banka AD, Skopje has increased from 98,12% to 98,78%. Halk Banka AD, Skopje is operating in Republic of Macedonia. Its main activities include commercial lending, receiving of deposits, foreign exchange deals, and payment operation services in the country and abroad and retail banking services.

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

Halk Faktoring AŞ("Halk Faktoring"), was a subsidiary of the Parent Bank with capital payments of amounting to TRY 19.000 and 95% of shares. After, it was registered to trade registry on 6 June 2012, establishment has been completed. Halk Faktoring's main line of business is to provide factoring services, that include legitimate commercial lending for all domestic and international trade operation.

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

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. A.Ş, is not accounted in the consolidated financial statements. In the financial statements prepared in accordance with International Financial Reporting Standarts, Bileşim Alternatif Dağ. Kan. A.Ş is included in the scope of consolidation by-line by-line method.

The Parent Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Banka AD, Skopje and Halk Faktoring AŞ are included in the scope of consolidation by line-by-line method.

TÜRKİYE HALK BANKASI AŞ
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SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)

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

Demir-Halkbank NV (“Demir Halk Bank”) and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ which are qualified as investments in associates, are presented in the financial statements based on equity method of accounting. An associate is a partnership in whose capital the Parent Bank participates and over which it has a significant influence but no 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.

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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

TÜRKİYE HALK BANKASI AŞ
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(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”), Turkish Financial Reporting Standards (“TFRS”), Communiqué on “Banks’ Accounting Practice and Maintaining Documents” and other communiqués and interpretations of Banking Regulation and Supervision Agency (“BRSA”) on accounting and financial reporting.

Accounting policies applied and valuation methods used in the preparation of the consolidated financial statements are expressed in detail below.

Additional paragraph for convenience translation to English

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

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

1. The Group’s strategy on financial instruments:

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

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

2. The Group’s explanations on foreign currency transactions:

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

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION

1. Basis of consolidation:

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

a. Basis of consolidation of subsidiaries:

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

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

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

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

b. Basis of consolidation of associates:

Demir-Halkbank NV (“Demir Halk Bank”) and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ, which are qualified as investments in associates, are presented in the accompanying financial statements based on the equity method of accounting. An associate is a partnership in whose capital the Parent Bank participates and over which it has a significant influence but no control, established at home and abroad.

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

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

III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION (continued)

1. Basis of consolidation (continued):

b. Basis of consolidation of associates (continued):

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 which is a consolidated associate by the equity method of accounting, has the same accounting principles of the Parent Bank.

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures.

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

Accounting for business combinations

From 1 January 2010 the Group will apply IFRS 3 Business Combinations (2008) in accounting for business combinations. Business Combinations that occurred before 1 January 2010 had not been restated and the accounting policies applicable to those acquisitions are set out below. The new accounting policy in respect of business combinations is as follows.

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

Acquisitions on or after 1 January 2010

The Group measures goodwill at the acquisition date as the total of:

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

When this total is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES(continued)

III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION (continued)

1. Basis of consolidation (continued):
- d. Principles applied during share transfer, merger and acquisition (continued):

Accounting for business combinations (continued)

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss. When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquirer's employees (acquirer's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquirer's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions before 1 January 2010

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

Derivative transactions of the Group consist of foreign currency and interest rate swaps, forwards and credit default swaps. The Group has no derivative instruments decomposed from the main contract.

Derivative financial instruments are recorded at fair value as of the contract date and valued at fair value in the following reporting periods. Although some derivative transactions are qualified as economical hedging items, they do not meet all the definition requirements of hedge accounting items. Therefore, under the Turkish Accounting Standard No: 39 “Financial Instruments: Recognition and Measurement” (TAS 39), these derivative instruments are recognized as held for trading and gains and losses of these instruments are associated with statement of income.

V. INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) in conformity with TAS 39 “Financial Instruments: Recognition and Measurement”.

In accordance with the related legislation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as an interest income only when they are collected.

VI. FEES AND COMMISSION INCOME AND EXPENSES

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

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

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

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.

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 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 March 2014 and 31 December 2013.

3. Investments held to maturity

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

4. Financial assets available for sale

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

5. Loans and receivables

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

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

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

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

Non-performing loans are classified in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No: 26333 dated 1 November 2006 and amended with the regulation published in the Official Gazette No: 28418 dated last 21 September 2012 and specific provisions are allocated for those loans. Specific provisions are reflected to “820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses” account. Provisions released in same year are recognized as a credit movement under the “Provision Expenses”, released portion of the previous period provisions are recognized under the “Other Operating Income” account.

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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.

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 100% provision 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 100% provision 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.

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

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Other than specific allowances, the Bank provides “general allowances” for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The Bank is providing 1% general allowance for cash loans and other receivables; 0.2% general allowances for non-cash loans. In accordance with the communiqué “The change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” published on 28 May 2011 No: 27947 Official Gazette, banks are able to change the terms of the payment plans of their loans and other receivables monitored under standard and other receivables group given that those loans and receivables qualify for the prerequisites. However, if the changes made extend the initial payment plan, a general provision allocated accordingly with the related loans and other receivables given that it is no less than the 5 times of the predetermined ratio and for loans and other receivables followed under close monitoring provision cannot fall below 2,5 times of the designated ratio.

In accordance with the communiqué “The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” published on 18 June 2011 No: 27968 Official Gazette, the Parent Bank applies general provision ratios as 4% for all consumer loans in first group and 8% for all consumer loans in second group respectively except for real estate and automobile loans in both groups.

In accordance with the communiqué “The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” published on 21 September 2012 No: 28418 Official Gazette, as of the recent month end prior to the effective date of the Communiqué, the Bank will provide the differences in general allowances for cash loans, close monitoring loans, letters of guarantees, bill guarantees and sureties and other non-cash loans with the rates stated in the first paragraph of Article 7 of the Communiqué until 31 December 2015.

In accordance with the communiqué “The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” published on 8 October 2013 No: 28789 Official Gazette, as of the recent month end prior to the effective date of the Communiqué, the Bank will provide the differences in general allowances for all consumer loans except for real estate loans in both groups with the rates stated in the second paragraph of Article 7 of the Communiqué until 31 December 2015.

IX. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

Marketable securities subject to repurchase agreements are classified under “Available for Sale Financial Assets” or “Held to Maturity Investments” in the Group’s portfolio and they are valued according to the valuation principles of the related portfolios.

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

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

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

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.

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 5 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT (continued)

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	2-25	4-50%
Assets held under financial leases	4-5	20-25%

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

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

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

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

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

These are listed in the attached consolidated financial statements at acquisition costs less accumulated amortization and impairment provisions. The accounting policies mentioned for tangible assets are also valid for investment properties.

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.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

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

The provision for unearned premiums consists of the gross overlapping portion of accrued premiums for insurance contracts that are in effect to the subsequent period or periods of balance sheet date on a daily basis without a commission or any other discount.

In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision is recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer.

Claim provision is recognized for the accrued claims which are not paid in the current period or in the prior periods or for the claims realized with the expected costs but not reported.

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

Equalization provision is recognized in order to balance the fluctuations in the claim ratios.

Effective 1 January 2005, the Group's insurance subsidiaries adopted TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts has more fully addressed. TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts.

Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 revised.

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.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XVIII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard No: 19 “Employee Benefits”. According to related legislation and union contracts, the Parent Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees; who resigns subsequent to her marriage within one year. The Group provides provision by estimating the present value of the future retirement pay liability. The retirement pay provision of the Parent Bank has been determined by the actuarial report of an independent valuation company. As of 1 January 2013, actuarial gains and losses are recorded under the shareholders’ equity according to the revised TAS 19.

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES (continued)

In addition to prolonging of one year of the related transfer period according to the decree of Council of Ministers dated 3 May 2013 and numbered 3, which was published on the Gazette on 8 April 2013, the related transfer period was prolonged one more year according to the decree of Council of Ministers dated 24 February 2014, which was published on the Gazette dated 30 April 2014 numbered 28987.

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 2013, no technical deficit has been reported.

XX. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 31 December 2013 has been paid in February 2014, accrued advance tax as of 31 March 2014 will be paid in May 2014.

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.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XX. EXPLANATIONS ON TAXATION (continued)

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

Bahrain

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

Tax practices for the subsidiaries which are subject to consolidation

Halk Gayrimenkul Yatırım Ortaklığı AŞ

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

Halk Banka AD Skopje

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

"Distributions" are split into two components:

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XX. EXPLANATIONS ON TAXATION (continued)

Tax practices for the subsidiaries which are subject to consolidation (continued)

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.

Halk Banka AD Skopje (continued)

Recognition of tax provisions:

In case of tax contingencies, provisions are made in line with International Accounting Standards – Provisions, Contingent Liabilities and Contingent Assets adopted in the Republic of Macedonia ("IAS 37").

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

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

XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

Interest rate and liquidity risks are reduced by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitization and borrowing with collateral and bears higher interest than costs of those instruments. Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

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 A.Ş as of 10 May 2007.

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

Halk GYO has applied to CMB by 29 August 2012 for the purpose of initial public offering of the increasing amount of B group of shares TRY 185.500 notional amount which is increased from TRY 477.000 issued capital of the Halk GYO to TRY 662.500 within TRY 1.500.000 registered capital ceiling. Application was approved in accordance with the decision promulgated by CMB's numbered 4/97 on 8 February 2013. As at 15 February 2013 there has been an initial public offering of B group shares of TRY 185.000 notional amount by restricting the existent shareholders for purchasing the new shares. After the collecting the demand the Company's shares started to be traded on Borsa İstanbul AŞ at 22 February 2013.

XXIII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

None.

XXV. EXPLANATIONS ON SEGMENT REPORTING

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

The report concerning parts of Group's business segmentation and related information is explained in section four, disclosure numbered XII.

XXVI. EXPLANATION ON OTHER MATTERS

None.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO

The capital adequacy ratio calculations are made in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” published in Official Gazette No 28337 of 28 June 2012 and with the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette No.28756 dated 5 September 2013. The consolidated basis capital adequacy ratio of the Group is 12,95% as of 31 March 2014 (31 December 2013: 13,31%).

In the calculation process of credit risk, asset types, ratings and credit risk mitigators are taken into account. While simple approach is taken into account for banking book items, the Group uses comprehensive approach for trading book items in the credit mitigation process.

In the calculation process of capital adequacy ratio, the data which are compatible with current regulations are used. Furthermore, the market and operational risk are also taken into account within the framework of regulations.

The items which are deducted from shareholders’ equity are not considered in the calculation of risk weighted assets (RWAs). Depleted and amortized assets are taken into consideration by net amounts which are calculated by the deduction of depreciation cost and provisions.

The amount subject to credit risk for non cash loans are considered by using the conversion rates which are defined in the 5th article of “Regulation On Measurement And Evaluation Of Capital Adequacy Of Banks”. Besides, the provisions which are defined in “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to Be Set Aside” and taken place at the liability side of the balance sheet are also taken into consideration.

In the calculation of counterparty credit risk arising from trading account, the current exposure method is use.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO (continued)

1. Information on the consolidated capital adequacy ratio:

Current Period	The Parent Bank								Risk Weight								Consolidated							
	%0	%10	%20	%50	%75	%100	%150	%200	%250	%0	%10	%20	%50	%75	%100	%150	%200	%250						
Surplus credit risk weighted	-	-	769.297	13.488.578	18.741.530	45.035.231	2.802.965	15.541.194	479.215	-	-	800.159	13.607.349	19.073.381	45.683.440	2.862.602	15.819.848	901.950						
Risk classifications:																								
Claims on sovereigns and Central Banks	42.158.464	-	2.103	3.263.563	-	-	-	-	-	42.297.793	-	2.103	3.263.563	-	27.819	-	-	-						
Claims on regional governments or local authorities	15.263	-	105.922	-	-	-	-	-	-	15.263	-	105.922	-	-	-	-	-	-						
Claims on administrative bodies and other non-commercial undertakings	25.996	-	69.404	-	-	234.019	-	-	-	25.996	-	69.404	-	-	234.019	-	-	-						
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Claims on banks and intermediary institutions	943.020	-	2.720.869	2.217.224	-	95.717	-	-	-	384.913	-	2.875.177	2.321.623	-	3.551	-	-	-						
Claims on corporates	695.938	-	174.543	114.453	-	40.280.067	-	-	-	677.864	-	174.543	114.453	-	42.555.915	-	-	-						
Claims included in the regulatory retail portfolios	1.369.452	-	121.612	-	24.693.930	755.392	-	-	-	1.369.452	-	121.612	-	25.135.609	760.503	-	-	-						
Claims secured by residential property	24.524	-	4.884	21.246.652	-	-	-	-	-	24.524	-	4.884	21.379.796	-	-	-	-	-						
Overdue loans	-	-	-	135.263	-	411.775	-	-	-	-	-	-	135.263	-	504.521	-	-	-						
Higher risk categories decided by the Board	-	-	-	-	-	-	1.868.643	7.770.597	90.158	-	-	-	-	-	1.908.401	7.909.924	102.989	-						
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Securitization positions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Other receivables	2.847.522	-	647.149	-	294.777	3.258.261	-	-	101.528	2.911.367	-	647.149	-	295.565	1.597.112	-	-	257.791						
Risk Weight																								
Prior Period																								
The Parent Bank																								
Risk Weight																								
Consolidated																								
Surplus credit risk weighted	-	-	769.511	12.410.776	18.463.130	42.695.656	2.831.976	16.252.590	55.233	-	-	792.814	12.487.852	18.849.767	42.968.682	2.888.553	16.514.052	84.843						
Risk classifications:																								
Claims on sovereigns and Central Banks	37.852.013	-	3.019	2.962.044	-	-	-	-	-	37.980.502	-	3.019	2.962.044	-	45.608	-	-	-						
Claims on regional governments or local authorities	12.789	-	146.101	-	-	-	-	-	-	12.789	-	146.101	-	-	-	-	-	-						
Claims on administrative bodies and other non-commercial undertakings	5.994	-	90.171	-	-	198.700	-	-	-	5.994	-	90.171	-	-	198.700	-	-	-						
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Claims on banks and intermediary institutions	905.334	-	2.847.484	1.249.649	-	77.716	-	-	-	484.712	-	2.963.742	1.274.584	-	1.927	-	-	-						
Claims on corporates	352.281	-	196.735	116.148	-	38.105.789	-	-	-	334.475	-	196.992	116.166	-	40.159.921	-	-	-						
Claims included in the regulatory retail portfolios	1.360.345	-	121.908	-	24.348.943	581.744	-	-	-	1.360.345	-	121.908	-	24.863.632	586.462	-	-	-						
Claims secured by residential property	24.109	-	5.046	20.362.629	-	-	-	-	-	24.109	-	5.046	20.491.827	-	-	-	-	-						
Overdue loans	-	-	-	131.082	-	303.767	-	-	-	-	-	-	131.082	-	423.294	-	-	-						
Higher risk categories decided by the Board	-	-	-	-	-	-	1.887.984	8.126.295	22.093	-	-	-	-	-	1.925.702	8.257.026	33.937	-						
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Securitization positions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Other receivables	2.831.355	-	437.091	-	268.563	3.427.940	-	-	-	2.865.474	-	437.091	-	269.391	1.552.770	-	-	-						

⁽¹⁾ As of 31 March 2014, overdue finance lease receivables amounting to TRY 91.112 is included in the 100% risk weighted of overdue loans above. (31 December 2013: TRY 117.696)

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO (continued)

2. Consolidated Capital adequacy ratio summary:

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
A Capital to be employed for credit risk (Amount subject to credit risk*0,08) (I)	7.748.641	7.478.310	7.899.898	7.566.925
B Capital to be employed for market risk (II)	300.391	243.150	284.673	248.356
C Capital to be employed for operational risk (III)	810.323	712.998	875.751	748.688
Shareholders' equity ⁽¹⁾	15.362.101	14.663.982	14.667.434	14.246.513
Shareholders' equity / (I+II+III) * 12.5*100	13,87	13,91	12,95	13,31
Core Capital/((CRCR+MRCR+OROR)*12.5)*100	12,89	-	11,98	-
Tier I Capital/((CRCR+MRCR+OROR)*12.5)*100	12,92	-	12,03	-

⁽¹⁾ Current period capital is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette No.28756 dated 5 September 2013.

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I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO (continued)

3. Information on equity items:

	Current Period
COMMON EQUITY TIER 1 CAPITAL	
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451
Share Premium	39.009
Share Cancellation Profits	-
Legal Reserves	8.072.588
Other Comprehensive Income according to TAS	(271.883)
Profit	3.129.346
Net Current Period Profit	492.742
Prior Period Profit	2.636.604
Provisions for Possible Losses	132.231
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit Minority shares	4.035
Minority shares	133.546
Common Equity Tier 1 capital before regulatory adjustments	13.709.323
Common Equity Tier 1 capital: regulatory adjustments	
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)	-
Leasehold improvements on operational leases (-)	68.971
Goodwill and intangible assets and related deferred tax liabilities (-)	13.814
Net deferred tax assets / liabilities (-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Investments in own common equity (-)	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Mortgage servicing rights (amount above 10% threshold) (-)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-
Mortgage servicing rights (amount above 10% threshold) (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be defined by the regulator (-)	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions (-)	-
Total regulatory adjustments to Common equity Tier 1	82.785
Common Equity Tier 1 capital	13.626.538
ADDITIONAL TIER 1 CAPITAL	
Privileged stocks which are not included in common equity and share premiums	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 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	-
Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments	-
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital (-)	-
Other items to be Defined by the regulator (-)	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions (-)	-

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I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO (continued)

3. Information on equity items: (continued)

	Current Period
Total regulatory adjustments to Additional Tier 1 capital	-
Additional Tier 1 capital	-
Regulatory adjustments to Common Equity	-
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 (-)	55.257
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Tier 1 capital	13.571.281
TIER 2 CAPITAL	
Directly issued qualifying Tier 2 instruments (that are approved by the regulatory) plus related stock surplus (Issued or Obtained after 01.01.2014)	-
Directly issued qualifying Tier 2 instruments (that are approved by the regulatory) plus related stock surplus (Issued or Obtained before 01.01.2014)	-
Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders	-
Generic Provisions	1.171.708
Additional shares in the capital of third parties	-
Tier 2 capital before regulatory adjustments	1.171.708
Tier 2 capital: regulatory adjustments	-
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Consolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the regulator (-)	-
Total regulatory adjustments to Tier 2 capital	-
Tier 2 capital	1.171.708
CAPITAL	14.742.989
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	34.939
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 (-)	40.616
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
EQUITY	14.667.434
Amounts below the thresholds for deduction	
Remaining Total of Net Long Positions of the Investments in Own Fund Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital	13.780
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	1.021.407
Remaining mortgage servicing rights	-
Net deferred tax assets arising from temporary differences	162.142

(*) According to the subparagraph (ç) under the paragraph 4 of the Article 6 of Regulation on Equity of Banks which was enacted as of the date 1 January 2014, the dividend amounted TL 275,084 which was decided to be shared in General Assembly was not included.

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I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO (continued)

3. Information on equity items: (continued)

	Prior Period
CORE CAPITAL	
Paid-in capital	1.250.000
<i>Nominal capital</i>	1.250.000
<i>Capital commitments (-)</i>	-
Adjustment to paid-in capital	1.220.451
Share premium	39.009
Share repeal	-
Legal reserves	8.063.847
Adjustment to legal reserves	-
Profit	2.917.247
<i>Net current period profit</i>	2.842.698
<i>Prior period profit</i>	74.549
Provisions for possible losses up to 25% of core capital	132.231
Profit on sale of associates, subsidiaries and buildings	-
Primary subordinated loans	-
Minority shares	162.947
Loss that is not covered with reserves (-)	-
<i>Net current period loss</i>	-
<i>Prior period loss</i>	-
Development cost of operating lease (-)	71.033
Intangible assets (-)	67.039
Deferred-assets for tax which exceeds 10% of core capital (-)	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-
Goodwill (Net) (-)	-
Total Core Capital	13.647.660
SUPPLEMENTARY CAPITAL	
General reserves	1.142.413
45% of increase in revaluation fund of movables	-
45% of increase in revaluation fund of fixed assets	-
Free shares from investment and associates, subsidiaries and joint ventures that is not recognized in profit	2.183
Primary subordinated loans which are ignored in the calculation of core capital	-
Secondary subordinated loans	-
45% of value increase fund of financial assets available for sale and associates and subsidiaries	(293.870)
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)	-
Minority shares	-
Total Supplementary Capital	850.726
CAPITAL	14.498.386
DEDUCTIONS FROM THE CAPITAL	251.873
Equity Shares in Banks and Financial Institutions Which Are Excluded from the Consolidation	-
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated debt and debt instruments purchased from such parties qualified as primary or secondary subordinated debt	-
Shareholdings in the banks and financial institutions which are accounted for under the equity pick up method but the assets and liabilities are not consolidated	220.732
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-
The net book value of properties exceeding 50% of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	29.717
Securitization Positions to be Deducted from Equity	-
Other	1.424
TOTAL SHAREHOLDERS' EQUITY	14.246.513

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I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO (continued)

3. Information on equity items: (continued)

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	-	-	133.546	166.171
Shares of Third Parties in Additional Core Capital	-	-	-	-
Shares of Third Parties in Tier II Capital	-	-	-	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained before 01.01.2014)	-	-	-	-

b) Details on subordinated liabilities:

None.

4. Information on assessment process of internal capital adequacy requirements:

The Parent Bank uses economic capital model in the process of internal capital adequacy assessment process. Calculations are done by considering the confidence interval which corresponds to the rating targeted by the Parent Bank. In the analyses, credit risk, market risk, operational risk and asset - liability management risks and correlation effect are taken into account, correlation effect is considered while risks are consolidated. The Parent Bank takes one year period into account in its calculations.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK

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

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

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

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

As prescribed in the Communiqué on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions", the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Credit limits are determined according to the audited statement of accounts. Guarantee factors are developed in accordance with the decision of the Parent Bank's Credit Committee and updated according to the top management's initiatives and changes in the economic conditions. The Group receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

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 March 2014, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 20,36% and 25,32% of its total cash loans.

As of 31 March 2014, receivables of the Group from its top 100 and 200 non-cash loan customers are respectively 52,13% and 62,96% of its total non-cash loans.

As of 31 March 2014, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 15,30% and 19,45% of its total balance sheet and off-balance sheet assets.

As of 31 March 2014, general loan loss provision related to the credit risk incurred by the Group in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 1.171.708 (31 December 2013: TRY 1.142.413).

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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 28337 of 28 June 2012 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	Previous period
(I) Capital requirement to be employed for general market risk	213.425	179.534
(II) Capital requirement to be employed for specific risk	34.458	29.441
(III) Capital requirement to be employed for specific risk in securitization positions- Standard Method	-	-
(IV)Capital requirement to be employed for currency risk	28.801	34.091
(V)Capital requirement to be employed for commodity risk	-	-
(VI)Capital requirement to be employed for clearing risk	-	-
(VII)Total capital requirement to be employed for counterparty credit risk– Standard method	2.538	96
(VIII)Capital requirement to be employed for general market risk.	5.451	5.194
(IX) Total capital requirement to be employed for market risk	-	-
(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)	284.673	248.356
(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)	3.558.413	3.104.450

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III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK

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. Because possible falls or rises in rating affects the current replacement cost, margin call agreements are used as a risk mitigator.

Gross positive fair value of contracts, the securities which are held and the net position of derivatives are disclosed below.

	Amount*
Contracts based on Interest rate	4.186
Contracts based on currency	110.156
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	114.342
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	35.207
The net position of derivatives	114.342

(*) Counterparty risk related to the trading accounts is included.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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 28337 on 28 June 2012. In the Basic Indicator Method, the amount subject to operational risk is calculated by multiplying 15% of the Group's average gross revenue over the previous three years with 12,5. Amount subject to operational risk is TRY 10.946.889 for the current period. (31 December 2013: 9.358.597 TL).

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 March 2014 and the previous five working days in full TRY are as follows:

	24.03.2014	25.03.2014	26.03.2014	27.03.2014	28.03.2014	31.03.2014
USD	2,2150000	2,2050000	2,1750000	2,1600000	2,1700000	2,1400000
CHF	2,4996000	2,4895000	2,4530000	2,4381000	2,4428000	2,4160000
GBP	3,6442000	3,6390000	3,5962000	3,5892000	3,6045000	3,5627000
JPY	0,0216290	0,0215282	0,0212156	0,0211333	0,0210588	0,0207415
EURO	3,0509000	3,0405000	2,9983000	2,9740000	2,9829000	2,9479000

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 31 March 2014 are as follows:

	Monthly average
USD	2,1916667
CHF	2,4851905
GBP	3,6375857
JPY	0,0213815
EURO	3,0304143

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK
(continued)

Information related to the consolidated currency risk:

Current Period	EURO	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	7.230.416	6.499.577	2.522.079	16.252.072
Banks	1.587.511	231.090	406.535	2.225.136
Financial assets at fair value through profit and loss ⁽³⁾	20.443	57.333	435	78.211
Money market placements	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	738.010	1.511.684	59.065	2.308.759
Loans ⁽²⁾	9.443.572	16.141.615	436.366	26.021.553
Subsidiaries, associates and entities under common control ⁽⁵⁾	209.203	-	-	209.203
Held-to-maturity investments	-	1.262.385	101.292	1.363.677
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	37.670	37.670
Intangible assets	-	-	-	-
Other assets ⁽³⁾	775.517	932.513	45.393	1.753.423
Total assets	20.004.672	26.636.197	3.608.835	50.249.704
Liabilities				
Bank deposits	5.081.189	1.494.813	388.051	6.964.053
Foreign currency deposits	16.161.060	11.315.772	2.084.802	29.561.634
Money market balances	-	-	-	-
Funds provided from other financial institutions	6.382.095	7.939.134	44.588	14.365.817
Bonds issued	-	3.214.618	-	3.214.618
Sundry creditors	33.530	47.376	90	80.996
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	125.353	137.425	307.821	570.599
Total liabilities	27.783.227	24.149.138	2.825.352	54.757.717
Net balance sheet position	(7.778.555)	2.487.059	783.483	(4.508.013)
Net off-balance sheet position				
Financial derivative assets ⁽⁴⁾	8.375.099	3.648.222	622.890	12.646.211
Financial derivative liabilities ⁽⁴⁾	574.736	6.151.771	1.273.678	8.000.185
Non-cash loans ⁽¹⁾	3.988.937	9.288.375	356.039	13.633.351
Prior period				
Total assets	20.408.469	26.557.729	3.082.249	50.048.447
Total liabilities	26.922.713	23.707.980	3.030.907	53.661.600
Net balance sheet position	(6.514.244)	2.849.749	51.342	(3.613.153)
Net off-balance sheet position				
Financial derivative assets	7.538.178	1.528.531	521.062	9.587.771
Financial derivative liabilities	963.916	4.396.238	436.598	5.796.752
Non-cash loans ⁽¹⁾	4.025.819	9.854.410	427.717	14.307.946

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

⁽²⁾ Includes TRY 980.891 of foreign currency indexed loans and their accruals. (31 December 2013: 861.262 TL)

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 43.023), foreign currency intangible assets (TRY 16.952), prepaid expenses (TRY 99) in assets; and derivative financial instruments foreign currency expense accruals (TRY 134.646) and shareholders' equity (TRY 86.730) and foreign currency minority shares (TRY 2.027) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include credit default swaps amounting to TRY 51.061 and forward precious metal purchase transactions amounted to TRY 890.885.

⁽⁵⁾ Macar Halkbank (TRY 2.063) and International Garagum Bank (TRY 250), followed as available for sale items in foreign currency, are presented in financials with their historical costs since they are non-monetary financial items.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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.

Since the Parent Bank does not permit maturity mismatches or imposes limits on the mismatch, significant interest rate risk exposures are not expected.

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	49.089	-	-	-	-	19.532.645	19.581.734
Banks and financial institutions	1.591.409	137.894	6.093	-	-	581.198	2.316.594
Financial assets at fair value through profit and loss	50.491	41.434	38.502	47.347	4.741	2.845	185.360
Money market placements	2.191	230.228	-	-	-	-	232.419
Financial assets available-for-sale	2.864.422	551.279	1.440.424	2.629.232	3.393.235	17.590	10.896.182
Loans	29.452.172	14.476.338	18.607.430	20.342.012	3.444.282	2.118.820	88.441.054
Held-to-maturity investments	9.691.256	1.128.493	1.244.155	3.138.228	4.116.903	-	19.319.035
Other assets ^{(1), (2)}	142.052	348.562	623.078	1.187.036	122.028	4.044.831	6.467.587
Total assets	43.843.082	16.914.228	21.959.682	27.343.855	11.081.189	26.297.929	147.439.965
Liabilities							
Bank deposits	5.639.662	590.108	512.449	-	-	5.174.705	11.916.924
Other deposits	48.332.301	17.996.687	7.356.994	214.454	-	14.174.521	88.074.957
Money market balances	5.326.119	403.673	-	-	-	-	5.729.792
Sundry creditors	648.338	863.393	116.427	16.046	-	79.649	1.723.853
Bonds issued	-	882.392	122.540	1.759.669	1.317.952	-	4.082.553
Funds provided from other financial institutions ⁽⁴⁾	3.463.435	3.222.235	6.388.581	2.035.042	373.885	21.201	15.504.379
Other liabilities ⁽³⁾	1.806.889	59.744	285.076	10.816	-	18.244.982	20.407.507
Total liabilities	65.216.744	24.018.232	14.782.067	4.036.027	1.691.837	37.695.058	147.439.965
Balance sheet long position	-	-	7.177.615	23.307.828	9.389.352	-	39.874.795
Balance sheet short position	(21.373.662)	(7.104.004)	-	-	-	(11.397.129)	(39.874.795)
Off-balance sheet long position	64.993	40.461	76.568	-	-	-	182.022
Off-balance sheet short position	(65.056)	(40.465)	(76.568)	-	-	-	(182.089)
Total position	(21.373.725)	(7.104.008)	7.177.615	23.307.828	9.389.352	(11.397.129)	(67)

⁽¹⁾ TRY 34.157 of deferred tax assets is disclosed under the non interest bearing column in other assets and TRY 2.957 of deferred tax liability is disclosed under the non interest bearing column in other liabilities.

⁽²⁾ TRY 548.672 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK (continued)

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	44.863	-	-	-	-	19.976.532	20.021.395
Banks and financial institutions	1.609.825	41.900	3.597	-	-	253.453	1.908.775
Financial assets at fair value through profit and loss	71.262	34.757	33.361	38.591	5.064	2.285	185.320
Money market placements	5.894	224.790	-	-	-	-	230.684
Financial assets available-for-sale	3.144.728	577.210	919.915	2.231.002	2.938.485	16.609	9.827.949
Loans	27.002.168	14.937.717	17.089.045	20.117.591	3.397.759	1.987.967	84.532.247
Held-to-maturity investments	9.372.162	1.603.846	1.347.360	2.776.533	3.873.697	-	18.973.598
Other assets ^{(1),(2)}	146.848	275.099	522.559	997.360	158.806	3.755.642	5.856.314
Total assets	41.397.750	17.695.319	19.915.837	26.161.077	10.373.811	25.992.488	141.536.282
Liabilities							
Bank deposits	5.825.580	306.452	300.159	-	-	3.585.113	10.017.304
Other deposits	46.932.167	19.249.198	8.913.188	176.096	160	15.107.066	90.377.875
Money market balances	771.416	490.060	-	-	-	-	1.261.476
Sundry creditors	581.718	36.279	894.565	9.029	-	171.574	1.693.165
Bonds issued	38.663	30.694	1.001.133	1.763.434	1.317.742	-	4.151.666
Funds provided from other financial institutions ⁽⁴⁾	2.712.827	3.910.918	6.039.498	1.817.549	600.301	5.259	15.086.352
Other liabilities ⁽³⁾	1.235.127	99.493	486.191	9.640	-	17.117.993	18.948.444
Total liabilities	58.097.498	24.123.094	17.634.734	3.775.748	1.918.203	35.987.005	141.536.282
Balance sheet long position	-	-	2.281.103	22.385.329	8.455.608	-	33.122.040
Balance sheet short position	(16.699.748)	(6.427.775)	-	-	-	(9.994.517)	(33.122.040)
Off-balance sheet long position	12.410	10.146	6.893	-	-	-	29.449
Off-balance sheet short position	(12.020)	(10.535)	(6.896)	-	-	-	(29.451)
Total position	(16.699.358)	(6.428.164)	2.281.100	22.385.329	8.455.608	(9.994.517)	(2)

⁽¹⁾ TRY 16.771 of deferred tax assets is disclosed under the non-interest bearing column in other assets and TRY 2.456 of deferred tax liability is disclosed under the non interest bearing column in other liabilities.

⁽²⁾ TRY 436.680 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

⁽³⁾ Shareholders' equity balance is disclosed under the non-interest bearing column.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

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VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK (continued)

2. Average interest rates applied to financial instruments:

Current period	EURO	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,1-0,50	-	-	3,50
Due from other banks and financial institutions ⁽¹⁾	1,11	2,14	-	11,87
Financial assets at fair value through profit and loss	-	2,92	-	10,69
Money market placements	-	-	-	-
Available-for-sale financial assets	5,39	6,12	-	9,03
Loans ⁽²⁾	4,94	4,93	-	11,83
Held-to-maturity investments	-	5,95	-	9,44
Liabilities				
Bank deposits	0,49	1,32	-	12,96
Other deposits ⁽⁴⁾	2,77	2,66	-	10,43
Money market borrowings	-	-	-	9,86
Sundry creditors ⁽³⁾	-	-	-	3,56
Bonds issued	-	4,38	-	9,14
Funds provided from other financial institutions	1,19	1,66	-	7,30
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,1-0,50	-	-	3,50
Due from other banks and financial institutions ⁽¹⁾	0,28	0,41	-	8,48
Financial assets at fair value through profit and loss	-	3,20	-	9,80
Money market placements	-	-	-	-
Available-for-sale financial assets	5,41	6,00	-	8,47
Loans ⁽²⁾	4,26	4,15	-	11,04
Held-to-maturity investments	-	5,89	-	8,95
Liabilities				
Bank deposits	0,53	1,29	-	8,83
Other deposits	2,82	2,64	0,25	8,19
Money market borrowings	0,55	1,09	-	6,00
Sundry creditors	-	-	-	3,56
Bonds issued	-	4,38	-	9,13
Funds provided from other financial institutions ⁽⁴⁾	1,15	1,68	-	7,95

⁽¹⁾ Interest rates are calculated using weighted average method for money placement amounts as of balance sheet date.

⁽²⁾ Interest rates are calculated using weighted average method for loans given as of balance sheet date. Calculated rates may vary from Bank's announced interest rates.

⁽³⁾ 75% of the declared maximum deposits interest rate with a maturity of twelve months as of 31 March 2014.

⁽⁴⁾ Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 March 2014.

⁽⁵⁾ Required reserve ratio of the Central Bank of TRNC and Central Bank of Macedonia.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK (continued)

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		Applied Shock	Gains/ Losses	Gains/Shareholders' Equity –
Currency		(+/- x basis points)		Losses/ Shareholders' Equity
1	TRY	500	(2.071.512)	(%13,45)
		(400)	2.134.513	%13,86
2	EURO	200	408.856	%2,66
		(200)	(442.021)	(%2,87)
3	USD	200	(2.896)	(%0,02)
		(200)	76.780	%0,50
Total (For negative shocks)			1.769.272	%11,49
Total (For positive shocks)			(1.665.552)	(%10,82)

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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
1. Associates	229.952	-	-
Quoted in a stock exchange	-	-	-
2. Subsidiaries	30.604	30.604	-
Quoted in a stock exchange	-	-	-

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

Portfolio	Realized gains (losses) in the current period	Revaluated appreciation in the fair value		Unrealized gains and losses		
		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	-	3.730	3.730	-	-	-
Total	-	3.730	3.730	-	-	-

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK

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

Meeting the liquidity needs of the Parent Bank, domestic and foreign markets are being used. Due to the fact that the Bank's liquidity need is at low levels, the bank may provide funding easily (CB, ISEM, interbank money market and other markets). When it is considered that local and foreign currency deposit account's interest rates are lower than the peer group's averages it can be realized that the Parent Bank will be able to increase its market share if necessary. The money market borrowing facilities and the Eurobond portfolio of the Parent Bank provides an important potential funding opportunity to the Parent Bank.

The main funding source of the Group is deposit accounts. Nonetheless, the securities portfolio is mainly composed of available for sale and held to maturity securities.

The Board of Directors of the Parent Bank monitors both the BRSA and contingency plan liquidity ratios. The liquidity opportunities which will be applied in case of a liquidity shortage are defined in the contingency plans.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK (continued)

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	4.931.938	3.794.431	5.953.256	4.834.066	67.843	200	-	19.581.734
Banks	581.198	1.591.409	137.894	6.093	-	-	-	2.316.594
Financial assets at fair value through profit and loss	1.798	50.462	41.434	38.531	47.347	4.741	1.047	185.360
Money market placements	-	2.191	230.228	-	-	-	-	232.419
Financial assets available-for-sale	-	211.264	205.148	1.026.874	3.905.924	5.529.382	17.590	10.896.182
Loans ⁽²⁾	701.401	6.909.170	8.163.832	28.714.170	37.617.485	6.334.996	-	88.441.054
Held-to-maturity investments	-	708.202	1.263.768	3.201.478	5.046.515	9.099.072	-	19.319.035
Other assets ⁽³⁾	525.216	120.983	363.178	620.803	1.193.084	124.708	3.519.615	6.467.587
Total assets	6.741.551	13.388.112	16.358.738	38.442.015	47.878.198	21.093.099	3.538.252	147.439.965
Liabilities								
Bank deposits	5.174.705	5.639.662	590.108	512.449	-	-	-	11.916.924
Other deposits	14.174.521	48.327.256	17.979.922	7.290.991	297.019	5.248	-	88.074.957
Funds provided from other financial institutions ⁽⁴⁾	1.734	998.427	2.281.619	6.585.412	3.885.386	1.733.388	18.413	15.504.379
Money market balances	-	5.326.119	403.673	-	-	-	-	5.729.792
Bonds issued	-	-	882.392	122.540	1.759.669	1.317.952	-	4.082.553
Sundry creditors	42.481	672.424	103.042	291.658	569.827	39	44.382	1.723.853
Other liabilities ⁽¹⁾	3.541.663	752.063	136.037	1.148.066	205.410	169.861	14.454.407	20.407.507
Total liabilities	22.935.104	61.715.951	22.376.793	15.951.116	6.717.311	3.226.488	14.517.202	147.439.965
Liquidity gap	(16.193.553)	(48.327.839)	(6.018.055)	22.490.899	41.160.887	17.866.611	(10.978.950)	-
Previous period								
Total assets	6.825.206	12.742.304	14.807.810	37.809.100	47.022.154	19.455.377	2.874.331	141.536.282
Total liabilities	22.103.258	54.959.959	21.354.924	18.957.867	6.479.275	3.576.989	14.104.010	141.536.282
Liquidity gap	(15.278.052)	(42.217.655)	(6.547.114)	18.851.233	40.542.879	15.878.388	(11.229.679)	-

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

⁽²⁾ TRY 548.672 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

⁽³⁾ Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses, deferred tax assets and receivables from NPL are disclosed in other assets under the undistributed column.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

IX. EXPLANATIONS RELATED TO THE CONSOLIDATED SECURITIZATION POSITIONS:

Securitization positions:

None.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

X. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK MITIGATION TECHNIQUES:

Credit risk mitigation techniques:

The Group does not apply any netting process on balance sheet and off balance sheet items. .

The risk mitigators that are used in credit process are stated below:

- Financial collaterals (Government securities, cash, deposit pledge, gold, stock pledge)
- Guarantees
- Mortgage (In the implementation of the Basel II, although, risk mortgage loans evaluated as a class, in terms of valuation methods and concentrations they are also given in this section).

The financial collaterals are revaluated by daily basis by the Parent Bank. The credibility of guarantors is monitored within the framework of credit revision periods.

The value of the mortgages is being revalued during the credit period.

The revaluation of the mortgages whose value are more than TRY 3.000 or 5% of the Parent Bank's shareholders' equity are being made by the firms authorized by BRSA or Capital Market Board.

Only Treasury and the Group's guarantees are taken into account as risk mitigator within the framework of BRSA regulations. Besides, the credibility of Banks is reviewed periodically.

The volatility of mortgage portfolio is monitored closely by the Group and the market fluctuations are considered in credit activities.

Standard volatility adjustments are taken into account regarding to portfolios in which comprehensive approach is used.

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	45.591.278	5.147.309	-	-
Claims on regional governments or local authorities	121.185	17.263	-	-
Claims on administrative bodies and other non-commercial undertakings	329.419	28.491	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	5.585.264	-	-	-
Claims on corporate	43.522.775	944.882	-	302.409
Claims included in the regulatory retail portfolios	27.387.176	1.580.471	-	145.627
Claims secured by residential property	21.409.204	29.504	-	-
Overdue loans	639.784	-	-	-
Higher risk categories decided by the Board	9.921.314	-	-	-
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	5.708.984	-	-	-
Total	160.216.383	7.747.920	-	448.036

(*)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.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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 Directorates 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 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.

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XI. EXPLANATIONS RELATED TO THE CONSOLIDATED RISK MANAGEMENT TARGET AND POLICIES (continued)

Risk management target and policies (continued):

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.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION

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

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

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

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

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

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

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

- Accepting deposits,
- Issuance of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money transfer, insurance agency services,
- Rendering insurance agency transactions,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement composed by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering,
- Trading the capital market instruments issued for the purpose of performing intermediary services.

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

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XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION (continued)

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 March 2014 are presented in the table below.

Current Period	Corporate	Commercial	Integrated	Treasury / Investment ⁽¹⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES							
Interest income	423.531	300.905	2.678.969	2.162.604	55.291	(2.816.847)	2.804.453
<i>Interest on loans</i>	253.084	252.393	1.411.703	107.552	-	-	2.024.732
<i>Interest income on marketable securities</i>	-	-	-	714.754	9.363	-	724.117
<i>Interest received from banks</i>	-	-	-	5.716	1.994	-	7.710
<i>Other interest income⁽²⁾</i>	170.447	48.512	1.267.266	1.334.582	43.934	(2.816.847)	47.894
Interest expense	263.501	171.647	2.144.960	1.802.260	21.693	(2.816.847)	1.587.214
<i>Interest on deposits</i>	151.853	43.237	1.023.940	85.786	-	-	1.304.816
<i>Interest on borrowings</i>	726	3.625	3.994	58.825	19.111	-	86.281
<i>Interest on money market borrowings</i>	-	-	-	113.229	-	-	113.229
<i>Interest on marketable bonds issued</i>	-	-	-	57.970	2.582	-	60.552
<i>Other interest expense⁽²⁾</i>	110.922	124.785	1.117.026	1.486.450	-	(2.816.847)	22.336
Net interest income	160.030	129.258	534.009	360.344	33.598	-	1.217.239
Net fees and commissions income	38.683	21.964	136.847	16.772	(1.665)	-	212.601
Net trading profit / (loss)	-	-	-	(80.089)	1.619	-	(78.470)
Dividend income	-	-	-	7.649	3.503	-	11.152
Other income	2.428	20.578	78.603	24.257	104.108	-	229.974
Loans and other receivables' impairment loss	103	30.473	93.840	71.163	43.227	-	238.806
Other expenses	4.189	15.130	312.075	363.622	44.211	-	739.227
Income before taxes	196.849	126.197	343.544	(105.852)	53.725	-	614.463
Income tax provision	-	-	-	(113.613)	(4.989)	-	(118.602)
Net profit for the period	196.849	126.197	343.544	(219.465)	48.736	-	495.861
SEGMENT ASSETS							
Marketable securities	-	-	-	30.009.091	281.734	-	30.290.825
Derivative financial assets held for trading	-	-	-	109.752	-	-	109.752
Banks and money market receivables	-	-	-	2.525.519	23.494	-	2.549.013
Associates and subsidiaries (net)	-	-	-	260.556	-	-	260.556
Loans	14.618.529	13.821.244	52.593.972	7.955.981	-	-	88.989.726
Other assets ⁽¹⁾	1.412	10.436	830.039	21.916.267	2.481.939	-	25.240.093
TOTAL ASSETS	14.619.941	13.831.680	53.424.011	62.777.166	2.787.167	-	147.439.965
SEGMENT LIABILITIES							
Deposits	12.174.158	4.190.912	65.854.340	17.772.471	-	-	99.991.881
Derivative financial liabilities held for trading	-	-	-	162.216	10.816	-	173.032
Money market balances	-	-	-	5.729.792	-	-	5.729.792
Borrowing funding loans	22.241	314.303	407.189	13.345.517	1.415.129	-	15.504.379
Bonds issued	-	-	-	3.982.421	100.132	-	4.082.553
Other liabilities	137.054	187.017	3.003.366	1.667.832	173.257	-	5.168.526
Provisions and tax payable	18.338	21.316	119.712	2,145,779	599,856	-	2,905,001
Shareholders' equity	-	-	-	13,140,513	744,288	-	13,884,801
TOTAL LIABILITIES	12.351.791	4.713.548	69.384.607	57.946.541	3.043.478	-	147.439.965
OFF BALANCE SHEET ITEMS							
Guarantees and surety ships	12.335.607	6,023,207	6,940,905	1,358,534	57,831	-	26,716,084
Commitments	42.031	530.249	7,133,396	10,986,714	253,558	-	18,945,948
Derivative financial instruments	-	-	-	27,967,081	275,208	-	28,242,289

(1) Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.498.384 (net) and deferred tax assets amounting TRY 34.157 in other assets are presented under the Treasury / Investment column.

(2) Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.

(3) Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, and Halk Faktoring AŞ transactions are shown in other column.

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XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION (continued)

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 December 2013 are presented in the table below.

Prior Period	Corporate	Commercial	Integrated	Treasury / Investment ⁽¹⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES							
Interest income	279.510	228.345	2.134.033	1.703.808	26.530	(2.082.919)	2.289.307
<i>Interest on loans</i>	175.340	185.040	1.273.640	97.509	-	-	1.731.529
<i>Interest income on marketable securities</i>	-	-	-	521.835	4.543	-	526.378
<i>Interest received from banks</i>	-	-	-	3.925	1	-	3.926
<i>Other interest income⁽²⁾</i>	104.170	43.305	860.393	1.080.539	21.986	(2.082.919)	27.474
Interest expense	161.765	131.024	1.677.057	1.117.716	8.500	(2.082.919)	1.013.143
<i>Interest on deposits</i>	91.226	41.488	738.509	28.176	-	-	899.399
<i>Interest on borrowings</i>	555	3.430	3.151	35.524	7.991	-	50.651
<i>Interest on money market borrowings</i>	-	-	-	8.741	-	-	8.741
<i>Interest on marketable bonds issued</i>	-	-	-	35.686	509	-	36.195
<i>Other interest expense⁽²⁾</i>	69.984	86.106	935.397	1.009.589	-	(2.082.919)	18.157
Net interest income	117.745	97.321	456.976	586.092	18.030	-	1.276.164
Net fees and commissions income	43.816	27.111	127.442	23.617	(23.901)	-	198.085
Net trading profit / (loss)	-	-	-	181.474	1.254	-	182.728
Dividend income	-	-	-	2	-	-	2
Other income	6.975	21.002	55.280	36.280	131.946	-	251.483
Loans and other receivables' impairment loss	6.099	19.464	115.507	50.118	1.577	-	192.765
Other expenses	8.914	15.081	283.153	349.527	103.872	-	760.547
Income before taxes	153.523	110.889	241.038	427.820	21.880	-	955.150
Income tax provision	-	-	-	(204.079)	(9.468)	-	(213.547)
Net profit for the period	153.523	110.889	241.038	223.741	12.412	-	741.603
SEGMENT ASSETS							
Marketable securities	-	-	-	28.549.315	297.888	-	28.847.203
Derivative financial assets held for trading	-	-	-	139.664	-	-	139.664
Banks and money market receivables	-	-	-	2.118.646	20.813	-	2.139.459
Associates and subsidiaries (net)	-	-	-	257.655	-	-	257.655
Loans	13.130.413	12.780.356	51.364.586	7.693.572	-	-	84.968.927
Other assets ⁽¹⁾	1.582	11.057	883.741	22.035.152	2.251.842	-	25.183.374
TOTAL ASSETS	13.131.995	12.791.413	52.248.327	60.794.004	2.570.543	-	141.536.282
SEGMENT LIABILITIES							
Deposits	12.756.670	4.518.277	67.171.161	15.949.071	-	-	100.395.179
Derivative financial liabilities held for trading	-	-	-	43.852	9.640	-	53.492
Money market balances	-	-	-	1.261.476	-	-	1.261.476
Borrowing funding loans	20.257	315.600	417.038	12.965.143	1.368.314	-	15.086.352
Bonds issued	-	-	-	4.051.508	100.158	-	4.151.666
Other liabilities	111.541	201.343	2.939.419	1.141.664	144.417	-	4.538.384
Provisions and tax payable	21.488	21.027	120.307	1.950.006	565.890	-	2.678.718
Shareholders' equity	-	-	-	12.666.829	704.186	-	13.371.015
TOTAL LIABILITIES	12.909.956	5.056.247	70.647.925	50.029.549	2.892.605	-	141.536.282
OFF BALANCE SHEET ITEMS							
Guarantees and surety ships	13.710.270	6.326.256	6.746.366	255.285	82.252	-	27.120.429
Commitments	36.854	500.440	6.763.240	12.021.668	206.600	-	19.528.802
Derivative financial instruments	-	-	-	20.904.334	146.420	-	21.050.754

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.463.302 (net) and deferred tax assets amounting TRY 16.771 in other assets are presented under the Treasury / Investment column.

⁽²⁾ Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.

⁽³⁾ Halk Hayat Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ and Halk Portföy Yönetimi AŞ transactions are shown in other column.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

The Parent Bank performs buying transactions on behalf of customers, and gives custody, administration and consultancy services.

The Group does not engage in transaction based on trust.

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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	569.420	167.257	627.718	188.357
Central Bank of Turkey	2.760.242	16.056.991	2.173.404	17.006.682
Other	-	27.824	-	25.234
Total	3.329.662	16.252.072	2.801.122	17.220.273

⁽¹⁾As of 31 March 2014, blocked reserve deposits kept in Central Bank of Macedonia amounted TRY 27.819 (31 December 2013: TRY 24.942).

Information on the account of Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	2.751.191	1.416.252	2.164.297	1.570.064
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits ⁽²⁾	9.051	14.640.739	9.107	15.436.618
Total	2.760.242	16.056.991	2.173.404	17.006.682

⁽¹⁾ Reserve deposits kept in Central Bank of Turkey.

⁽²⁾ Blocked reserve deposits kept in Central Bank of Turkey and Central Bank of Cyprus.

The banks operating in Turkey keep reserve deposits for Turkish currency liabilities in TRY, USD, EUR and/or standard gold at the rates between 5% and 11,5% according to their maturities (31 December 2013: between 5% and 11% according to their maturities), foreign currency liabilities in USD, EUR and/or standard gold at the rates between 6% and 13% according to their maturities (31 December 2013: between 6% and 11,5% according to their maturities), respectively as per the Communiqué no.2011/11 and 2011/13 “Reserve Deposits” of the Central Bank of Turkey.

With the Board of Minutes No.827 dated 30 January 2014 of TRNC Central Bank’s, required reserve ratio is between 5% and 8% for foreign currency liabilities.

With the Board of Minutes No. 129 dated 2006 of Central Bank of Macedonia, required reserve ratio are 10% for MKD currency liabilities and 13% for foreign currency liabilities.

Reserve deposits required by the Central Bank of Turkey are not interest bearing except those kept by the Central Banks of TRNC and Macedonia.

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

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

The Group has TRY 1.754 of financial assets at fair value through profit and loss blocked/given as collateral in the current period (31 December 2013: TRY 1.007).

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

None.

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	62.111	-	26.470
Swap transactions	-	47.209	-	112.900
Futures transactions	-	-	-	-
Options	408	24	3	291
Other	-	-	-	-
Total	408	109.344	3	139.661

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

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

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	27.208	1.266.623	62.158	581.974
Foreign banks	64.250	958.513	100.491	1.164.152
Branches and offices abroad	-	-	-	-
Total	91.458	2.225.136	162.649	1.746.126

(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	147.254	857.361	172.200	857.722
Total	147.254	857.361	172.200	857.722

a.2. Information on financial assets available-for-sale subject to repurchase agreements:

The Group has TRY 4.313 of financial assets available-for-sale subject to repurchase agreements in the current period. (31 December 2013: TRY 4.638)

b) Information on financial assets available-for-sale portfolio:

	Current period	Prior period
Debt securities	10.996.163	9.994.476
<i>Quoted on a stock exchange</i>	10.996.163	9.994.476
<i>Not quoted</i>	-	-
Share certificates	36.473	35.505
<i>Quoted on a stock exchange</i>	274	-
<i>Not quoted</i>	36.199	35.505
Impairment provision(-)	136.454	202.032
Total	10.896.182	9.827.949

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

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

(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	177.443	-	167.537	-
Total	177.443	-	167.537	-

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
Cash loans					
Non-specialized loans	69.393.714	833.082	-	2.094.348	1.387.980
<i>Corporation loans</i>	40.714.333	684.892	-	1.811.608	1.384.372
<i>Export loans</i>	2.400.524	93.796	-	7.797	-
<i>Import loans</i>	-	-	-	-	-
<i>Loans given to financial sector</i>	1.827.983	427	-	-	-
<i>Consumer loans⁽¹⁾</i>	20.873.455	51.210	-	193.669	3.608
<i>Credit cards⁽²⁾</i>	2.640.025	-	-	66.528	-
<i>Other</i>	937.394	2.757	-	14.746	-
Specialized lending	15.630.465	74.814	-	175.646	3.781
Other receivables	-	-	-	-	-
Accruals	1.117.503	11.915	-	29.378	18.265
Total	86.141.682	919.811	-	2.299.372	1.410.026

⁽¹⁾ Includes TRY 131.241 of personnel loans.

⁽²⁾ Includes TRY 46.202 of personnel credit cards.

Number of modifications made to extend payment plan	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
Extended by 1 or 2 times	801.605	1.330.728
Extended by 3,4 or 5 times	91.991	58.195
Extended by more than 5 times	14.300	2.838

^(*) Accruals amounting to TRY 11.915 are not included in the table above.

^(**) Accruals amounting to TRY 18.265 are not included in the table above.

Extended period of time	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
0-6 Months	448.427	69.616
6 Months - 12 Months	181.617	26.055
1-2 Years	79.144	44.759
2-5 Years	184.871	222.217
5 Years and over	13.837	1.029.114

^(*) Accruals amounting to TRY 11.915 are not included in the table above.

^(**) Accruals amounting to TRY 18.265 are not included in the table above.

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

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

(5) Information on loans: (continued)

d) Information on consumer loans, individual credit cards, personnel loans and credit cards:

	Short-term	Medium and long-term	Total
Consumer loans-TRY	246.896	20.071.429	20.318.325
<i>Real estate loans</i>	2.246	9.418.165	9.420.411
<i>Automobile loans</i>	3.288	152.107	155.395
<i>Consumer loans</i>	241.241	10.448.261	10.689.502
<i>Other</i>	121	52.896	53.017
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	2.491	239.599	242.090
<i>Real estate loans</i>	43	17.157	17.200
<i>Automobile loans</i>	201	639	840
<i>Consumer loans</i>	2.077	211.562	213.639
<i>Other</i>	170	10.241	10.411
Individual credit cards-TRY	2.246.149	1.081	2.247.230
<i>Installment</i>	1.079.850	-	1.079.850
<i>Non-installment</i>	1.166.299	1.081	1.167.380
Individual credit cards-FC	50	25.986	26.036
<i>Installment</i>	-	25.986	25.986
<i>Non-installment</i>	50	-	50
Personnel loans-TRY	5.145	122.731	127.876
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	5.145	122.731	127.876
<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	114	3.251	3.365
<i>Real estate loans</i>	3	1.962	1.965
<i>Automobile loans</i>	-	20	20
<i>Consumer loans</i>	110	1.226	1.336
<i>Other</i>	1	43	44
Personnel credit cards-TRY	45.669	3	45.672
<i>Installment</i>	22.068	-	22.068
<i>Non-installment</i>	23.601	3	23.604
Personnel credit cards-FC	13	517	530
<i>Installment</i>	-	517	517
<i>Non-installment</i>	13	-	13
Overdraft accounts-TRY (Retail customer)	360.032	-	360.032
Overdraft accounts-FC (Retail customer)	15.436	-	15.436
Total	2.921.995	20.464.597	23.386.592

⁽¹⁾ Interest income accruals are not included in the table above.

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

(5) Information on loans: (continued)

e) Information on commercial installments loans and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	6.452	758.293	764.745
<i>Business residential loans</i>	889	429.338	430.227
<i>Automobile loans</i>	5.563	234.319	239.882
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	94.636	94.636
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	121.105	281.787	402.892
<i>Business residential loans</i>	-	47.445	47.445
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	121.105	234.342	355.447
Corporate credit cards-TRY	386.758	-	386.758
<i>Installment</i>	227.420	-	227.420
<i>Non-installment</i>	159.338	-	159.338
Corporate credit cards-FC	46	281	327
<i>Installment</i>	-	281	281
<i>Non-installment</i>	46	-	46
Overdraft accounts-TRY (Commercial customer)	439.201	-	439.201
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	953.562	1.040.361	1.993.923

(1) Interest and income accruals are not included in table above.

f) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	87.455.470	83.573.141
Foreign loans	985.584	959.106
Total	88.441.054	84.532.247

g) Loans granted to subsidiaries and associates:

None.

h) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	221.868	245.747
Loans and receivables with doubtful collectability	136.128	131.601
Uncollectible loans and receivables	1.537.865	1.450.180
Total	1.895.861	1.827.528

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

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

(5) Information on loans: (continued)

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

i.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
Current period	98.801	6.810	49.522
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	98.801	6.810	49.522
Prior period	145.197	8.194	84.801
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	145.197	8.194	84.801

i.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	379.296	217.315	1.667.597
Additions (+)	296.908	6.527	12.931
Transfers from other categories of loans under follow-up (+)	-	82.602	146.655
Transfers to other categories of loans under follow-up (-)	140.316	88.941	-
Collections (-)	61.076	15.346	59.619
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	474.812	202.157	1.767.564
Specific provision (-)	221.868	136.128	1.537.865
Net balance on balance sheet	252.944	66.029	229.699

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

(5) Information on loans: (continued)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	181.839	10.256	185.716
Specific provisions(-)	41.223	5.697	118.968
Net balance in the balance sheet	140.616	4.559	66.748
Prior period			
Balance at the end of the period	101.412	14.146	146.101
Specific provisions(-)	60.353	5.635	98.912
Net balance in the balance sheet	41.059	8.511	47.189

Foreign currency non-performing loans amounting to TRY 19.353 and their related provisions amounting to TRY 17.719 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.

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)			
Loans to granted real persons and legal entities (Gross)	474.675	199.995	1.717.386
Specific provisions (-)	221.731	133.966	1.487.687
Loans to granted real persons and legal entities (Net)	252.944	66.029	229.699
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	137	2.162	50.178
Specific provisions (-)	137	2.162	50.178
Other loans and receivables (Net)	-	-	-
Prior period (Net)			
Loans to granted real persons and legal entities (Gross)	379.154	215.149	1.617.110
Specific provisions (-)	245.605	129.435	1.399.693
Loans to granted real persons and legal entities (Net)	133.549	85.714	217.417
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	142	2.166	50.487
Specific provisions (-)	142	2.166	50.487
Other loans and receivables (Net)	-	-	-

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

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

(5) Information on loans: (continued)

j) 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.

k) Explanations on write-off policy:

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

(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	4.263.195	120.424	3.089.127	121.049
Total	4.263.195	120.424	3.089.127	121.049

a.2. Held-to-maturity investments subject to repurchase agreements:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	5.592.453	-	764.916	-
Total	5.592.453	-	764.916	-

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds		19.313.766		18.966.304
Treasury bills		-		-
Other public sector debt securities		-		-
Total		19.313.766		18.966.304

c) Information on held-to-maturity investments:

	Current period		Prior period	
	TRY	FC	TRY	FC
Debt securities		19.319.035		18.973.598
<i>Quoted on a stock exchange</i>		17.984.706		17.745.799
<i>Not quoted</i>		1.334.329		1.227.799
Impairment provision (-)		-		-
Total		19.319.035		18.973.598

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

(6) Information on held-to-maturity investments: (continued)

d) Movement of held-to-maturity investments within the year:

	Current period	Prior period
Beginning balance	18.973.598	13.643.091
Foreign currency differences on monetary assets	9.975	(30)
Purchases during the year ⁽¹⁾	1.805.768	10.414.943
Disposals through sales and redemptions ⁽²⁾	(1.470.306)	(5.084.406)
Impairment provision (-) / provision reversal (+)	-	-
Balance at the of the period	19.319.035	18.973.598

⁽¹⁾ Interest income accrual difference between 31 March 2014 amounting to TRY 1.278.670 and 31 December 2013 amounting to TRY 1.133.097 has been included in purchases row.

⁽²⁾ In accordance with the tainting rules defined in Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2013, the Parent Bank reclassified EUR 264.347 (TRY 606.491) and USD 342.113 (TRY 612.382) of financial assets from held to maturity investments portfolio to available for sale portfolio. Related amount was presented in "Disposals Through Sales and Redemptions" row.

⁽³⁾ In accordance with the rules defined in Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2013, the Bank reclassified TRY 4.039.794 thousands and USD 502.575 (TRY 982.535) thousands of financial assets from available for sales portfolio to held to maturity investments portfolio. Related amount was presented in "Purchases during the year" row.

(7) Information on associates (Net):

a) Information on unconsolidated associates, reasons for not consolidating:

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

b) Information on unconsolidated associates:

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

Information related to the associates as sorted above:

	Total	Shareholders	Total fixed	Interest	Income from	Current	Prior	Fair
	assets	' equity	assets	income	marketable	period	period	value
					securities	profit/loss	profit/loss	
					portfolio			
1.	95.900	71.874	43.528	1.112	-	8.792	4.790	-
2.	46.506	25.427	32.393	159	-	3.047	282	-

⁽¹⁾ No investment is listed on the stock exchange.

⁽²⁾ The financial data of Kredi Kayıt Bürosu AŞ is obtained from 31 March 2014 unreviewed financial statements, and the financial data of Bankalar Arası Kart Merkezi AŞ is obtained from 31 March 2014 reviewed financial statements.

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

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

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	32,26

Information related to the associates as sorted above:

	Total assets	Shareholders ' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/los s	Prior period profit/loss	Fair value
1.	5.216.686	701.657	35.714	37.460	7	9.620	10.068	-
2.	46.154	45.854	21.766	598	-	148	(106)	-

(1) No investment is listed on the stock exchange.

(2) The financial data of Demirhalkbank NV and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ are obtained from 31 March 2014 unreviewed financial statements.

d) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	227.051	176.654
Movements during the period	2.901	50.397
<i>Purchases</i>	-	-
<i>Bonus shares obtained profit from current year's share</i>	-	-
<i>Dividends from current year income</i>	2.932	11.915
<i>Sales</i>	-	-
<i>Transfers⁽¹⁾</i>	-	(335)
<i>Revaluation decrease (-) / increase</i>	(31)	38.817
<i>Provision for impairment (-) / reversals (+)</i>	-	-
Balance at the end of the period	229.952	227.051
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ As of 22 July 2013, the Bank purchased 76% shares of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. which is the associate of the Bank, from Ziraat Group (the shares of T.C. Ziraat Bank A.Ş. are 61%, the shares of Ziraat Finansal Kiralama A.Ş. is 15%) and thus make the company as the Bank's subsidiary.

e) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	209.203	206.348
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	14.430	14.383

f) Associates quoted to a stock exchange:

None.

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

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

(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
CORE CAPITAL								
Paid in Capital	64.000	70.000	183.000	673.639	272.250	5.000	109.685	40.000
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share Premiums	-	-	-	49.945	-	-	11.633	-
Share cancellation profits	-	-	-	(18.991)	-	-	-	-
Reserves	6.459	20.125	19.585	25.094	8.173	180	35.362	-
Other Comprehensive Income according to TAS	3.669	31.608	(13.288)	145	-	-	-	-
Profit / Loss	3.132	53.499	31.401	49.198	18.131	1.722	8.121	2.898
<i>Net Profit</i>	3.225	10.365	23.046	9.496	5.531	337	2.007	2.139
<i>Prior Period Profit/Loss</i>	(93)	43.134	8.355	39.702	12.600	1.385	6.114	759
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-	-	4	-	-	-	-	-
Minority shares	-	-	674	385	102	-	2.427	106
Leasehold Improvements (-)	53	610	370	81	138	1	354	35
Intangible Assets (-)	77.207	174.622	219.658	778.564	298.314	6.901	162.020	42.757
Total Core Capital								
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	7.656	-
CAPITAL	77.207	174.622	219.658	778.564	298.314	6.901	169.676	42.757
DEDUCTIONS FROM THE CAPITAL	-	-	-	-	-	-	-	-
NET AVAILABLE CAPITAL	77.207	174.622	219.658	778.564	298.314	6.901	169.676	42.757

(1) The information is presented from financial statements subject to consolidation as of 31 March 2014.

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

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

Paid in capital (foreign) has been indicated as foreign currency in articles of incorporation and registered in trade registry.

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

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

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

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

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

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

(8) Information on subsidiaries (continued)

c) Information on unconsolidated subsidiaries:

	Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)
1.	Bileşim Alternatif Dağ. Kan. AŞ	İstanbul	100,00

	Total assets	Shareholders ' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value ⁽²⁾
1.	35.795	18.425	4.035	218	99	1.924	282	30.604

⁽¹⁾ The financial data of Bileşim Alternatif Dağ. Kan. is obtained from 31 March 2014 unreviewed financial statements.

⁽²⁾ The information is presented from valuation report as 31 December 2013.

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	99,94	99,96
2. Halk Sigorta AŞ	İstanbul	89,18	93,49
3. Halk Hayat ve Emeklilik AŞ	İstanbul	94,40	99,67
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul	77,99	78,10
5. Halk Finansal Kiralama AŞ	İstanbul	100,00	100,00
6. Halk Portföy Yönetimi AŞ	İstanbul	56,00	99,68
7. Halk Banka AD, Skopje	Macedonia	98,78	98,78
8. Halk Faktoring AŞ	İstanbul	95,00	99,91

e) Information related to the subsidiaries as sorted above⁽¹⁾:

	Total assets	Shareholders equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value ⁽²⁾
1.	505.512	77.207	1.859	7.680	908	3.225	4.118	92.151
2.	585.240	174.622	5.575	7.158	1.292	10.365	2.216	323.818
3.	526.768	219.658	4.227	12.513	8.127	23.046	10.442	697.589
4.	905.536	778.564	620.129	4.081	2.087	9.496	3.275	518.155
5.	2.071.932	298.314	995	33.852	-	5.531	5.724	406.645
6.	7.536	6.901	225	175	16	337	200	5.271
7.	976.449	169.676	33.009	14.575	1.353	2.007	9	-
8.	409.559	42.757	548	12.492	1	2.139	(334)	42.032

⁽¹⁾ The information is presented from financial statements subject to consolidation as 31 March 2014.

⁽²⁾ The information is presented from valuation reports as 31 March 2014.

⁽³⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı A.Ş. has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul A.Ş.

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

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

(8) Information on subsidiaries (continued)

f) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period(before elimination)	2.334.263	1.794.160
Movements during the period	(72.639)	540.103
<i>Purchases⁽¹⁾</i>	-	167.590
<i>Bonus shares obtained profit from current year's share</i>	101.163	85.867
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer</i>	-	335
<i>Revaluation increase</i>	(173.802)	286.311
<i>Reversal of provision for impairment (-)</i>	-	-
Share capital elimination of subsidiaries	(2.231.020)	(2.303.659)
Balance at the end of the period	30.604	30.604
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ Purchases amounting to TRY 13.540 of TRY 167.590 consist payments to Ziraat Group due to purchase of 76% shares of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. which is the associate of the Bank, from Ziraat Group (the shares of T.C. Ziraat Bank A.Ş. are 61%, the shares of Ziraat Finansal Kiralama A.Ş. is 15%). The payment of TRY 19.000 was made for the increase in capital of the Halk Faktoring A.Ş. and the payment of TRY 135.050 was made for the increase in capital of the Halk Finansal Kiralama A.Ş.

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

	Current period	Prior period
Banks	145.359	145.359
Insurance companies	1.021.407	1.021.407
Factoring companies	42.032	42.032
Leasing companies	406.645	406.645
Financing companies	-	-
Other financial subsidiaries	615.577	688.216

h) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock ⁽¹⁾	841.973	914.612
Quoted foreign stock exchange	-	-

⁽¹⁾In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

⁽²⁾The Parent Banks's subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul AŞ.

(9) Information on jointly controlled entities (joint ventures):

None.

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

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

(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	602.326	493.442	551.818	434.994
Between 1-4 years	1.122.614	975.355	1.017.878	883.033
More than 4 years	398.937	365.305	396.245	375.729
Total	2.123.877	1.834.102	1.965.941	1.693.756

b) Information on gross investments of financial lease:

	Current period	Prior period
Gross financial lease investment	2.123.877	1.965.941
Unearned revenues from financial lease	(289.775)	(272.185)
Total	1.834.102	1.693.756

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

	Current period	Prior period
Financial lease receivables with limited collectability	39.222	39.764
Financial lease receivables with doubtful collectability	4.333	32.588
Uncollectible financial lease receivables	105.626	94.799
Specific provisions	(58.069)	(49.455)
Total	91.112	117.696

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

None.

(12) Information on tangible assets:

Not prepared in compliance with the article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

(13) Information on intangible assets:

Not prepared in compliance with the article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

(14) Information on investment property:

Not prepared in compliance with the article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”

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

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

(15) Information on tax assets:

a) Current tax assets:

As of 31 March 2014, the Group's current tax asset is amounting TRY 9.852 (31 December 2013: None).

b) Deferred tax assets:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	139.950	5.666
Revaluation of Financial Assets	(115.788)	-
Other	9.995	11.105
Deferred Tax (Asset) /Liability:	34.157	16.771
Deferred tax accounted in shareholders' equity	(1.200)	21.755
Fair value differences for available for sale financial assets	2.439	25.436
Actuarial gains / losses	(3.639)	(3.681)

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

(16) Information on non-current assets held for sale:

Not prepared in compliance with the article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks"

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 1.770.374 and does not exceed 10% of the balance sheet total (31 December 2013: TRY 1.552.464).

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

II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	3.435.134	-	353.923	23.663.290	1.342.170	395.834	604.162	127.542	29.922.055
Foreign currency deposits	3.729.551	-	1.560.928	12.044.321	4.382.297	3.335.785	3.006.528	12.804	28.072.214
<i>Residents in Turkey</i>	2.661.374	-	1.456.109	11.707.315	4.258.851	3.036.514	2.027.806	12.670	25.160.639
<i>Residents abroad</i>	1.068.177	-	104.819	337.006	123.446	299.271	978.722	134	2.911.575
Public sector deposits	2.290.902	-	1.297.645	4.156.948	353.440	984.991	83.162	-	9.167.088
Commercial inst. deposits	2.761.517	-	2.576.924	10.947.905	400.318	111.602	25.012	-	16.823.278
Other inst. deposits	467.997	-	97.293	1.381.254	72.883	502.563	78.912	-	2.600.902
Precious metals	1.489.420	-	-	-	-	-	-	-	1.489.420
Interbank deposits	5.174.705	-	4.620.104	790.694	705.867	146.994	478.560	-	11.916.924
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	16.551	-	3.136.643	509.461	583.420	4.084	2.070	-	4.252.229
<i>Foreign banks</i>	4.953.182	-	1.483.461	281.233	122.447	142.910	476.490	-	7.459.723
<i>Participation banks</i>	204.972	-	-	-	-	-	-	-	204.972
Total	19.349.226	-	10.506.817	52.984.412	7.256.975	5.477.769	4.276.336	140.346	99.991.881

a.2. Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	3.284.266	-	341.488	23.669.564	1.353.617	395.438	633.612	122.789	29.800.774
Foreign currency deposits	3.588.581	-	1.631.774	12.280.604	4.930.815	2.396.805	3.139.084	13.049	27.980.712
<i>Residents in Turkey</i>	2.125.249	-	1.516.879	11.920.017	4.807.360	1.995.467	2.197.551	12.923	24.575.446
<i>Residents abroad</i>	1.463.332	-	114.895	360.587	123.455	401.338	941.533	126	3.405.266
Public sector deposits	2.524.920	-	724.063	4.901.027	496.489	197.956	81.705	-	8.926.160
Commercial inst. Deposits	3.132.308	-	2.224.622	11.896.354	498.577	487.939	179.953	-	18.419.753
Other inst. Deposits	560.173	-	65.145	1.859.320	256.623	378.779	113.618	-	3.233.658
Precious metals	2.016.818	-	-	-	-	-	-	-	2.016.818
Interbank deposits	3.585.113	-	3.727.382	1.816.514	343.404	68.108	476.783	-	10.017.304
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	22.831	-	2.425.179	972.335	80.184	4.209	115	-	3.504.853
<i>Foreign banks</i>	3.129.531	-	1.302.203	844.179	263.220	63.899	476.668	-	6.079.700
<i>Participation banks</i>	432.751	-	-	-	-	-	-	-	432.751
Total	18.692.179	-	8.714.474	56.423.383	7.879.525	3.925.025	4.624.755	135.838	100.395.179

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

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

(1) Information on maturity structure of deposits: (continued)

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current period	Prior period	Current period	Prior period
Saving deposits	18.771.905	18.203.362	11.079.439	11.528.066
Foreign currency saving deposits	5.692.186	5.836.594	7.860.488	7.332.125
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	87.646	86.977	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

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

	Current period	Prior period
Foreign branches' saving deposits and other accounts	143.894	144.674
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	4.914	4.762
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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

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

(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	-	37.591	4	31.123
Swap transactions	-	134.646	-	22.024
Future transactions	-	-	-	-
Options	539	256	30	311
Other	-	-	-	-
Total	539	172.493	34	53.458

(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	652.769	743.548	659.666	932.889
Foreign banks, institutions and funds	485.793	13.622.269	485.457	13.008.340
Total	1.138.562	14.365.817	1.145.123	13.941.229

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	630.250	8.173.386	619.697	7.851.679
Medium and long-term	508.312	6.192.431	525.426	6.089.550
Total	1.138.562	14.365.817	1.145.123	13.941.229

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

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

Main liability of the Group is deposit, which is composed of 30 % of saving deposits and 28 % 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 58% of banks deposits and 34% of other deposits consist of foreign currency deposits.

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

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

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills ⁽¹⁾	780.287	-	845.573	-
Bonds ^{(2), (3)}	87.648	3.214.618	87.706	3.218.387
Total	867.935	3.214.618	933.279	3.218.387

⁽¹⁾ As of 27 December 2013, the treasury bills amounting to TRY 1.000.000 with maturity of 175 days are issued by the Parent Bank.

⁽²⁾ As of 19 July 2012, the bonds amounting to USD 750.000 with maturity of 5 years and as of 5 February 2013 the bonds amounting to USD 750.000 with maturity of 7 years are issued by Bank

⁽³⁾ As of 25 September 2012, the bonds amounting to TRY 100.000 with maturity of 24 months are issued by the Halk Leasing.

(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
	7.280	1.463.196	17.957	1.470.585

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 1.974.197 and does not exceed 10% of the balance sheet total (31 December 2013: TRY 1.356.677).

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

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

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the Tax Procedural Code.

b) Explanation on finance lease payables:

None.

c) Explanations regarding operational leases:

The operational leasing agreements are signed for some branches. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "other assets". The Parent Bank does not have any commitments arising on the existing operational lease agreements.

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

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior period
General provision	1.171.708	1.142.413
Provisions for first group loans and receivables	1.005.654	972.257
<i>Additional provisions for the loans with extended payment plan</i>	<i>22.943</i>	<i>15.179</i>
Provisions for second group loans and receivables	88.441	90.911
<i>Additional provisions for the loans with extended payment plan</i>	<i>69.647</i>	<i>74.253</i>
Provisions for non cash loans	77.613	79.245
Other	-	-

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

None.

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

As of 31 March 2014, the Bank's specific provision for unindemnified non-cash loans balance is TRY 69.587 (31 December 2013: TRY 69.008). TRY 2.377 (31 December 2013: TRY 2.377) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

d) Information on other provisions:

Total other provision balance amounting to TRY 273.191 (31 December 2013: TRY 253.319) consists of TRY 69.587 (31 December 2013: TRY 69.008) for specific provisions for unindemnified non cash loans, TRY 27.920 (31 December 2013: TRY 26.222) for legal cases filed against the Bank, TRY 132.231 (31 December 2013: TRY 132.231) provision for prudence in consideration for any changes that may arise in the economy and the market, TRY 43.453 (31 December 2013: TRY 25.858) of other provisions.

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 as of 31 December 2013 and 31 December 2012, no technical deficit has been reported. Besides, no technical deficit for T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported as of 31 December 2013 and 31 December 2012.

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

g) Explanations related to Insurance technical reserves (Net):

	Current period	Prior period
Life-Mathematical Provisions	215.333	225.567
Provisions for unearned premium claims	195.007	175.630
Provision for outstanding claims	148.527	134.474
Provisions for unexpired risk reserves	-	-
Other	613	612
Total	559.480	536.283

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 March 2014, the Group's corporate tax payable is amounting to TRY 167.494.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	167.494	62.701
Income on securities tax	77.125	72.050
Property income tax	931	773
Banking and insurance transactions tax (BITT)	35.191	36.893
Foreign exchange transactions tax	5	11
Value added tax payable	231	277
Other	24.305	21.639
Total	305.282	194.344

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	452	421
Social insurance premiums-employer	420	402
Bank social aid pension fund premium-employee	5.607	5.205
Bank social aid pension fund premium-employer	7.762	7.205
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	16	14
Unemployment insurance-employee	18	17
Unemployment insurance-employer	37	41
Other	4.386	2.671
Total	18.698	15.976

b) Explanations regarding deferred tax liability:

As of 31 March 2014, the Group has TRY 2.957 of deferred tax liability (31 December 2013: TRY 10.837).

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

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

(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:
None.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period:
None.

d) Information on additions from capital reserves to capital in the current period:
None.

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:
None.

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

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

g) Information on preferred shares:
None.

h) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	3.730	-	16.729	-
Revaluation difference	(189.449)	(86.164)	(158.355)	(143.043)
Exchange rate difference	-	-	-	-
Total	(185.719)	(86.164)	(141.626)	(143.043)

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

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

(14) a) Information on minority interest shares:

	Current Period	Prior period
Paid-in capital	134.835	134.835
Export Premium	11.085	11.085
Marketable Securities Revaluation Fund	(11)	(85)
Legal Reserves	707	707
Extraordinary Reserves	6.254	6.254
Retained Earnings	9.841	(186)
Other Profit Reserves	341	310
Net Period Income / Loss	3.119	10.027
Closing Balance	166.171	162.947

b) Movement of minority interest shares:

	Current Period	Prior period
Beginning Balance	162.947	4.762
Change in Minority Interest	105	148.158
Net Period Income / Loss	3.119	10.027
Closing Balance	166.171	162.947

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current period	Prior period
Commitments for credit card expenditure limits	10.029.295	9.896.720
Payment commitments for cheques	5.014.993	4.670.295
Loan granting commitments	1.632.320	1.572.258
Two days forward foreign exchange buy/sell transactions	439.800	1.461.853
Commitments for credit cards and banking services promotions	33.413	37.663
Tax and fund liabilities from export commitments	13.816	13.413
Other irrevocable commitments	1.581.936	1.711.506
Total	18.745.573	19.363.708

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

b.1. Non-cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current period	Prior period
Letters of credit	3.498.648	3.825.259
Bank acceptance loans	2.287.461	1.944.803
Other guarantees	829.438	956.431
Total	6.615.547	6.726.493

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

	Current period	Prior period
Letters of certain guarantees	10.304.929	10.645.927
Letters of advance guarantees	1.584.931	1.697.143
Letters of tentative guarantees	683.569	747.085
Letters of guarantee given to customs offices	883.732	925.226
Other letters of guarantee	6.632.535	6.378.555
Total	20.089.696	20.393.936

c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	385.095	423.414
<i>Within one year or less original maturity</i>	44.629	70.295
<i>Within more than one year maturity</i>	340.466	353.119
Other non-cash loans	26.330.989	26.697.015
Total	26.716.084	27.120.429

d) Information on contingent liabilities and assets:

The Group has provided TRY 27.920 (31 December 2013: TRY 26.222) of provision for the disputed legal cases filed by various persons and institutions.

e) Services supplied on behalf of others:

None.

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

IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	494.600	29.522	438.116	30.672
Medium and long term loans	1.168.880	315.520	1.018.351	229.442
Interest on non-performing loans	16.012	198	14.842	106
Premiums from resource utilization support fund	-	-	-	-
Total	1.679.492	345.240	1.471.309	260.220

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

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	3.741	2.150	2.217	673
Overseas banks	1.068	751	426	610
Head office and branches	-	-	-	-
Total	4.809	2.901	2.643	1.283

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	1.108	177	736	146
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	199.961	31.018	190.719	28.989
Held-to-Maturity Investments	475.766	16.087	305.043	745
Total	676.835	47.282	496.498	29.880

d) Interest income from associates:

	Current period	Prior period
Interest income and commissions from associates	1	-

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

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

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	21.477	62.142	10.126	37.632
<i>Central Bank of Turkey</i>	-	-	-	-
<i>Domestic banks</i>	15.370	5.756	5.744	2.988
<i>Overseas banks</i>	6.107	56.386	4.382	34.644
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	2.659	3	2.674	219
Total	24.136	62.145	12.800	37.851

b) Interest expenses to associates:

	Current period	Prior period
Interest expenses to associates	811	382

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	20.735	39.817	11.312	24.883
Total	20.735	39.817	11.312	24.883

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits							Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
TRY									
Bank deposits	27	24.186	6.102	66	105	-	-	-	30.486
Saving deposits	-	7.031	516.877	25.977	7.160	9.927	2.083	-	569.055
Public deposits	86	28.788	82.227	7.582	297	147	-	-	119.127
Commercial deposits	80	33.706	261.360	9.583	7.122	1.871	-	-	313.722
Other deposits	-	9.574	47.148	4.234	22.398	3.513	-	-	86.867
7 days call accounts	-	-	-	-	-	-	-	-	-
Total	193	103.285	913.714	47.442	37.082	15.458	2.083	-	1.119.257
Foreign currency									
Deposits	93	8.810	86.949	35.965	18.555	23.524	-	-	173.896
Bank deposits	-	11.659	4	-	-	-	-	-	11.663
7 days call accounts	-	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-	-
Total	93	20.469	86.953	35.965	18.555	23.524	-	-	185.559
Grand total	286	123.754	1.000.667	83.407	55.637	38.982	2.083	-	1.304.816

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

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

(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	-	-
Other	11.152	2
Total	11.152	2

(4) a) Information on trading profit/loss (Net):

	Current period	Prior period
Profit	5.292.900	2.017.889
Profit from the capital market operations	2.825	118.828
Profit on derivative financial instruments	1.360.273	208.095
Foreign exchange gains	3.929.802	1.690.966
Loss (-)	5.371.370	1.835.161
Loss from the capital market operations	571	405
Loss on derivative financial instruments	1.488.455	269.493
Foreign exchange losses	3.882.344	1.565.263

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	125.974	73.543
Life insurance income	71.632	137.353
Receivable from the asset sale on credit terms	20.823	24.850
Rent income	3.485	3.752
Other income	5.128	8.998
Total	227.042	248.496

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

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

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	152.341	94.400
<i>Group - III loans and receivables</i>	<i>130.625</i>	<i>78.469</i>
<i>Group - IV loans and receivables</i>	<i>3.983</i>	<i>3.590</i>
<i>Group - V loans and receivables</i>	<i>17.733</i>	<i>12.341</i>
General loan provision expenses	32.964	87.092
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	-
<i>Financial assets at fair value through profit and loss</i>	-	-
<i>Financial assets available for sale</i>	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Jointly controlled entities (joint ventures)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Other	53.501	11.273
Total	238.806	192.765

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	320.974	283.179
Reserve for employee termination benefits	21.974	19.112
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	27.538	23.300
Intangible assets impairment expense	245	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	1.942	1.410
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	370	1.500
Amortization expenses of assets that will be disposed of	794	1.109
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	242.078	237.856
<i>Operational leasing expenses</i>	<i>36.194</i>	<i>29.877</i>
<i>Maintenance expenses</i>	<i>4.000</i>	<i>3.575</i>
<i>Advertisement expenses</i>	<i>18.497</i>	<i>28.506</i>
<i>Other expenses</i>	<i>183.387</i>	<i>175.898</i>
Loss on sales of assets	793	274
Other	122.519	192.807
Total	739.227	760.547

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

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

- (8) Information on profit/loss from continuing and discontinued operations before taxes:
- The Group's income before tax is due from continuing activities. TRY 1.217.239 of the income before tax consists of net interest income, TRY 212.601 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is amounting to TRY 614.463.
- (9) Information on tax provisions for continuing and discontinued operations:
- For the first quarter 31 March 2014, the Bank's tax provision amounting to TRY 118.602 consists of TRY 166.823 of current tax charge and TRY 48.221 of deferred tax income.
- (10) Information on net operating income/expense from continuing and discontinued operations after tax:
- For the first quarter 31 March 2014; the Bank's net operating income after tax is amounting to TRY 495.861.
- (11) Information on net profit/loss from continuing and discontinued operations:
- a) Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Group's performance for the period between 1 January 2014 and 31 March 2014.
- b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.
- c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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

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.

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

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 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 5.092.678 for the first quarter of the year 2014. 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 624.277 cash out for the first quarter of the year 2014.

For the first quarter 31 March 2014, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 34.330 increase (31 March 2013: TRY 138.141, 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.
- (3) The effect of any change in accounting policies: None.
- (4) Period beginning cash and cash equivalents balance:

	Current period	Prior period
Cash	20.021.395	12.517.078
<i>Cash in TRY and foreign currency</i>	816.075	693.316
<i>Central Bank and others⁽¹⁾</i>	19.205.320	11.823.762
Cash equivalents	2.133.459	2.750.971
<i>Demand and Time Deposits Up to 3 Months</i>	1.902.775	2.588.437
<i>Money Market Placements</i>	230.684	162.534
Total cash and cash equivalents	22.154.854	15.268.049
Reserve deposits in Central Bank	(15.470.667)	(9.870.896)
Bank blockage balance ⁽²⁾	(161.784)	(140.697)
Accruals on money market placement	(211)	(34)
Accruals on banks	(2.611)	(1.728)
Cash and Cash Equivalents	6.519.581	5.254.694

(1) Others items include cheques received and blocked reserve deposits kept in Central Bank of Macedonia.

(2) Technical reserves of Halk Hayat ve Emeklilik AŞ. amounting to TRY 135.677, which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked. Technical reserves of Halk Sigorta AŞ. amounting to TRY 26.107, which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked.

- (5) Period ending cash and cash equivalents balance:

	Current Period	Prior Period
Cash	19.581.734	13.449.816
<i>Cash in TRY and foreign currency</i>	736.677	520.806
<i>Central Bank and others⁽¹⁾</i>	18.845.057	12.929.010
Cash Equivalents	2.543.013	1.897.797
<i>Demand and Time Deposits Up to 3 Months</i>	2.310.594	1.728.032
<i>Money Market Placements</i>	232.419	169.765
Cash and Banks	22.124.747	15.347.613
Reserve deposits in Central Bank	(14.677.509)	(11.045.088)
Bank blockage balance ⁽²⁾	(190.365)	(150.724)
Accruals for reserve deposits	(100)	(81)
Accruals for money market placement	(99)	(115)
Accruals for banks	(2.842)	(3.478)
Total Cash and Cash Equivalents	7.253.832	4.148.127

(1) Others items include cheques received and blocked reserve deposits kept in Central Bank of Macedonia.

(2) Technical reserves of Halk Hayat ve Emeklilik AŞ. amounting to TRY 154.633, 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 TRY 35.732 which is given as collateral to Republic of Turkey Prime Ministry Undersecretariat of Treasury.

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

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE PARENT BANK

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

a) Current period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Parent Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	-	1.119	-	-	-	-
Closing balance	-	770	-	-	-	-
Interest and commissions income	-	1	-	-	-	-

b) Prior period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Parent Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	-	2.726	-	-	-	-
Closing balance	-	1.119	-	-	-	-
Interest and commissions income	-	-	-	-	-	-

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
	Deposits					
Beginning balance	34.651	23.690	-	-	-	-
Closing Balance	37.625	34.651	-	-	-	-
Interest expense on deposits	811	382	-	-	-	-

c.2. Forward and option contracts and similar transactions with the Parent Bank's risk group:

None.

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

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE PARENT BANK (continued)

(2) Disclosures for risk group:

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

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

The Parent Bank's branches may operate as insurance agencies of Halk Sigorta AŞ ile Halk Hayat ve Emeklilik AŞ and business agencies for Halk Yatırım Menkul Değerler AŞ. Besides, Halk Portföy Yönetimi AŞ is engaging in fund management of the Parent Bank's funds.

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

	Amount	% compared to the amounts in the financial statements
Cash loans	-	-
Non-cash loans	770	0,00%
Deposits	37.625	0,04%
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 4.431 as of 31 March 2014 (31 December 2013: TRY 3.028).

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
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VIII. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

Calculation of the first legal reserves amounting to TRY 137.542 from the related year profit amounting to TRY 2.750.843, the first dividend amounting to TRY 62.500 by 5% of paid-in capital, dividend of the Board of Directors of the Bank and staff amounting to TRY 100.000, the second dividend and second legal reserve respectively amounting to TRY 212.548 and amounting to TRY 31.258, allocation of the remaining profit amounting to TRY 2.306.958 as extraordinary reserves, the dividend payment amounting to TRY 100.000 to be distributed to the Board of Directors and staff over the provision by recognizing as personnel expenses for the year 2013 instead of net profit for the year and distribution of the all dividend payments that will be made on 7 April 2014 are decided in the Bank's Annual General. The Bank's General Assembly decision was registered to the trade registry with published on 14 April 2014 No: 8549 Trade Registry Gazette.

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SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE PARENT BANK'S OPERATIONS

None.

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SECTION VII: INDEPENDENT AUDITORS' REVIEW REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REVIEW REPORT

The consolidated financial statements as of and for the three-month period ended 31 March 2014 were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Review Report dated 16 May 2014 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.