

*(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 Nine-Month Period Ended 30 September 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

14 November 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

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 subsidiaries (together “the Group”) as of 30 September 2014 and the consolidated statements of income, cash flows and changes in shareholders' equity for the nine-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.

Based on our review, 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 and its financial subsidiaries as of 30 September 2014, and the result of its operations and cash flows for the nine-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,
14 November 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 nine-month period ended 30 September 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, 14 November 2014

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

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

Name/Title : Pınar Küçük / Specialist
Tel No : 0312 289 30 14
Fax No : 0312 289 30 50

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TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 30 September 2014 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	30 September 2014	%	31 December 2013	%
Prime Ministry Privatization Administration ^(1,2)	638.276	51,06	638.276	51,06
Public shares ⁽²⁾	611.277	48,90	611.272	48,90
Other shareholders	447	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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2014

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

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III. EXPLANATIONS REGARDING THE PARNET 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	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.	23
Dr. Ahmet YARIZ	Member of the Board of Directors	9.4.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department.	21
İsmail Erol İŞBİLEN	Member of the Board of Directors	1.4.2013	Bachelor Degree: Istanbul Uni. - Business Administration. Bachelor Degree: Ankara University, Faculty of Political Sciences – Economy and Public Finance Department	29
Sadık TILTAK	Member of the Board of Directors	1.4.2014	Ankara University, Faculty of Political Science-Finance	26
Yunus KARAN	Member of the Board of Directors	1.4.2014	Istanbul Uni. Eco. and Com. Science Academy-Finance/Accounting	45
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.	4
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
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.	25
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.	23
Selahattin SÜLEYMANOĞLU	Executive Vice President	1.7.2007	Master Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	24
Mehmet Akif AYDEMİR	Executive Vice President	4.3.2010	Ankara University, Faculty of Political Sciences –Economics.	27
Mehmet Hakan ATILLA	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.	19
Murat UYSAL	Executive Vice President	11.11.2011	Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department Bachelor Degree: Istanbul Uni. - Faculty of Economic and Administrative Sciences- Department of Economics	16
Erdal ERDEM	Executive Vice President	27.3.2014	Bachelor Degree: Afyon Kocatepe Uni. Faculty of Economic and Administrative Sciences-Finance.	19
Salim KÖSE	Executive Vice President	10.07.2014	İstanbul University, Faculty of Law	24
Ömer Faruk ŞENEL	Executive Vice President	10.07.2014	Master Degree: Fatih University, Social Sciences Ins. Master of Business Administration	23
Murat OKTAY	Executive Vice President	10.07.2014	METU Faculty of Economic and Administrative Sciences-Economics METU Faculty of Economic and Administrative Sciences-Economics	20
Mehmet Sebahattin BULUT	Executive Vice President	10.07.2014	Bursa Uludağ University, Faculty of Economic and Administrative Sciences - Econometrics	20
Hasan ÜNAL	Executive Vice President	10.07.2014	İstanbul Technical University, Faculty of Business Administration – Business Engineering	24
Mustafa AYDIN	Executive Vice President	10.07.2014	METU Faculty of Economic and Administrative Sciences- Public Administration	23

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

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

^(***) Assigned date for Audit Committee established in accordance with articles of association.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 2014 are listed with titles and dates of assignment.

Name	Title	Assignment Date
Ali Fuat TAŞKESENLIOĞLU	Member of the Board of Directors and Chief Executive Officer	6 February 2014
Sadık TILTAK	Member of the Independent Board of Directors	31 March 2014
Yunus KARAN	Member of the Board of Directors	31 March 2014
Erdal ERDEM	Executive Vice President	25 March 2014
Salim KÖSE	Executive Vice President	10 July 2014
Ömer Faruk ŞENEL	Executive Vice President	10 July 2014
Murat OKTAY	Executive Vice President	10 July 2014
Mehmet Sebahattin BULUT	Executive Vice President	10 July 2014
Hasan ÜNAL	Executive Vice President	10 July 2014
Mustafa AYDIN	Executive Vice President	10 July 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 30 September 2014, the Parent Bank operates with a total of 891 branches consisting of 886 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 35 satellite branches and 1 financial services branches. The Parent Bank has also 2 representative offices in England and Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

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

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

The Parent Bank's associates;

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

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

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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.

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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

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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.

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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

2.1. Financial assets held for trading

Financial assets held for trading are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are financial assets included in a portfolio with a pattern of short-term profit taking.

Financial Assets Held For Trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. Valuation gains or losses are recognized in the profit/loss accounts. Interests gained from the retention of held for trading financial assets are recognized under the interest income and dividends gained 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.

2.2. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes. Recognition of fair value differences of those assets are similar to the financial asset held for trading.

The Group has not any financial assets at fair value through profit and loss as of 30 September 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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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 provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount excluding the surety ship type of collaterals defined in the Article 9 of the related legislation. Unindemnified non-cash loans extended to follow-up entities are added to the follow-up risk amount after conversion by credit conversion rates defined in the Communiqué. The Bank sets provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount, that are calculated by deducting the collateral amount, and calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation. Collections made related to those loans are offset against the capital and interest collections are recognized under the “Interest Received from Non-performing Loans” item of the income statement.

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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.

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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)

According to the decree of Council of Ministers dated 24 April 2014 and numbered 28987, which was published on the Gazette on 30 April 2014, the related transfer period was prolonged one more year.

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9,8%. 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 2014 has been paid in February 2014, accrued advance tax as of 30 September 2014 will be paid in November 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 July and November, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporations. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is are higher than the corporate tax payable, the difference is deducted from income tax payable.

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 12,78% as of 30 September 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									
	%0	%10	%20	%50	%75	%100	%150	%200	%250	%0	%10	%20	%50	%75	%100	%150	%200	%250		
Surplus credit risk weighted	-	-	723.123	13.898.432	21.318.680	51.773.655	3.390.935	16.010.650	682.770	-	-	774.888	13.989.386	21.724.247	52.294.807	3.453.750	16.319.446	1.104.868		
Risk classifications:																				
Claims on sovereigns and Central Banks	41.442.642	-	2.006	3.442.392	-	-	-	-	-	41.573.500	-	2.006	3.442.392	-	28.655	-	-	-		
Claims on regional governments or local authorities	22.046	-	201.029	-	-	-	-	-	-	22.046	-	201.029	-	-	-	-	-	-		
Claims on administrative bodies and other non-commercial undertakings	18.450	-	96.447	-	-	423.425	-	-	-	18.450	-	96.447	-	-	423.425	-	-	-		
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Claims on banks and intermediary institutions	1.033.386	-	2.205.205	2.231.795	-	103.651	-	-	-	458.497	-	2.464.032	2.244.306	-	5.966	-	-	-		
Claims on corporates	379.637	-	180.390	-	-	45.728.715	-	-	-	362.462	-	180.390	-	-	47.887.036	-	-	-		
Claims included in the regulatory retail portfolios	1.404.991	-	125.265	-	28.152.842	707.471	-	-	-	1.404.991	-	125.265	-	28.693.571	713.175	-	-	-		
Claims secured by residential property	23.366	-	3.470	21.968.379	67.783	-	-	-	-	23.366	-	3.470	22.137.777	67.783	-	-	-	-		
Overdue loans	-	-	-	154.297	-	1.339.181	-	-	-	-	-	-	154.297	-	1.417.777	-	-	-		
Higher risk categories decided by the Board	-	-	-	-	-	-	2.260.623	8.005.325	32.445	-	-	-	-	-	-	2.302.500	8.159.723	46.765		
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Securitization positions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other receivables	3.173.222	-	801.803	-	204.282	3.471.212	-	-	-	240.663	3.203.388	-	801.803	-	204.308	1.818.773	-	395.182		
Risk Weight																				
The Parent Bank																				
Consolidated																				
Prior Period	%0	%10	%20	%50	%75	%100	%150	%200	%250	%0	%10	%20	%50	%75	%100	%150	%200	%250		
Surplus credit risk weighted	-	-	769.511	12.410.776	18.463.130	42.695.656	2.831.976	16.252.590	55.233	-	-	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 30 September 2014, overdue finance lease receivables amounting to TRY 76.735 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)	8.623.860	7.478.310	8.772.911	7.566.925
B Capital to be employed for market risk (II)	377.683	243.150	368.700	248.356
C Capital to be employed for operational risk (III)	810.323	712.998	875.751	748.688
Shareholders' equity ⁽¹⁾	16.632.249	14.663.982	16.002.785	14.246.513
Shareholders' equity / (I+II+III) * 12,5*100	13,56	13,91	12,78	13,31
Core Capital/((CRCR+MRCR+OROR)*12,5)*100	12,67	-	11,90	-
Tier I Capital/((CRCR+MRCR+OROR)*12,5)*100	12,70	-	11,95	-

⁽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, came into effect as of 1 January 2014.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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	10.554.524
Other Comprehensive Income according to TAS	(101.055)
Profit	1.923.391
Net Current Period Profit	1.783.623
Prior Period Profit	139.768
Provisions for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit Minority shares	4.031
Minority shares	146.318
Common Equity Tier 1 capital before regulatory adjustments	15.036.669
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 (-)	62.686
Goodwill and intangible assets and related deferred tax liabilities (-)	15.591
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	78.277
Common Equity Tier 1 capital	14.958.392
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 (-)	62.364
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	14.896.028
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	1.203.624
Additional shares in the capital of third parties	-
Tier 2 capital before regulatory adjustments	1.203.624
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	1.203.624
CAPITAL	16.099.652
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 (-)	45.025
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 (-)	51.842
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
EQUITY	16.002.785
Amounts below the thresholds for deduction	
Remaining Total of Net Long Positions of the Investments in Own Fund Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital	15.113
Remaining total of net long positions of the investments in Tier I capital of Consolidated banks and Financial Institutions where the Bank owns more than 10% Or Less of the Tier I Capital	1.062.789
Remaining mortgage servicing rights	-
Net deferred tax assets arising from temporary differences	210.751

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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>	<i>1.250.000</i>
<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>	<i>2.842.698</i>
<i>Prior period profit</i>	<i>74.549</i>
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>-</i>
<i>Prior period loss</i>	<i>-</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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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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	-	-	146.318	171.630
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 30 September 2014, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 18,60% and 24,00% of its total cash loans.

As of 30 September 2014, receivables of the Group from its top 100 and 200 non-cash loan customers are respectively 52,22% and 63,26% of its total non-cash loans.

As of 30 September 2014, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 15,51% and 19,98% of its total balance sheet and off-balance sheet assets.

As of 30 September 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 1.203.624 (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 of the Parent Bank 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	217.190	179.534
(II) Capital requirement to be employed for specific risk	38.106	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	107.288	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	509	96
(VIII)Capital requirement to be employed for general market risk.	5.607	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)	368.700	248.356
(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)	4.608.750	3.104.450

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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 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	5.782
Contracts based on currency	125.986
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	131.768
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	115.604
The net position of derivatives	131.768

^(*) 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 30 September 2014 and the previous five working days in full TRY are as follows:

	23.09.2014	24.09.2014	25.09.2014	26.09.2014	29.09.2014	30.09.2014
USD	2,2100000	2,2100000	2,2300000	2,2350000	2,2500000	2,2500000
CHF	2,3503000	2,3356000	2,3505000	2,3442000	2,3613000	2,3510000
GBP	3,6099000	3,6045000	3,6351000	3,6269000	3,6471000	3,6445000
JPY	0,0202699	0,0202848	0,0204656	0,0204223	0,0205368	0,0204853
EURO	2,8399000	2,8234000	2,8402000	2,8325000	2,8515000	2,8401000

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 30 September 2014 are as follows:

	Monthly average
USD	2,1870455
CHF	2,3322500
GBP	3,5615227
JPY	0,0203611
EURO	2,8195591

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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	3.217.546	10.741.274	2.511.727	16.470.547
Banks	1.016.481	208.451	172.413	1.397.345
Financial assets at fair value through profit and loss ⁽³⁾	16.066	72.404	474	88.944
Money market placements	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	764.324	1.656.604	78.160	2.499.088
Loans ⁽²⁾	9.379.280	16.544.378	505.332	26.428.990
Subsidiaries, associates and entities under common control ⁽⁵⁾	206.694	-	-	206.694
Held-to-maturity investments	-	1.466.961	104.957	1.571.918
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	36.516	36.516
Intangible assets	-	-	-	-
Other assets ⁽³⁾	829.272	922.991	48.568	1.800.831
Total assets	15.429.663	31.613.063	3.458.147	50.500.873
Liabilities				
Bank deposits	5.985.255	2.212.017	503.953	8.701.225
Foreign currency deposits	14.071.285	11.114.233	2.257.741	27.443.259
Money market balances	-	-	-	-
Funds provided from other financial institutions	5.748.480	6.008.492	32.622	11.789.594
Bonds issued	-	4.523.687	-	4.523.687
Sundry creditors	5.048	43.655	176	48.879
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	122.715	163.624	40.365	326.704
Total liabilities	25.932.783	24.065.708	2.834.857	52.833.348
Net balance sheet position	(10.503.120)	7.547.355	623.290	(2.332.475)
Net off-balance sheet position	10.487.983	(8.613.105)	(471.329)	1.403.549
Financial derivative assets ⁽⁴⁾	11.257.930	2.575.068	826.421	14.659.419
Financial derivative liabilities ⁽⁴⁾	769.947	11.188.173	1.297.750	13.255.870
Non-cash loans ⁽¹⁾	4.445.503	10.750.102	588.356	15.783.961
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	6.574.262	(2.867.707)	84.464	3.791.019
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 937.906 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 40.341), foreign currency intangible assets (TRY 16.701), prepaid expenses (TRY 75) in assets; and derivative financial instruments foreign currency expense accruals (TRY 248.538) and shareholders' equity (TRY 96.344) 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 forward precious metal purchase transactions amounted to TRY 59.907. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 821.249. Besides forward asset purchase commitments are included.

⁽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	46.458	-	-	-	-	19.260.089	19.306.547
Banks and financial institutions	1.122.426	89.035	16.791	-	-	323.194	1.551.446
Financial assets at fair value through profit and loss	118.218	8.435	32.290	13.900	65	7.658	180.566
Money market placements	4.053	258.057	-	-	-	-	262.110
Financial assets available-for-sale	1.847.026	996.427	1.429.783	2.090.729	3.153.429	31.836	9.549.230
Loans	34.543.841	9.203.343	24.908.738	20.303.912	3.281.214	2.451.980	94.693.028
Held-to-maturity investments	9.035.672	1.267.668	1.502.475	2.201.488	4.450.329	-	18.457.632
Other assets ^{(1), (2)}	162.698	344.717	535.793	1.268.277	99.000	5.303.300	7.713.785
Total assets	46.880.392	12.167.682	28.425.870	25.878.306	10.984.037	27.378.057	151.714.344
Liabilities							
Bank deposits	10.157.402	2.326.719	52.951	-	-	5.320.543	17.857.615
Other deposits	46.786.697	15.310.945	5.849.899	348.515	680	15.178.967	83.475.703
Money market balances	7.550.177	383.714	-	-	-	-	7.933.891
Sundry creditors	757.885	32.145	938.423	17.601	-	116.079	1.862.133
Bonds issued	-	524.432	32.662	2.802.475	1.677.477	953.671	5.990.717
Funds provided from other financial institutions ⁽⁴⁾	943.804	1.871.017	6.452.781	1.751.195	214.690	1.712.101	12.945.588
Other liabilities ⁽³⁾	1.742.816	74.112	1.023.122	5.005	-	18.803.642	21.648.697
Total liabilities	67.938.781	20.523.084	14.349.838	4.924.791	1.892.847	42.085.003	151.714.344
Balance sheet long position	-	-	14.076.032	20.953.515	9.091.190	-	44.120.737
Balance sheet short position	(21.058.389)	(8.355.402)	-	-	-	(14.706.946)	(44.120.737)
Off-balance sheet long position	-	570.862	2.493	29.875	410.728	-	1.013.958
Off-balance sheet short position	-	(460.109)	(90.934)	(34.362)	(411.392)	-	(996.797)
Total position	(21.058.389)	(8.244.649)	13.987.591	20.949.028	9.090.526	(14.706.946)	17.161

⁽¹⁾ TRY 174.025 of deferred tax assets is disclosed under the non interest bearing column in other assets and TRY 3.301 of deferred tax liability is disclosed under the non interest bearing column in other liabilities.

⁽²⁾ TRY 1.495.339 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 ⁽⁶⁾	0,50	-	-	3,50
Due from other banks and financial institutions ⁽¹⁾	0,50	0,35	-	10,10
Financial assets at fair value through profit and loss	-	2,04	-	9,45
Money market placements	-	-	-	-
Available-for-sale financial assets	5,32	5,70	-	9,29
Loans ⁽²⁾	4,75	4,83	-	11,61
Held-to-maturity investments	-	5,91	-	9,09
Liabilities				
Bank deposits	0,24	1,06	-	8,35
Other deposits ⁽⁴⁾	2,06	1,99	0,25	8,45
Money market borrowings	-	-	-	8,29
Sundry creditors ⁽³⁾	-	-	-	3,56
Bonds issued	-	4,47	-	9,11
Funds provided from other financial institutions	1,14	1,64	-	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) (6)}	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 nine months as of 30 September 2014.

⁽⁴⁾ Customer based calculated stock interest rates are applied to TRY and FC deposits as of 30 September 2014.

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

⁽⁶⁾ Required reserve ratio of the Central Bank of TRNC.

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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				
	Currency	Applied Shock (+/- x basis points)	Gains/ Losses	Gains/Shareholders' Equity – Losses/ Shareholders' Equity
1	TRY	500	(2.170.592)	(13,05%)
		(400)	2.227.859	13,39%
2	EURO	200	391.372	2,35%
		(200)	(422.962)	(2,54%)
3	USD	200	97.132	0,58%
		(200)	(12.644)	(0,08%)
Total (For negative shocks)			1.792.254	10,78%
Total (For positive shocks)			(1.682.088)	(10,11%)
Prior Period				
	Currency	Applied Shock (+/- x basis points)	Gains/ Losses	Gains/Shareholders' Equity – Losses/ Shareholders' Equity
1	TRY	500	(1.944.449)	(13,26%)
		(400)	2.029.290	13,84%
2	EURO	200	398.381	2,72%
		(200)	(429.990)	(2,93%)
3	USD	200	57.709	0,39%
		(200)	(11.397)	(0,08%)
Total (For negative shocks)			1.587.903	10,83%
Total (For positive shocks)			(1.488.359)	(10,15%)

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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	227.476	-	-
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	4.444.926	4.897.658	5.827.210	3.927.724	208.678	351	-	19.306.547
Banks	323.194	1.122.426	89.035	16.791	-	-	-	1.551.446
Financial assets at fair value through profit and loss	-	89.109	20.169	49.665	13.900	65	7.658	180.566
Money market placements	-	4.053	258.057	-	-	-	-	262.110
Financial assets available-for-sale	-	126.625	276.131	1.057.485	3.072.726	4.984.427	31.836	9.549.230
Loans ⁽²⁾	1.057.340	7.175.234	7.304.146	31.998.598	40.143.506	7.014.204	-	94.693.028
Held-to-maturity investments	-	1.193.029	448.717	2.593.432	4.181.841	10.040.613	-	18.457.632
Other assets ⁽³⁾	849.713	177.726	338.857	526.625	1.268.277	99.000	4.453.587	7.713.785
Total assets	6.675.173	14.785.860	14.562.322	40.170.320	48.888.928	22.138.660	4.493.081	151.714.344
Liabilities								
Bank deposits	5.320.543	10.157.402	2.326.719	52.951	-	-	-	17.857.615
Other deposits	15.178.967	46.606.608	15.307.945	5.927.631	448.796	5.756	-	83.475.703
Funds provided from other financial institutions ⁽⁴⁾	1.723.250	719.581	1.446.190	4.172.103	3.536.253	1.348.211	-	12.945.588
Money market balances	-	7.550.177	383.714	-	-	-	-	7.933.891
Bonds issued	953.671	-	524.432	32.662	2.802.475	1.677.477	-	5.990.717
Sundry creditors	91.346	782.638	92.940	267.931	595.133	150	31.995	1.862.133
Other liabilities ⁽¹⁾	3.312.695	426.512	274.673	1.665.348	258.344	193.123	15.518.002	21.648.697
Total liabilities	26.580.472	66.242.918	20.356.613	12.118.626	7.641.001	3.224.717	15.549.997	151.714.344
Liquidity gap	(19.905.299)	(51.457.058)	(5.794.291)	28.051.694	41.247.927	18.913.943	(11.056.916)	-
Previous period								
Total assets	6.825.206	12.742.304	14.807.810	37.809.100	47.022.154	19.455.377	2.874.331	141.536.282
Total liabilities	22.103.258	54.959.959	21.354.924	18.957.867	6.479.275	3.576.989	14.104.010	141.536.282
Liquidity gap	(15.278.052)	(42.217.655)	(6.547.114)	18.851.233	40.542.879	15.878.388	(11.229.679)	-

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

⁽²⁾ TRY 1.495.339 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	45.046.553	5.863.694	-	-
Claims on regional governments or local authorities	223.075	24.437	-	-
Claims on administrative bodies and other non-commercial undertakings	538.322	24.038	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	5.172.801	-	-	-
Claims on corporate	48.429.888	654.119	-	225.340
Claims included in the regulatory retail portfolios	30.937.002	1.622.004	-	142.676
Claims secured by residential property	22.232.396	26.940	-	-
Overdue loans	1.572.074	-	-	-
Higher risk categories decided by the Board	10.508.988	-	-	-
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	6.423.454	-	-	-
Total	171.084.553	8.215.232	-	368.016

(*)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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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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 30 September 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	1.286.546	935.562	8.322.714	6.712.916	161.833	(8.745.378)	8.674.193
<i>Interest on loans</i>	754.298	803.508	4.524.475	354.760	-	-	6.437.041
<i>Interest income on marketable securities</i>	-	-	-	2.047.309	22.370	-	2.069.679
<i>Interest received from banks</i>	-	-	-	18.125	3.780	-	21.905
<i>Other interest income⁽²⁾</i>	532.248	132.054	3.798.239	4.292.722	135.683	(8.745.378)	145.568
Interest expense	846.856	523.766	6.603.079	5.520.093	63.468	(8.745.378)	4.811.884
<i>Interest on deposits</i>	452.059	113.723	3.016.616	297.152	-	-	3.879.550
<i>Interest on borrowings</i>	2.036	10.153	12.595	168.238	57.362	-	250.384
<i>Interest on money market borrowings</i>	-	-	-	410.078	-	-	410.078
<i>Interest on marketable bonds issued</i>	-	-	-	186.510	6.106	-	192.616
<i>Other interest expense⁽²⁾</i>	392.761	399.890	3.573.868	4.458.115	-	(8.745.378)	79.256
Net interest income	439.690	411.796	1.719.635	1.192.823	98.365	-	3.862.309
Net fees and commissions income	126.699	76.771	419.714	111.556	(57.448)	-	677.292
Net trading profit / (loss)	-	-	-	46.656	9.241	-	55.897
Dividend income	-	-	-	11.783	3.553	-	15.336
Other income	3.070	58.605	208.476	208.377	321.177	-	799.705
Loans and other receivables' impairment loss	201.042	111.255	281.806	94.112	16.990	-	705.205
Other expenses	14.434	45.413	983.373	1.194.621	253.164	-	2.491.005
Income before taxes	353.983	390.504	1.082.646	282.462	104.734	-	2.214.329
Income tax provision	-	-	-	(396.305)	(24.734)	-	(421.039)
Net profit for the period	353.983	390.504	1.082.646	(113.843)	80.000	-	1.793.290
SEGMENT ASSETS							
Marketable securities	-	-	-	27.810.367	260.258	-	28.070.625
Derivative financial assets held for trading	-	-	-	116.803	-	-	116.803
Banks and money market receivables	-	-	-	1.805.429	8.127	-	1.813.556
Associates and subsidiaries (net)	-	-	-	258.080	-	-	258.080
Loans	15.064.109	14.638.946	58.166.788	8.318.524	-	-	96.188.367
Other assets ⁽¹⁾	1.211	12.707	792.830	22.001.114	2.459.051	-	25.266.913
TOTAL ASSETS	15.065.320	14.651.653	58.959.618	60.310.317	2.727.436	-	151.714.344
SEGMENT LIABILITIES							
Deposits	11.108.318	4.206.611	66.235.136	19.783.253	-	-	101.333.318
Derivative financial liabilities held for trading	-	-	-	275.351	5.005	-	280.356
Money market balances	-	-	-	7.933.891	-	-	7.933.891
Borrowing funding loans	19.355	236.106	348.512	10.991.444	1.350.171	-	12.945.588
Bonds issued	-	-	-	5.990.717	-	-	5.990.717
Other liabilities	171.140	197.371	3.198.540	1.720.137	37.584	-	5.324.772
Provisions and tax payable	34.248	27.330	119.758	1.996.023	666.362	-	2.843.721
Shareholders' equity	-	-	-	14.248.698	813.283	-	15.061.981
TOTAL LIABILITIES	11.333.061	4.667.418	69.901.946	62.939.514	2.872.405	-	151.714.344
OFF BALANCE SHEET ITEMS							
Guarantees and surety ships	9.782.463	7.400.051	15.316.950	48.790.756	905.905	-	82.196.125
Commitments	46.995	600.054	7.390.034	11.659.388	284.171	-	19.980.642
Derivative financial instruments	-	-	-	31.575.723	555.351	-	32.131.074

⁽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 1.590.001 (net) and deferred tax assets amounting TRY 174.025 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							
(30 September 2013)							
Interest income	852.801	676.800	6.418.540	5.017.175	102.095	(6.283.380)	6.784.031
<i>Interest on loans</i>	547.411	562.663	3.831.352	298.140	-	-	5.239.566
<i>Interest income on marketable securities</i>	-	-	-	1.416.748	20.946	-	1.437.694
<i>Interest received from banks</i>	-	-	-	14.395	-	-	14.395
<i>Other interest income⁽²⁾</i>	305.390	114.137	2.587.188	3.287.892	81.149	(6.283.380)	92.376
Interest expense	466.611	370.236	5.008.618	3.473.398	31.248	(6.283.380)	3.066.731
<i>Interest on deposits</i>	260.166	105.857	2.136.481	134.790	-	-	2.637.294
<i>Interest on borrowings</i>	2.081	11.038	10.409	127.312	30.681	-	181.521
<i>Interest on money market borrowings</i>	-	-	-	80.293	-	-	80.293
<i>Interest on marketable bonds issued</i>	-	-	-	126.791	567	-	127.358
<i>Other interest expense⁽²⁾</i>	204.364	253.341	2.861.728	3.004.212	-	(6.283.380)	40.265
Net interest income	386.190	306.564	1.409.922	1.543.777	70.847	-	3.717.300
Net fees and commissions income	121.064	75.578	425.788	32.156	(28.001)	-	626.585
Net trading profit / (loss)	-	-	-	322.241	1.313	-	323.554
Dividend income	-	-	-	9.687	2.056	-	11.743
Other income	37.856	33.878	245.281	121.408	455.484	-	893.907
Loans and other receivables' impairment loss	15.284	68.708	290.365	293.619	16.997	-	684.973
Other expenses	19.825	48.273	899.252	1.024.111	319.963	-	2.311.424
Income before taxes	510.001	299.039	891.374	711.539	164.739	-	2.576.692
Income tax provision	-	-	-	(478.750)	(30.046)	-	(508.796)
Net profit for the period	510.001	299.039	891.374	232.789	134.693	-	2.067.896
SEGMENT ASSETS							
(31 December 2013)							
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							
(31 December 2013)							
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							
(31 December 2013)							
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	617.032	220.698	627.718	188.357
Central Bank of Turkey	2.218.968	16.221.185	2.173.404	17.006.682
Other	-	28.664	-	25.234
Total	2.836.000	16.470.547	2.801.122	17.220.273

⁽¹⁾As of 30 September 2014, blocked reserve deposits kept in Central Bank of Macedonia amounted TRY 28.655 (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⁾	2.210.148	1.397.048	2.164.297	1.570.064
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits ⁽²⁾	8.820	14.824.137	9.107	15.436.618
Total	2.218.968	16.221.185	2.173.404	17.006.682

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

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

The banks operating in Turkey keep reserve deposits for Turkish currency liabilities in TRY, USD, EUR and/or standard gold at the rates between 5% and 11,5% according to their maturities (31 December 2013: between 5% and 11,5% according to their maturities), foreign currency liabilities in USD, EUR and/or standard gold at the rates between 6% and 13% according to their maturities (31 December 2013: between 6% and 13% according to their maturities), as per the Communiqué no.2013/15 “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 8% for MKD currency liabilities and 15% 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.

(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 1.659 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	-	70.204	-	26.470
Swap transactions	-	46.123	-	112.900
Futures transactions	-	-	-	-
Options	-	476	3	291
Other	-	-	-	-
Total	-	116.803	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	121.209	853.720	62.158	581.974
Foreign banks	32.892	543.625	100.491	1.164.152
Branches and offices abroad	-	-	-	-
Total	154.101	1.397.345	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	136.844	848.645	172.200	857.722
Total	136.844	848.645	172.200	857.722

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

None. (31 December 2013: TRY 4.638)

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

	Current period	Prior period
Debt securities	9.591.031	9.994.476
<i>Quoted on a stock exchange</i>	9.591.031	9.994.476
<i>Not quoted</i>	-	-
Share certificates	50.305	35.505
<i>Quoted on a stock exchange</i>	9.930	-
<i>Not quoted</i>	40.375	35.505
Impairment provision(-)	92.106	202.032
Total	9.549.230	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	175.522	-	167.537	-
Total	175.522	-	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		Payment plan extensions	Other
Cash loans						
Non-specialized loans	74.935.561	660.720	-	1.343.971	402.082	-
<i>Corporation loans</i>	44.487.199	533.971	-	1.042.188	395.303	-
<i>Export loans</i>	2.569.899	74.000	-	11.419	3.149	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	2.199.240	-	-	-	-	-
<i>Consumer loans⁽¹⁾</i>	21.767.993	49.501	-	202.743	3.630	-
<i>Credit cards⁽²⁾</i>	2.768.504	-	-	71.795	-	-
<i>Other</i>	1.142.726	3.248	-	15.826	-	-
Specialized lending	16.953.414	74.581	-	211.107	11.530	-
Other receivables	-	-	-	-	-	-
Accruals	1.228.305	9.813	-	20.670	5.520	-
Total	93.117.280	745.114	-	1.575.748	419.132	-

⁽¹⁾ Includes TRY 127.260 of personnel loans.

⁽²⁾ Includes TRY 48.262 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	630.212	393.735
Extended by 3,4 or 5 times	89.577	16.163
Extended by more than 5 times	15.512	3.714

^(*) Accruals amounting to TRY 9.813 are not included in the table above.

^(**) Accruals amounting to TRY 5.520 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	283.856	29.302
6 Months - 12 Months	244.888	18.084
1-2 Years	59.254	49.656
2-5 Years	135.030	235.255
5 Years and over	12.273	81.315

^(*) Accruals amounting to TRY 9.813 are not included in the table above.

^(**) Accruals amounting to TRY 5.520 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)

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	314.081	20.897.283	21.211.364
<i>Real estate loans</i>	1.469	9.906.784	9.908.253
<i>Automobile loans</i>	1.736	124.886	126.622
<i>Consumer loans</i>	310.876	10.815.831	11.126.707
<i>Other</i>	-	49.782	49.782
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	2.317	257.205	259.522
<i>Real estate loans</i>	164	17.511	17.675
<i>Automobile loans</i>	146	449	595
<i>Consumer loans</i>	1.815	231.058	232.873
<i>Other</i>	192	8.187	8.379
Individual credit cards-TRY	2.242.582	1.349	2.243.931
<i>Installment</i>	898.271	-	898.271
<i>Non-installment</i>	1.344.311	1.349	1.345.660
Individual credit cards-FC	120	28.710	28.830
<i>Installment</i>	-	28.710	28.710
<i>Non-installment</i>	120	-	120
Personnel loans-TRY	4.640	119.595	124.235
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	4.640	119.595	124.235
<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	104	2.921	3.025
<i>Real estate loans</i>	3	1.882	1.885
<i>Automobile loans</i>	-	17	17
<i>Consumer loans</i>	92	999	1.091
<i>Other</i>	9	23	32
Personnel credit cards-TRY	47.643	-	47.643
<i>Installment</i>	18.791	-	18.791
<i>Non-installment</i>	28.852	-	28.852
Personnel credit cards-FC	87	532	619
<i>Installment</i>	-	532	532
<i>Non-installment</i>	87	-	87
Overdraft accounts-TRY (Retail customer)	353.492	-	353.492
Overdraft accounts-FC (Retail customer)	19.098	-	19.098
Total	2.984.164	21.307.595	24.291.759

⁽¹⁾ Interest income accruals 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)

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	6.292	801.640	807.932
<i>Business residential loans</i>	65	465.093	465.158
<i>Automobile loans</i>	6.227	245.749	251.976
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	90.798	90.798
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	117.757	238.252	356.009
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	117.757	238.252	356.009
Corporate credit cards-TRY	518.892	-	518.892
<i>Installment</i>	270.057	-	270.057
<i>Non-installment</i>	248.835	-	248.835
Corporate credit cards-FC	25	359	384
<i>Installment</i>	-	359	359
<i>Non-installment</i>	25	-	25
Overdraft accounts-TRY (Commercial customer)	517.478	-	517.478
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	1.160.444	1.040.251	2.200.695

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

f) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	93.643.432	83.573.141
Foreign loans	1.049.596	959.106
Total	94.693.028	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	381.122	245.747
Loans and receivables with doubtful collectability	188.715	131.601
Uncollectible loans and receivables	1.621.847	1.450.180
Total	2.191.684	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	40.991	12.356	59.091
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	40.991	12.356	59.091
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 (+)	1.796.650	15.002	34.818
Transfers from other categories of loans under follow-up (+)	-	440.833	400.498
Transfers to other categories of loans under follow-up (-)	566.459	274.872	-
Collections (-)	158.156	51.039	214.460
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	1.451.331	347.239	1.888.453
Specific provision (-)	381.122	188.715	1.621.847
Net balance on balance sheet	1.070.209	158.524	266.606

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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.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	1.135.915	141.107	184.451
Specific provisions(-)	197.415	47.779	115.471
Net balance in the balance sheet	938.500	93.328	68.980
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 19.981 and their related provisions amounting to TRY 18.120 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)			
	1.070.209	158.524	266.606
Loans to granted real persons and legal entities (Gross)	1.449.870	347.185	1.836.344
Specific provisions (-)	379.661	188.661	1.569.738
Loans to granted real persons and legal entities (Net)	1.070.209	158.524	266.606
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	1.461	54	52.109
Specific provisions (-)	1.461	54	52.109
Other loans and receivables (Net)	-	-	-
Prior period (Net)			
	133.549	85.714	217.417
Loans to granted real persons and legal entities (Gross)	379.154	215.149	1.617.110
Specific provisions (-)	245.605	129.435	1.399.693
Loans to granted real persons and legal entities (Net)	133.549	85.714	217.417
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	142	2.166	50.487
Specific provisions (-)	142	2.166	50.487
Other loans and receivables (Net)	-	-	-

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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	3.334.449	126.595	3.089.127	121.049
Total	3.334.449	126.595	3.089.127	121.049

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	6.092.172	-	764.916	-
Total	6.092.172	-	764.916	-

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds	18.345.719	-	18.966.304	-
Treasury bills	104.957	-	-	-
Other public sector debt securities	-	-	-	-
Total	18.450.676	-	18.966.304	-

c) Information on held-to-maturity investments:

	Current period		Prior period	
	TRY	FC	TRY	FC
Debt securities	18.457.632	-	18.973.598	-
<i>Quoted on a stock exchange</i>	<i>17.123.081</i>	-	<i>17.745.799</i>	-
<i>Not quoted</i>	<i>1.334.551</i>	-	<i>1.227.799</i>	-
Impairment provision (-)	-	-	-	-
Total	18.457.632	-	18.973.598	-

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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)

(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	68.249	(30)
Purchases during the year ^{(1) (3)}	3.713.699	10.414.943
Disposals through sales and redemptions ⁽²⁾	(4.297.914)	(5.084.406)
Impairment provision (-)	-	-
Balance at the of the period	18.457.632	18.973.598

⁽¹⁾ Interest income accrual difference between 30 September 2014 amounting to TRY 1.455.520 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 thousands (TRY 982.535) 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 assets	Shareholders ' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	101.165	80.460	45.162	3.186	-	17.378	26.493	-
2.	52.777	30.264	32.738	639	-	7.882	4.171	-

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

⁽²⁾ The financial data of Kredi Kayıt Bürosu AŞ is obtained from 30 September 2014 unreviewed financial statements, and the financial data of Bankalar Arası Kart Merkezi AŞ is obtained from 30 September 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.	5.281.512	680.244	34.155	111.993	28	24.324	34.686	-
2.	46.263	45.958	21.728	1.795	-	252	(130)	-

(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 30 September 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	425	50.397
Purchases	-	-
Bonus shares obtained profit from current year's share	-	-
Dividends from current year income	7.377	11.915
Sales	-	-
Transfers ⁽¹⁾	-	(335)
Revaluation decrease (-) / increase	(6.952)	38.817
Provision for impairment (-) / reversals (+)	-	-
Balance at the end of the period	227.476	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	206.694	206.348
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	14.463	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	94.000	183.000	697.900	272.250	5.000	109.685	40.000
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share Premiums	-	-	-	49.945	-	-	11.633	-
Share cancellation profits	-	-	-	(18.991)	-	-	-	-
Reserves	6.475	38.264	19.599	28.364	8.173	1.198	30.990	-
Other Comprehensive Income according to TAS	3.674	31.684	(668)	173	-	-	209	-
Profit / Loss	14.559	42.183	72.238	40.256	36.894	1.722	14.771	7.381
<i>Net Profit</i>	14.652	42.183	63.883	31.091	24.294	1.598	8.657	6.622
<i>Prior Period Profit/Loss</i>	(93)	-	8.355	9.165	12.600	124	6.114	759
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-	-	4	-	-	-	-	-
Minority shares	-	-	4	-	-	-	-	-
Leasehold Improvements (-)	-	-	597	318	97	-	2.193	74
Intangible Assets (-)	82	666	333	109	140	0	313	30
Total Core Capital	88.626	205.465	273.243	797.220	317.080	7.920	164.782	47.277
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	8.137	-
CAPITAL	88.626	205.465	273.243	797.220	317.080	7.920	172.919	47.277
DEDUCTIONS FROM THE CAPITAL	-	-	-	-	-	-	-	-
NET AVAILABLE CAPITAL	88.626	205.465	273.243	797.220	317.080	7.920	172.919	47.277

⁽¹⁾ The information is presented from financial statements subject to consolidation as of 30 September 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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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)

c) Information on unconsolidated subsidiaries:

							Bank's share percentage, if different-voting percentage (%)	
				Description	Address (City/ Country)			
1.				Bileşim Alternatif Dağ. Kan. AŞ	İstanbul	100,00	100,00	
	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value ⁽²⁾
1.	52.777	30.264	32.737	639	-	7.882	3.684	30.604

⁽¹⁾ The financial data of Bileşim Alternatif Dağ. Kan. is obtained from 30 September 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	99,96	99,96
2. Halk Sigorta AŞ	İstanbul	89,18	93,49
3. Halk Hayat ve Emeklilik AŞ	İstanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul	78,07	78,11
5. Halk Finansal Kiralama AŞ	İstanbul	100,00	100,00
6. Halk Portföy Yönetimi AŞ	İstanbul	75,00	99,99
7. Halk Banka AD, Skopje	Macedonia	98,78	98,78
8. Halk Faktoring AŞ	İstanbul	97,50	99,99

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.	492.153	88.626	2.118	22.038	3.083	14.652	6.255	92.169
2.	587.051	205.465	6.268	25.005	3.476	42.183	31.440	323.818
3.	580.903	273.243	3.602	38.471	20.981	63.883	53.769	738.971
4.	952.631	797.220	653.979	13.196	6.707	31.091	17.112	557.536 ⁽³⁾
5.	1.933.213	317.080	1.111	96.413	-	24.294	21.131	406.645
6.	8.542	7.920	208	532	22	1.598	1.005	7.061
7.	1.055.672	172.919	31.453	44.334	4.658	8.657	3.785	-
8.	398.551	47.277	566	44.320	1	6.622	(613)	43.139

⁽¹⁾ The information is presented from financial statements subject to consolidation as 30 September 2014.

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

⁽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	11.039	540.103
<i>Purchases⁽¹⁾</i>	44.296	167.590
<i>Bonus shares obtained profit from current year's share</i>	140.007	85.867
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer</i>	-	335
<i>Revaluation increase</i>	(173.264)	286.311
<i>Reversal of provision for impairment (-)</i>	-	-
Share capital elimination of subsidiaries	(2.314.698)	(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 44.296 consist payments amounting to TRY 41.382 due to purchase of 5,60 % shares of Halk Hayat ve Emeklilik A.Ş., amounting to TRY 1.789 due to purchase of 19% shares of Halk Portföy Yönetimi A.Ş., amounting to TRY 1.106 due to purchase of 2,50 % shares of Halk Faktoring A.Ş. and amounting to TRY 19 due to purchase of 0,02% shares of Halk Yatırım Menkul Değerler A.Ş. The Bank has purchased all of the non-publicly traded shares of Halk Hayat ve Emeklilik A.Ş. and Halk Sigorta A.Ş. and all of their shares in other related parties.

As of 31 December 2013, purchases amounting to TRY 13.540 of TRY 167.590 consist of 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	1.062.789	1.021.407
Factoring companies	43.139	42.032
Leasing companies	406.645	406.645
Financing companies	-	-
Other financial subsidiaries	656.766	688.216

h) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock ⁽¹⁾	881.354	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 Bank's subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul AŞ.

(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	576.697	467.321	551.818	434.994
Between 1-4 years	1.111.929	952.224	1.017.878	883.033
More than 4 years	496.343	458.088	396.245	375.729
Total	2.184.969	1.877.633	1.965.941	1.693.756

b) Information on gross investments of financial lease:

	Current period	Prior period
Gross financial lease investment	2.184.969	1.965.941
Unearned revenues from financial lease	(307.336)	(272.185)
Total	1.877.633	1.693.756

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

	Current period	Prior period
Financial lease receivables with limited collectability	2.243	39.764
Financial lease receivables with doubtful collectability	42.475	32.588
Uncollectible financial lease receivables	103.512	94.799
Specific provisions	(71.495)	(49.455)
Total	76.735	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 30 September 2014, the Group's current tax asset is amounting TRY 54 (31 December 2013: None).

b) Deferred tax assets:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	142.980	5.666
Revaluation of Financial Assets	23.052	-
Other	7.993	11.105
Deferred Tax (Asset) /Liability:	174.025	16.771
Deferred tax accounted in shareholders' equity	(18.564)	21.755
Fair value differences for available for sale financial assets	(14.893)	25.436
Actuarial gains / losses	(3.671)	(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 1.828.241 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	4.044.894	-	355.428	23.129.893	1.268.244	392.411	594.636	106.136	29.891.642
Foreign currency deposits	4.217.840	-	2.169.880	10.587.116	3.670.342	1.965.631	3.270.546	11.481	25.892.836
<i>Residents in Turkey</i>	2.693.650	-	2.100.208	10.203.398	3.553.754	1.655.818	2.146.642	11.357	22.364.827
<i>Residents abroad</i>	1.524.190	-	69.672	383.718	116.588	309.813	1.123.904	124	3.528.009
Public sector deposits	1.881.562	-	2.238.727	2.638.230	306.241	1.732.982	81.967	-	8.879.709
Commercial inst. deposits	2.939.713	-	3.434.247	8.024.006	361.987	163.816	28.000	-	14.951.769
Other inst. deposits	544.535	-	92.640	947.781	121.256	518.745	84.367	-	2.309.324
Precious metals	1.550.423	-	-	-	-	-	-	-	1.550.423
Interbank deposits	5.320.543	-	8.007.906	3.644.799	653.385	65.903	165.079	-	17.857.615
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	18.051	-	4.689.011	528.581	37.602	40.337	4.232	-	5.317.814
<i>Foreign banks</i>	4.738.163	-	3.318.895	3.116.218	615.783	25.566	160.847	-	11.975.472
<i>Participation banks</i>	564.329	-	-	-	-	-	-	-	564.329
Total	20.499.510	-	16.298.828	48.971.825	6.381.455	4.839.488	4.224.595	117.617	101.333.318

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	19.226.081	18.203.362	10.590.302	11.528.066
Foreign currency saving deposits	6.128.781	5.836.594	8.080.440	7.332.125
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	91.315	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	135.506	144.674
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	5.006	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	-	31.351	4	31.123
Swap transactions	-	248.536	-	22.024
Future transactions	-	-	-	-
Options	26	443	30	311
Other	-	-	-	-
Total	26	280.330	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	658.178	521.573	659.666	932.889
Foreign banks, institutions and funds	497.816	11.268.021	485.457	13.008.340
Total	1.155.994	11.789.594	1.145.123	13.941.229

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	649.185	6.090.835	619.697	7.851.679
Medium and long-term	506.809	5.698.759	525.426	6.089.550
Total	1.155.994	11.789.594	1.145.123	13.941.229

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

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

Main liability of the Group is deposit, which is composed of 29% of saving deposits and 26 % of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Parent Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Group's 49% of banks deposits and 30% 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
Bonds ⁽¹⁾	1.467.030	-	845.573	-
Treasury Bills ⁽²⁾	-	4.523.687	87.706	3.218.387
Total	1.467.030	4.523.687	933.279	3.218.387

⁽¹⁾ As of 20 June 2014, the bonds amounting to TRY 1.000.000 with maturity of 175 days and as of 26 September 2014, the bonds amounting to TRY 750.000 are issued by the Parent Bank.

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

(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Parent Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Under secretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	28.680	1.550.096	17.957	1.470.585

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 1.883.863 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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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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	1.203.624	1.142.413
Provisions for first group loans and receivables	1.073.373	972.257
<i>Additional provisions for the loans with extended payment plan</i>	<i>13.736</i>	<i>15.179</i>
Provisions for second group loans and receivables	47.688	90.911
<i>Additional provisions for the loans with extended payment plan</i>	<i>20.748</i>	<i>74.253</i>
Provisions for non cash loans	82.563	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 30 September 2014, the Parent Bank's specific provision for unindemnified non-cash loans balance is TRY 93.956 (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 183.233 (31 December 2013: TRY 253.319) consists of TRY 93.956 (31 December 2013: TRY 69.008) for specific provisions for unindemnified non cash loans, TRY 33.150 (31 December 2013: TRY 26.222) for legal cases filed against the Bank and TRY 56.127 (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 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.

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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	206.594	225.567
Provisions for unearned premium claims	220.963	175.630
Provision for outstanding claims	204.380	134.474
Provisions for unexpired risk reserves	1.067	-
Other	614	612
Total	633.618	536.283

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 30 September 2014, the Group's corporate tax payable is amounting to TRY 104.455.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	104.455	62.701
Income on securities tax	73.766	72.050
Property income tax	1.023	773
Banking and insurance transactions tax (BITT)	38.618	36.893
Foreign exchange transactions tax	14	11
Value added tax payable	6.399	277
Other	18.930	21.639
Total	243.205	194.344

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	290	421
Social insurance premiums-employer	439	402
Bank social aid pension fund premium-employee	6.203	5.205
Bank social aid pension fund premium-employer	8.487	7.205
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	14
Unemployment insurance-employee	17	17
Unemployment insurance-employer	37	41
Other	2.085	2.671
Total	17.558	15.976

b) Explanations regarding deferred tax liability:

As of 30 September 2014, the Group has TRY 3.301 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	(31.916)	(72.869)	(158.355)	(143.043)
Exchange rate difference	-	-	-	-
Total	(28.186)	(72.869)	(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	141.953	134.835
Export Premium	11.085	11.085
Marketable Securities Revaluation Fund	362	(85)
Legal Reserves	1.125	707
Extraordinary Reserves	7.689	6.254
Retained Earnings	(506)	(186)
Other Profit Reserves	255	310
Net Period Income / Loss	9.667	10.027
Closing Balance	171.630	162.947

b) Movement of minority interest shares:

	Current Period	Prior period
Beginning Balance	162.947	4.762
Change in Minority Interest	(984)	148.158
Net Period Income / Loss	9.667	10.027
Closing Balance	171.630	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	10.079.856	9.896.720
Payment commitments for cheques	5.044.408	4.670.295
Loan granting commitments	1.888.606	1.572.258
Two days forward foreign exchange buy/sell transactions	891.443	1.461.853
Commitments for credit cards and banking services promotions	40.194	37.663
Tax and fund liabilities from export commitments	15.182	13.413
Other irrevocable commitments	1.787.347	1.711.506
Total	19.747.036	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	3.788.896	3.825.259
Bank acceptance loans	3.181.892	1.944.803
Other guarantees	892.556	956.431
Total	7.863.344	6.726.493

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

	Current period	Prior period
Letters of certain guarantees	10.651.995	10.645.927
Letters of advance guarantees	2.030.670	1.697.143
Letters of tentative guarantees	635.167	747.085
Letters of guarantee given to customs offices	1.212.311	925.226
Other letters of guarantee	7.690.922	6.378.555
Total	22.221.065	20.393.936

c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	574.777	423.414
<i>Within one year or less original maturity</i>	206.059	70.295
<i>Within more than one year maturity</i>	368.718	353.119
Other non-cash loans	29.509.632	26.697.015
Total	30.084.409	27.120.429

d) Information on contingent liabilities and assets:

The Group has provided TRY 33.150 (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	1.652.274	92.696	1.243.948	94.832
Medium and long term loans	3.740.942	902.381	3.097.601	756.905
Interest on non-performing loans	48.166	582	45.853	427
Premiums from resource utilization support fund	-	-	-	-
Total	5.441.382	995.659	4.387.402	852.164

⁽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	12.500	4.604	8.330	2.438
Overseas banks	2.887	1.914	1.938	1.689
Head office and branches	-	-	-	-
Total	15.387	6.518	10.268	4.127

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	5.023	517	3.093	452
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	562.526	94.736	500.202	93.444
Held-to-Maturity Investments	1.351.878	54.786	838.177	2.326
Total	1.919.427	150.039	1.341.472	96.222

d) Interest income from associates:

The Group has no interest income from associates in the current period (30 September 2013: 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 (continued)

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	70.885	175.342	19.796	137.777
<i>Central Bank of Turkey</i>	-	-	-	-
<i>Domestic banks</i>	48.319	14.986	17.624	11.483
<i>Overseas banks</i>	22.566	160.356	2.172	126.294
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	4.143	14	23.948	-
Total	75.028	175.356	43.744	137.777

b) Interest expenses to associates:

	Current period	Prior period
Interest expenses to associates	2.207	1.510

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	62.147	130.256	34.741	92.617
Total	62.147	130.256	34.741	92.617

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	81	143.569	32.272	9.925	940	-	-	186.787	
Saving deposits	4	19.603	1.603.352	87.892	24.178	33.086	6.154	1.774.269	
Public deposits	154	82.989	208.888	22.069	1.482	349	-	315.931	
Commercial deposits	229	141.586	622.805	35.412	14.836	2.834	-	817.702	
Other deposits	-	42.646	116.655	8.844	130.193	10.416	-	308.754	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	468	430.393	2.583.972	164.142	171.629	46.685	6.154	3.403.443	
Foreign currency									
Deposits	529	33.296	213.923	76.874	51.253	66.628	-	442.503	
Bank deposits	1	33.581	22	-	-	-	-	33.604	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	-	-	-	-	-	-	-	
Total	530	66.877	213.945	76.874	51.253	66.628	-	476.107	
Grand total	998	497.270	2.797.917	241.016	222.882	113.313	6.154	3.879.550	

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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	3.337	2.114
Other	11.999	9.629
Total	15.336	11.743

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

	Current period	Prior period
Profit	12.369.396	9.537.536
Profit from the capital market operations	237.107	327.956
Profit on derivative financial instruments	2.736.476	1.763.683
Foreign exchange gains	9.395.813	7.445.897
Loss (-)	12.313.499	9.213.982
Loss from the capital market operations	910	9.498
Loss on derivative financial instruments	3.710.465	1.564.023
Foreign exchange losses	8.602.124	7.640.461

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	353.291	342.864
Life insurance income	359.337	446.901
Receivable from the asset sale on credit terms	47.769	48.842
Rent income	11.044	10.254
Other income	20.887	34.324
Total	792.328	883.185

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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	571.908	304.027
<i>Group - III loans and receivables</i>	406.542	198.664
<i>Group - IV loans and receivables</i>	110.426	44.072
<i>Group - V loans and receivables</i>	54.940	61.291
General loan provision expenses	61.240	278.044
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	72.057	102.902
Total	705.205	684.973

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	985.985	861.437
Reserve for employee termination benefits	62.561	57.017
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	79.290	78.083
Intangible assets impairment expense	107	-
Amortization expenses of intangible assets	6.445	4.627
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	1.051	2.128
Amortization expenses of assets that will be disposed of	2.979	2.911
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	789.014	778.152
<i>Operational leasing expenses</i>	111.260	93.891
<i>Maintenance expenses</i>	14.595	17.087
<i>Advertisement expenses</i>	84.795	124.284
<i>Other expenses</i>	578.364	542.890
Loss on sales of assets	7.651	754
Other	555.922	526.315
Total	2.491.005	2.311.424

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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 3.862.309 of the income before tax consists of net interest income, TRY 677.292 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is amounting to TRY 2.214.329.

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

For the first quarter 30 September 2014, the Bank's tax provision amounting to TRY 421.039 consists of TRY 626.148 of current tax charge and TRY 205.109 of deferred tax income.

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

As at 30 September 2014 the Bank's net operating income after tax is amounting to TRY 1.793.290.

(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 30 September 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 7.373.236 thousands for the first nine months 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 2.476.872 thousands cash out for the third quarter of the year 2014.

For the second quarter, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 194.563 increase (30 September 2013: TRY 425.392, 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	19.306.547	17.370.119
<i>Cash in TRY and foreign currency</i>	837.730	681.881
<i>Central Bank and others⁽¹⁾</i>	18.468.817	16.688.238
Cash Equivalents	1.799.556	2.137.036
<i>Demand and Time Deposits Up to 3 Months</i>	1.537.446	1.910.899
<i>Money Market Placements</i>	262.110	226.137
Cash and Banks	21.106.103	19.507.155
Reserve deposits in Central Bank	(14.861.346)	(13.489.337)
Bank blockage balance ⁽²⁾	(170.490)	(147.321)
Accruals for reserve deposits	(266)	(252)
Accruals for money market placement	-	(131)
Accruals for banks	(3.648)	(3.380)
Total Cash and Cash Equivalents	6.070.353	5.866.734

(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 15.857 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	-	1.901	-	-	-	-
Interest and commissions income	-	4	-	-	-	-

- 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	-	6	-	-	-	-

- 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	27.008	34.651	-	-	-	-
Interest expense on deposits	2.207	1.510	-	-	-	-

- 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	1.901	%0,00
Deposits	27.008	%0,02
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 14.213 as of 30 September 2014 (30 September 2013: TRY 11.964).

TÜRKİYE HALK BANKASI AŞ
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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
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VIII. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.

TÜRKİYE HALK BANKASI AŞ
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SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE PARENT BANK'S OPERATIONS

The General Management of the Bank has been authorized by the Board of Directors to manage and finalize the process for the partial or complete sales of the shares which are owned directly or indirectly in the equity of subsidiaries Halk Sigorta A.Ş and Halk Hayat ve Emeklilik A.Ş. through Prime Ministry Privatization Administration according to Law Regarding the Implementation of Privatization numbered 4046. Activities on the sales process are continued under the coordination of Prime Ministry Privatization Administration.

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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 nine-month period ended 30 September 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 14 November 2014 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.