

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

Türkiye Halk Bankası Anonim Şirketi

**Unconsolidated Financial Statements
As of and For the Year Ended 31 December 2014
With Independent Auditors' Report Thereon**
*(Convenience Translation of Unconsolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

17 February 2014

*This report contains "Independent Auditors'
Report" comprising 2 pages and; "Unconsolidated
Financial Statements and Related Disclosures and
Footnotes" comprising 111 pages.*

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

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

To the Board of Directors of Türkiye Halk Bankası AŞ;

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

Management's responsibility for the Financial Statements:

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

Disclosure for the Responsibility of the Authorized Audit Firm:

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

Independent Audit Opinion

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

Additional paragraph for convenience translation to English:

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

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

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

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

- **Section One** : GENERAL INFORMATION ABOUT THE BANK
- **Section Two** : UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES OF THE BANK
- **Section Four** : INFORMATION ON FINANCIAL STRUCTURE
- **Section Five** : EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- **Section Six** : OTHER EXPLANATIONS AND NOTES
- **Section Seven** : INDEPENDENT AUDITORS' REPORT

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

İstanbul, 17 February 2015

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

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

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

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TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

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

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

⁽¹⁾ As per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007; 25% of the public shares that were previously held by the Privatization Administration were privatized by a public offering and the Bank’s shares were registered to Capital Market Board records by decision number 16/471 dated 26 April 2007. The shares were traded on the Borsa İstanbul AŞ as of 10 May 2007. As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

^(*) 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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

Name	Title	Assignment Date
Ali Fuat TAŞKESENLİOĞLU	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 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 Vice Chairman of the Board	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 UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

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

a) General information about the Bank:

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

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

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

c.1 When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Bank shares were decided to be sold before 25 May 2008 using the block sale method. By the Privatization High Council's decree numbered 2006/4258 and dated 29 November 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 was executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on 11 August 2006, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Bank corresponding to 24.98% was completed in the first week of May 2007 and Halkbank shares were traded on Borsa İstanbul AŞ as of 10 May 2007 with the base price of TRY full 8,00. As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

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

As of 31 December 2014, the Bank operates with a total of 900 branches consisting of 895 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic branches include 32 satellite branches and 1 financial services branches. The Bank has also 2 representative office in England and Iran.

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

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

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

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

There is no partnership share on banks and financial institutions, with shareholding of more than 10% and deducted from capital.

Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ are not consolidated in the financial statements because the other banks’ shares are equal and thus, the Bank has no control and has no important activity.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

VII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDER'S EQUITY BETWEEN THE BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES

Immediately transfer of the shareholder's equity between the Bank and its subsidiaries is not in question. Dividend distribution from shareholders equity is done according to related regulations.

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

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SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The unconsolidated financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards (“TAS”) published by Public Oversight Accounting and Auditing Standards Authority, Turkish Financial Reporting Standards (“TFRS”), Communiqué on “Banks’ Accounting Practice and Maintaining Documents” and other communiqués and interpretations of Banking Regulation and Supervision Agency (“BRSA”) on accounting and financial reporting.

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

Additional paragraph for convenience translation to English

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

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

a) The Bank’s strategy on financial instruments:

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

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

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

IV. INTEREST INCOME AND EXPENSES

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

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

V. FEES AND COMMISSION INCOME AND EXPENSES

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

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

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

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

The financial instruments and their valuations methods based on their classification on the financial statements are set out below.

1. Cash and banks

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

2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

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

Financial Assets Held for Trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. Valuation gains or losses are recognized in the profit/loss accounts. Interests gained from the retention of held for trading financial assets are recognized under the interest income and dividends gained are recognized under the dividend income in the income statement. If these assets are disposed of prior to their maturity periods, loss or gain from the disposal is recognized in the income statement by using interest income/expense accounts under profit/loss from the capital market operations.

2.2. Financial assets at fair value through profit and loss

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

The Bank has not any financial assets at fair value through profit and loss as of 31 December 2014 and 31 December 2013.

3. Investments held to maturity

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. 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 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)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

6. Associates and subsidiaries:

Turkish Lira denominated associates and subsidiaries have been valued based on deducted additions of funds such as revaluation funds, permitted additions to capital under statutory purposes, from the cost of the indexed remaining balances of associate and subsidiary based on the capital increase payment dates until 31 December 2004.

As of 1 January 2012, the Bank changed the accounting policy which is related to the Turkish Lira denominated subsidiaries and began to record related subsidiaries with their fair values. Fair values of the subsidiaries, whose shares are unquoted on the active market (stock exchange) are determined with the valuation reports that are prepared by the independent valuation company and fair values of the subsidiaries, whose shares are quoted in on active market (stock exchange) are determined by taking into account of book values at stock exchange, valuation differences are added to the subsidiaries values and correspondingly recorded in the “Marketable securities revaluation fund” under the shareholders’ equity.

Foreign currency denominated associates and subsidiaries are translated into Turkish Lira from the historical exchange rates at transaction dates and foreign currency associates purchased before 1 January 2005 recorded over their restated values by the occurred indexes at transaction dates until 31 December 2004.

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, the Bank reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Bank determines the related impairment amount.

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event (“loss event”) subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

At each balance sheet date, the Bank reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Bank determines the related impairment amount.

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event (“loss event”) subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

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

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

For loans and receivables; the Bank’s management performs consistent loan portfolio reviews and if any doubts on the collectability of the loans arise, the related loans are classified in accordance with legislation on “Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions (“Communiqué”)” published in the Official Gazette numbered 26333 and dated 1 November 2006. The Bank does not limit the provision amount for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount excluding the surety ship type of collaterals defined in the Article 9 of the related legislation. Indemnified non-cash loans extended to follow-up entities are added to the follow-up risk amount after conversion by credit conversion rates defined in the Communiqué. The Bank sets provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount that are calculated by deducting the collateral amount, and calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation. Collections made related to those loans are offset against the capital and interest collections are recognized under the “Interest Received from Non-performing Loans” item of the income statement.

The Bank is providing 1% general allowance for cash loans and other receivables; 0,2% general allowances for non-cash loans. In accordance with the communiqué “The change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” published on 28 May 2011 No: 27947 Official Gazette, banks are able to change the terms of the payment plans of their loans and other receivables monitored under standard and other receivables group given that those loans and receivables qualify for the prerequisites. However, if the changes made extend the initial payment plan, a general provision allocated accordingly with the related loans and other receivables given that it is no less than the 5 times of the predetermined ratio and for loans and other receivables followed under close monitoring provision cannot fall below 2,5 times of the designated ratio.

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VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

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

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

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

VIII. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

X. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

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

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 3 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

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

	Estimated useful lives (Year)	Depreciation rate
Buildings	50	2%
Safe-deposit boxes	50	2%
Other movable properties	3-25	4-33,33%
Assets held under financial leases	4-5	20-25%

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

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

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

XIII. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XV. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

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

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

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9%. Moreover, after the transfer to SII, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2014 and 31 December 2013, no technical deficit has been reported.

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

XVI. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 31 December 2013 has been paid in April 2014, accrued advance tax as of 31 December 2014 will be paid in February 2015.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

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

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

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

Tax practices in the countries that foreign branches operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are subject to 10% of corporate tax and this taxed amount is subject to 15% of income tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporations. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is 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.

XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVIII. EXPLANATIONS ON SHARES AND SHARE ISSUE

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

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

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

XIX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXI. EXPLANATIONS ON SEGMENT REPORTING

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

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

XXII. EXPLANATION ON OTHER MATTERS

None.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CAPITAL ADEQUACY RATIO

The capital adequacy ratio calculations are made in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” published in Official Journal No 29111 of 6 September 2014. The solo basis capital adequacy ratio of the Bank is 13,62% as of 31 December 2014 (31 December 2013: 13,91%).

In the calculation of the amount subject to credit risk, the Bank assesses its loans and receivables by taking the risk classes, rating notes and risk mitigation into consideration. “Simple financial collateral method” is used for banking accounts while “comprehensive financial collateral method” is used for trading accounts for taking risk mitigation elements under consideration.

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

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

1. Information on the unconsolidated capital adequacy ratio:

Current period	Risk Weights								
	%0	%10	%20	%50	%75	%100	%150	%200	%250
Surplus credit risk weighted	-	-	810.058	14.076.567	22.962.208	54.730.042	3.613.293	16.572.334	912.638
Risk classifications:									
Claims on sovereigns and Central Banks	40.918.786	-	2.856	3.385.027	-	-	-	-	-
Claims on regional governments or local authorities	18.263	-	554.619	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	28.273	-	199	-	-	527.130	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	2.427.237	-	2.575.808	1.787.700	-	47.249	-	-	-
Claims on corporates	768.725	-	242.822	-	-	48.277.479	-	-	-
Claims included in the regulatory retail portfolios	1.497.528	-	159.191	-	30.426.898	656.661	-	-	-
Claims secured by residential property	23.228	-	3.302	22.857.026	66.067	-	-	-	-
Overdue loans	-	-	-	123.381	-	1.162.077	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	2.408.862	8.286.167	40.553
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other receivables	3.242.822	-	511.492	-	123.312	4.059.446	-	-	324.502
Risk Weights									
Prior period	%0	%10	%20	%50	%75	%100	%150	%200	%250
Surplus credit risk weighted	-	-	769.511	12.410.776	18.463.130	42.695.656	2.831.976	16.252.590	55.233
Risk classifications:									
Claims on sovereigns and Central Banks	37.852.013	-	3.019	2.962.044	-	-	-	-	-
Claims on regional governments or local authorities	12.789	-	146.101	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	5.994	-	90.171	-	-	198.700	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	905.334	-	2.847.484	1.249.649	-	77.716	-	-	-
Claims on corporates	352.281	-	196.735	116.148	-	38.105.789	-	-	-
Claims included in the regulatory retail portfolios	1.360.345	-	121.908	-	24.348.943	581.744	-	-	-
Claims secured by residential property	24.109	-	5.046	20.362.629	-	-	-	-	-
Overdue loans	-	-	-	131.082	-	303.767	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	1.887.984	8.126.295	22.093
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other receivables	2.831.355	-	437.091	-	268.563	3.427.940	-	-	-

2. Capital adequacy ratio summary:

	Current Period	Prior Period
Capital to be employed for credit risk (Amount subject to credit risk*0,08) (I)	9.094.171	7.478.310
Capital to be employed for market risk (II)	257.412	243.150
Capital to be employed for operational risk (III)	810.323	712.998
Shareholders' equity	17.301.950	14.663.982
Shareholders' equity /((I+II+III) *12,5*100)	13,62	13,91
Core capital /((I+II+III)*12,5*100)	12,92	
Tier I Capital/((I+II+III)*12,5*100)	12,96	

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

3. Information on equity items:

	Current period
TIER I CAPITAL	
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451
Share premium	-
Share Cancellation Profits	-
Reserves	10.551.550
Other Comprehensive Income according to TAS	1.299.384
Profit	2.205.768
Net Current Period Profit	2.205.768
Prior Period Profit	-
Provisions for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	8.769
Tier I Capital Before Deductions	16.535.922
Deductions from Tier I Capital	
Current and Prior Period's Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-
Leasehold Improvements on Operational Leases (-)	64.951
Goodwill and Other Intangible Assets and Related Deferred Tax Liabilities (-)	11.789
Net Deferred Tax / Liability(-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-
Amount Exceeding the %15 Threshold of Tier I Capital as per the Article 2, Clause 2 of Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier Capital (-)	-
Mortgage Servicing Rights not Deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Tier I Capital in cases where there are no adequate Additional Core Capital (-)	-
Total Deductions from Tier I Capital	76.740
Total Tier I Capital	16.459.182
ADDITIONAL CORE CAPITAL	
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Additional Core Capital before Deductions	-
Deductions from Additional Core Capital	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks of Financial Institutions where the Bank Owns more than 10% of Issued Share Capital (-)	-
Other Items to be Defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

3. Information on equity items (continued):

	Current period
Total Deductions from Additional Core Capital	-
Total Additional Core Capital	-
Deductions from Core Capital	47.154
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	47.154
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Total Core Capital	16.412.028
TIER II CAPITAL	
Debt Instruments and Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	1.268.847
Tier II Capital before Deductions	1.268.847
Deductions from Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	1.268.847
CAPITAL	17.680.875
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	49.245
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by BRSA (-)	329.670
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in equity Items of Unconsolidated Banks and Financial Institutions where the Banks Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
EQUITY	17.301.950
Amounts Below the Thresholds for Deduction	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	15.113
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	86.234
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	321.890

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

3. Information on equity items (continued):

	Current period
CORE CAPITAL	
Paid-in capital	1.250.000
<i>Nominal capital</i>	1.250.000
<i>Capital commitments (-)</i>	-
Adjustment to paid-in capital	1.220.451
Share premium	-
Share repeal	-
Legal reserves	8.104.012
Adjustment to legal reserves	-
Profit	2.750.843
<i>Net current period profit</i>	2.750.843
<i>Prior period profit</i>	-
Provisions for possible losses up to 25% of core capital	132.231
Profit on sale of associates, subsidiaries and buildings	-
Primary subordinated loans	-
Loss that is not covered with reserves (-)	-
<i>Net current period loss</i>	-
<i>Prior period loss</i>	-
Development cost of operating lease (-)	69.633
Intangible assets (-)	45.147
Deferred-assets for tax which exceeds 10% of core capital (-)	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-
Total Core Capital	13.342.757
SUPPLEMENTARY CAPITAL	
General reserves	1.134.717
45% of increase in revaluation fund of movables	-
45% of increase in revaluation fund of fixed assets	-
Free shares from investment and associates, subsidiaries and joint ventures that is not recognized in profit	6.917
Primary subordinated loans which are ignored in the calculation of core capital	-
Secondary subordinated loans	-
45% of value increase (100% of value decrease) fund of financial assets available for sale and associates and subsidiaries	210.732
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)	-
Total Supplementary Capital	1.352.366
CAPITAL	14.695.123
DEDUCTIONS FROM THE CAPITAL	31.141
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	-
Loans extended being noncompliant with articles 50 and 51 of the Law	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	29.717
Securitization positions that is deducted -preferably- from the shareholders' equity	-
Other	1.424
TOTAL SHAREHOLDERS' EQUITY	14.663.982

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK

In accordance with the risk management policies of the Bank, the limits are specified in respect of the main and sub-sectors. Those limits are monitored periodically.

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

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

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

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

When the Bank is exposed to significant credit risks, it has the tendency to cease its forward or similar type of transactions by using rights, fulfilling the requirements of the acquisitions or disposing of the acquisitions to mitigate the risk total.

As of 31 December 2014, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 19,51% and 24,76% of its total cash loans.

As of 31 December 2014, receivables of the Bank from its top 100 and 200 non-cash loan customers are respectively 51,86% and 63,09% of its total non-cash loans.

As of 31 December 2014, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 15,86% and 20,64% of its total balance sheet and off-balance sheet assets.

As of 31 December 2014, general loan loss provision related to the credit risk incurred by the Bank in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 1.268.847 (31 December 2013: TRY 1.134.717).

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Risk Classifications:	Current Period Risk Amount^(*)	Average Risk Amount	Prior Period Risk Amount^(*)	Average Risk Amount
Claims on sovereigns and Central Banks	44.306.669	43.836.577	40.817.076	31.216.901
Claims on regional governments or local authorities	572.882	214.352	158.890	258.595
Claims on administrative bodies and other non-commercial undertakings	555.602	389.362	294.865	192.117
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	6.837.994	5.382.161	5.080.183	4.732.496
Claims on corporates	49.289.026	43.731.728	38.770.953	32.707.694
Claims included in the regulatory retail portfolios	32.740.278	29.375.540	26.412.940	24.602.737
Claims secured by residential property	22.949.623	21.706.440	20.391.784	18.050.838
Overdue loans	1.285.458	823.404	434.849	381.888
Higher risk categories decided by the Board	10.735.582	10.045.441	10.036.372	8.725.790
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	8.261.574	7.508.807	6.964.949	6.471.161

^(*) Includes the risk amounts after credit conversions.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Risk profile according to the geographical concentration:

	Risk Classifications ^(*)										
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Overdue loans	Total
Current Period											
1. Domestic	44.306.669	572.882	555.602	6.348.769	48.862.203	32.738.607	22.949.623	1.285.458	10.735.582	8.261.574	176.616.969
2. EU Countries ^(**)	-	-	-	136.731	111.315	-	-	-	-	-	248.046
3. OECD Countries	-	-	-	4.518	-	690	-	-	-	-	5.208
4. Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-
5. USA, Canada	-	-	-	299.801	240.859	981	-	-	-	-	541.641
6. Other Countries	-	-	-	6.792	74.649	-	-	-	-	-	81.441
7. Investment and associates, subsidiaries and joint ventures	-	-	-	41.383	-	-	-	-	-	-	41.383
8. Undistributed Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-	-	-	-
9. Total	44.306.669	572.882	555.602	6.837.994	49.289.026	32.740.278	22.949.623	1.285.458	10.735.582	8.261.574	177.534.688
Prior Period											
1. Domestic	40.817.076	158.890	294.865	2.807.296	38.658.312	26.412.328	20.390.810	434.849	10.036.372	6.964.949	146.975.747
2. EU Countries ^(**)	-	-	-	919.361	90.514	293	-	-	-	-	1.010.168
3. OECD Countries	-	-	-	22.655	-	-	-	-	-	-	22.655
4. Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-
5. USA, Canada	-	-	-	291.892	-	-	974	-	-	-	292.866
6. Other Countries	-	-	-	48.903	22.127	319	-	-	-	-	71.349
7. Investment and associates, subsidiaries and joint ventures	-	-	-	990.076	-	-	-	-	-	-	990.076
8. Undistributed Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-	-	-	-
9. Total	40.817.076	158.890	294.865	5.080.183	38.770.953	26.412.940	20.391.784	434.849	10.036.372	6.964.949	149.362.861

^(*) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

^(**) OECD Countries other than the EU Countries, USA and Canada.

^(***) Assets and liabilities that are not consistently allocated.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Risk Profile according to sectors:

Current Period	Risk Classifications(*)											TRY	FC	Total
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Overdue loans				
Agricultural	-	-	156	-	106.493	412.826	114.382	16.681	-	87.497	671.042	66.993	738.035	
<i>Farming and raising livestock</i>	-	-	13	-	63.497	388.955	103.827	16.536	-	87.422	617.555	42.695	660.250	
<i>Forestry</i>	-	-	-	-	-	3.564	898	12	-	75	4.544	5	4.549	
<i>Fishing</i>	-	-	143	-	42.996	20.307	9.657	133	-	-	48.943	24.293	73.236	
Manufacturing	-	80	131.918	-	22.975.662	7.201.538	8.798.816	917.009	-	128.353	22.047.898	18.105.478	40.153.376	
<i>Mining</i>	-	80	100.634	-	359.330	106.248	121.872	69.755	-	-	479.030	278.889	757.919	
<i>Production</i>	-	-	31.284	-	18.864.582	7.073.188	8.438.849	846.909	-	128.353	20.864.904	14.518.261	35.383.165	
<i>Electric, gas and water</i>	-	-	-	-	3.751.750	22.102	238.095	345	-	-	703.964	3.308.328	4.012.292	
Construction	-	54	9	-	5.330.879	905.433	1.679.688	60.999	-	224.407	6.032.294	2.169.175	8.201.469	
Services	42.434.856	220.383	215.390	6.837.994	19.366.534	21.136.558	12.166.959	281.641	-	2.845.348	74.612.432	30.893.231	105.505.663	
<i>Wholesale and retail trade</i>	-	22	80.255	-	7.419.367	11.922.503	5.861.549	134.824	-	8.799	21.906.378	3.520.941	25.427.319	
<i>Hotel, food and beverage services</i>	-	10	21	-	1.187.273	491.135	2.122.338	31.399	-	87	2.672.288	1.159.975	3.832.263	
<i>Transportation and telecommunication</i>	-	-	31.859	-	2.231.664	5.255.532	555.226	9.087	-	646	6.023.275	2.060.739	8.084.014	
<i>Financial institutions</i>	42.401.777	5.246	5.509	6.837.994	1.199.958	28.468	375.960	354	-	2.669.845	34.183.228	19.341.883	53.525.111	
<i>Real estate and renting services</i>	11.198	213.000	28.971	-	6.468.205	2.562.616	2.617.276	99.110	-	160.552	7.903.692	4.257.236	12.160.928	
<i>Self-employment services</i>	-	-	-	-	262	679.573	118.245	1.580	-	5.344	792.471	12.533	805.004	
<i>Education services</i>	1.513	82	38.661	-	266.209	69.307	163.752	1.115	-	2	387.315	153.326	540.641	
<i>Health and social services</i>	20.368	2.023	30.114	-	593.596	127.424	352.613	4.172	-	73	743.785	386.598	1.130.383	
Other	1.871.813	352.365	208.129	-	1.509.458	3.083.923	189.778	9.128	10.735.582	4.975.969	22.281.285	654.860	22.936.145	
Total	44.306.669	572.882	555.602	6.837.994	49.289.026	32.740.278	22.949.623	1.285.458	10.735.582	8.261.574	125.644.951	51.889.737	177.534.688	

(*) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Risk Profile according to sectors:

Prior Period	Risk Classifications ^(*)										TRY	FC	Total
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Overdue loans			
Agricultural	-	7	79	-	82.200	316.514	76.817	21.827	-	59.563	496.325	60.682	557.007
<i>Farming and raising livestock</i>	-	7	79	-	57.234	299.505	66.022	21.729	-	59.484	462.339	41.721	504.060
<i>Forestry</i>	-	-	-	-	-	2.669	708	82	-	79	3.538	-	3.538
<i>Fishing</i>	-	-	-	-	24.966	14.340	10.087	16	-	-	30.448	18.961	49.409
Manufacturing	-	371	84.345	-	16.667.317	4.265.225	6.805.648	194.638	-	123.381	11.791.795	16.349.130	28.140.925
<i>Mining</i>	-	80	49.524	-	168.006	56.344	220.793	2.385	-	-	199.341	297.791	497.132
<i>Production</i>	-	291	34.821	-	14.842.592	4.190.951	6.411.124	192.107	-	123.381	11.364.429	14.430.838	25.795.267
<i>Electric, gas and water</i>	-	-	-	-	1.656.719	17.930	173.731	146	-	-	228.025	1.620.501	1.848.526
Construction	-	6	-	-	3.686.109	527.018	1.124.827	41.014	-	230.791	3.670.634	1.939.131	5.609.765
Services	38.866.216	88.733	150.849	5.080.183	12.346.901	12.740.959	7.207.467	173.729	-	2.100.847	47.790.968	30.964.916	78.755.884
<i>Wholesale and retail trade</i>	-	98	68.502	-	5.077.148	7.132.758	3.851.423	101.960	-	5.212	13.281.787	2.955.314	16.237.101
<i>Hotel, food and beverage services</i>	-	10	-	-	676.406	287.821	1.164.641	25.178	-	91	665.388	1.488.759	2.154.147
<i>Transportation and telecommunication</i>	-	-	19.467	-	1.481.035	3.208.553	316.100	25.178	-	604	3.660.768	1.390.169	5.050.937
<i>Financial institutions</i>	38.845.284	-	-	5.080.183	552.020	18.305	160.474	539	-	1.934.118	25.368.608	21.222.315	46.590.923
<i>Real estate and renting services</i>	3	88.015	18.559	-	3.943.762	1.534.765	1.304.772	11.298	-	155.902	3.745.898	3.311.178	7.057.076
<i>Self-employment services</i>	-	6	-	-	960	436.787	82.666	1.465	-	4.844	517.266	9.462	526.728
<i>Education services</i>	205	16	39.964	-	113.979	41.675	93.968	260	-	2	157.512	132.557	290.069
<i>Health and social services</i>	20.724	588	4.357	-	501.591	80.295	233.423	7.851	-	74	393.741	455.162	848.903
Other	1.950.860	69.773	59.592	-	5.988.426	8.563.224	5.177.025	3.641	10.036.372	4.450.367	33.484.800	2.814.480	36.299.280
Total	40.817.076	158.890	294.865	5.080.183	38.770.953	26.412.940	20.391.784	434.849	10.036.372	6.964.949	97.234.522	52.128.339	149.362.861

^(*)Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Distribution of maturity risk factors according to their outstanding maturities:

Current Period Risk Classifications	According to outstanding maturities				1 year and over
	1 month	1-3 month	3-6 month	6-12 month	
1.Claims on sovereigns and Central Banks	10.907.489	9.003.802	3.912.359	4.224.958	16.253.826
2.Claims on regional governments or local authorities	8.235	567	3.781	9.656	550.643
3.Claims on administrative bodies and other non-commercial undertakings	146.526	141.688	123.348	86.120	57.978
4.Claims on banks and intermediary institutions	4.539.316	359.750	167.693	424.077	1.074.117
5.Claims on corporate	10.422.083	3.919.457	4.859.464	8.374.052	28.299.415
6.Claims included in the regulatory retail portfolios	1.422.550	1.949.379	3.874.005	8.198.127	40.893.376
7. Overdue loans	1.285.458	-	-	-	-
8. Other receivables	6.127.135	242.392	600.983	519.535	771.528
Total	34.858.792	15.617.035	13.541.633	21.836.525	87.900.883

(*) Commitments amounting TRY 3.779.820 are not included in the table above.

(**) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

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

Prior Period Risk Classifications	According to outstanding maturities				1 year and over
	1 month	1-3 month	3-6 month	6-12 month	
1.Claims on sovereigns and Central Banks	8.720.562	7.681.052	4.128.169	5.068.263	15.144.250
2.Claims on regional governments or local authorities	11.723	4.760	13.769	49.373	79.265
3.Claims on administrative bodies and other non-commercial undertakings	79.131	82.071	14.075	24.350	95.246
4.Claims on banks and intermediary institutions	3.037.735	290.659	335.173	326.302	803.088
5.Claims on corporate	6.206.794	2.437.279	4.709.122	6.335.756	23.334.004
6.Claims included in the regulatory retail portfolios	3.098.451	1.977.765	3.752.612	5.271.196	34.611.357
7. Overdue loans	434.849	-	-	-	-
8. Other receivables	5.461.066	272.734	133.439	488.525	609.185
Total	27.050.311	12.746.320	13.086.359	17.563.765	74.676.395

(*) Commitments amounting TRY 4.239.711 are not included in the table above.

(**) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

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

Information on the risk classifications as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

In determining the risk weights for the exposures to banks which are settled abroad, Fitch Ratings' risk ratings are used.

Additionally, for the foreign exchange securities issued by Turkish Treasury and for the foreign exchange exposures to Turkish Central Government, Fitch Ratings' risk ratings are used.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Mapping Table	Credit Quality Grade	Fitch Ratings
Long term Credit Assessments	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below
Short term Credit Assessments	1	F1+ and F1
	2	F2
	3	F3
	4	F3 and below
	5	---
	6	---

Risk balances according to risk weights:

Current Period Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	Deductions
										from the shareholders' equity
1. Pre-Amount of Credit Risk Mitigation	45.177.028	-	3.551.843	16.771.693	39.549.892	61.424.148	2.408.862	8.286.167	365.055	502.819
2. Amount after Credit Risk Mitigation	48.924.862	-	4.050.289	28.153.134	30.616.277	54.730.042	2.408.862	8.286.167	365.055	502.819
Prior Period Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	Deductions
1. Pre-Amount of Credit Risk Mitigation	41.516.359	-	3.370.335	4.094.344	42.063.789	48.281.662	1.887.984	8.126.295	22.093	145.921
2. Amount after Credit Risk Mitigation	43.344.220	-	3.847.555	24.821.552	24.617.506	42.695.656	1.887.984	8.126.295	22.093	145.921

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Information according to sectors and counterparties:

Current Period		Loans		
Sectors / Counterparties	Non-performing loans(*)	Overdue (**)	Value Adjustments	Provisions
Agricultural	85.740	8.188	556	69.158
<i>Farming and raising livestock</i>	78.058	7.340	518	61.619
<i>Forestry</i>	487	95	2	476
<i>Fishing</i>	7.195	753	36	7.063
Manufacturing	1.812.375	170.098	12.372	908.516
<i>Mining</i>	132.615	3.864	85	62.855
<i>Production</i>	1.678.479	166.098	11.877	844.725
<i>Electric, gas and water</i>	1.281	136	410	936
Construction	250.914	130.666	6.893	186.524
Services	957.688	291.763	12.434	697.376
<i>Wholesale and retail trade</i>	587.486	196.397	7.714	456.569
<i>Hotel, food and beverage services</i>	114.617	19.489	494	97.511
<i>Transportation and telecommunication</i>	36.853	35.145	857	27.377
<i>Financial institutions</i>	7.713	922	20	7.363
<i>Real estate and renting services</i>	187.138	13.396	607	92.797
<i>Self-employment services</i>	5.934	5.422	326	3.334
<i>Education services</i>	3.349	11.909	404	2.236
<i>Health and social services</i>	14.598	9.083	2.012	10.189
Other	592.944	259.064	14.734	552.449
Total	3.699.661	859.779	46.989	2.414.023

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

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

Prior Period		Loans		
Sectors / Counterparties	Non-performing loans(*)	Overdue (**)	Value Adjustments	Provisions
Agricultural	98.679	11.206	440	76.845
<i>Farming and raising livestock</i>	91.012	9.975	377	69.276
<i>Forestry</i>	636	69	4	554
<i>Fishing</i>	7.031	1.162	59	7.015
Manufacturing	752.896	1.019.463	56.987	553.042
<i>Mining</i>	10.515	4.391	5.520	8.126
<i>Production</i>	741.278	1.014.818	50.752	543.959
<i>Electric, gas and water</i>	1.103	254	715	957
Construction	167.844	155.956	3.387	118.896
Services	749.139	298.880	18.714	584.928
<i>Wholesale and retail trade</i>	523.705	191.348	7.587	411.641
<i>Hotel, food and beverage services</i>	111.390	18.855	536	86.822
<i>Transportation and telecommunication</i>	44.109	31.644	1.222	33.046
<i>Financial institutions</i>	10.448	1.733	48	9.910
<i>Real estate and renting services</i>	31.091	7.929	7.379	24.697
<i>Self-employment services</i>	6.358	5.681	172	4.886
<i>Education services</i>	1.834	1.910	63	1.573
<i>Health and social services</i>	20.204	39.780	1.707	12.353
Other	476.618	220.366	10.014	476.616
Total	2.245.176	1.705.871	89.542	1.810.327

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Information about value adjustments and changes in the loan impairment:

Current Period	The opening balance	Provision amounts set aside during the period	The cancellation of the provisions	Other adjustments	Close out balance
1. Specific Provisions	1.810.327	876.459	272.763	-	2.414.023
2. General Provisions	1.134.717	134.159	29	-	1.268.847

Prior Period	The opening balance	Provision amounts set aside during the period	The cancellation of the provisions	Other adjustments	Close out balance
1. Specific Provisions	1.616.638	435.996	242.307	-	1.810.327
2. General Provisions	972.148	321.609	159.040	-	1.134.717

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

Gross Maximum Exposure	Current Period	Prior Period
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	19.301.714	19.180.378
Due from banks	1.283.660	1.848.776
Money Market Receivables	-	-
Financial Assets at Fair Value through profit or loss	155.570	163.533
Financial Assets Available for Sale	8.858.315	9.476.596
Held to maturity Investments	17.763.665	18.854.586
Loans	101.766.924	84.848.290
Total	149.129.848	134.372.159
Contingent Liabilities	32.778.592	27.038.177
Commitments	19.452.162	18.985.579
Total	52.230.754	46.023.756
Total Credit Risk Exposure	201.360.602	180.395.915

Overdue and individually impaired assets are not available in due from banks, financial assets at fair value through profit or loss, financial assets available for sale and held to maturity investments.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

The table below shows the credit risk grading.

Corporate and Commercial Loans	Internal/External Valuation Grade	Total	Entrepreneur Firms	Internal/External Valuation Grade	Total
Risk rating group 1	AAA	114.987	High		
Risk rating group 2	AA	6.633.588	Risk rating group 1	1	2.388.643
Risk rating group 3	A	8.631.185	Risk rating group 2	2	2.431.316
Risk rating group 4	BBB	13.969.829	Standard		
Risk rating group 5	BB	14.759.696	Risk rating group 3	3	2.209.418
Risk rating group 6	B	13.189.706	Risk rating group 4	4	2.992.234
Risk rating group 7	CCC	7.411.636	Risk rating group 5	5	5.169.415
Risk rating group 8	CC	667.968	Below the standard		
Risk rating group 9	C	-	Risk rating group 6	6	5.933.606
			Risk rating group 7	7	5.125.252
Total		65.378.595	Total		26.249.884

⁽¹⁾ Prepared in accordance with the internal grading results of the Bank.

⁽²⁾ Includes the total of cash and non-cash loans.

Risk Grade (1-4)	Risk Group	Definition of risk group	Risk Grade (%)
1,00 - 1,40	AAA	The firm is an extremely positive firm with its financial and non-financial criteria and it can pursue its high credibility in the long run.	100 - 86
1,41 - 1,80	AA	The firm is a positive firm with its financial and non-financial criteria and it can pursue its high credibility in the long run.	85 - 73
1,81 - 2,00	A	The firm that has performed its optimization and has a high credibility in the short run and is a credible firm in the medium run.	72 - 67
2,01 - 2,20	BBB	The firm is a credible firm despite the fact that it cannot perform the optimization certain aspects of its financial and non-financial criteria.	66 - 60
2,21 - 2,40	BB	The firm cannot retain optimization in the major parts of its financials and non-financial criteria. It has speculative attributes but it's a credible firm in the short run.	59 - 53
2,41 - 2,60	B	Some of the financial and non-financial criteria are negative. It carries highly speculative attributes. In the short run it is a credible firm dependent on the positive conjecture.	52 - 47
2,61 - 2,80	CCC	The major part of its financial and non-financial criteria is negative and the firm is having difficulties in meetings its commitments. But it has guaranteed short run credibility dependent on the positive conjecture.	46 - 40
2,81 - 3,20	CC	The firm force acceptable risk limits when its financial and non-financial criteria considered together, and has poor credibility.	39 - 27
3,21 - 3,60	C	The firm has no credibility when its financial and non-financial criteria considered together	26 - 13
3,61 - 4,00	D	The firm has no credibility under any condition.	12 - 0

Entrepreneur Loans Decision Module ("ELDM") is the rating module which is used for assessment of loan applications of companies which are classified by the Bank as a small and medium sized enterprises (SME) Customers within the SME in ELDM are evaluated by both qualitative and quantitative characteristics of firm, the size of endorsement and requested amount of loan before bank creates score card forms for each customers Score card which categorize firms according to their risk, includes 1 to 7 rating group and 1 has the lowest risk. Guarantees for companies that can be assessed by ELDM, converted into cash during the time it takes to prevent probable loss of value and the conversion process is divided into two main groups according to the criteria. The conversion of cash collateral to compensate for any losses in a margin, "Liquid Collateral Value" is referred to as the facility where the customer the amount of collateral to be determined by risk group, and the collateral value of the liquid.

Carrying amount per class of financial assets whose terms have been renegotiated:

	Current Period	Prior Period
Loans ^{(1) (2)}		
Corporate Loans	80.479	59.642
SME Loans	17.989	15.116
Consumer Loans	12.264	12.545
Other	65	64
Total	110.797	87.367

⁽¹⁾ Accruals are not included to the table above.

⁽²⁾ Presents loans accounted under in restructured or rescheduled loan accounts.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

The net value and type of collaterals of the loans amounting TRY 1.553.747 followed under loans and other receivables under close monitoring section is below: (31 December 2013 : TRY 2.276.000).

Collateral Types	Net Value of Collateral Current Period⁽¹⁾	Net Value of Collateral Prior Period
Real estate mortgage	959.346	1.817.757
Salary pledge, vehicle pledge and pledge of commercial undertaking	80.652	72.262
Financial collaterals (cash, securities pledge, etc.)	387	14.588
Cheque / bills	24.246	26.817
Surety ship	329.927	217.072
Other	159.189	127.504
Total	1.553.747	2.276.000

⁽¹⁾ The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered on the table above.

⁽²⁾ Income accruals amounting to TRY 19.918 (31 December 2013: TRY 27.828) are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 3.699.661 followed under non-performing loans section is below: (31 December 2013: TRY 2.245.176)

Collateral Types	Net Value of Collateral Current Period⁽¹⁾	Net Value of Collateral Prior Period
Cash	448	1.887
Mortgage	839.526	522.565
Pledge	181.137	48.963
Cheque / bills	4.955	5.044
Surety ship	1.967.625	1.156.880
Other ⁽²⁾	705.970	509.837
Total	3.699.661	2.245.176

⁽¹⁾ The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered in the table above.

⁽²⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE MARKET RISK

In accordance with the Bank' risk management policy framework to avoid the effect of market risk, the Bank has determined the management activities and has taken necessary precautions within the framework of "Regulation On Measurement and Evaluation Of Capital Adequacy Of Banks" published in Official Journal No 29111 by 6 September 2014.

The Board of Directors set the risk limits by taking into account the main risk factors and these limits are periodically revised in accordance with the market conditions and Bank's strategies. Furthermore, the Board of Directors ensure that, the necessary measures to be taken by risk management department and all other executives in respect of defining, measuring, monitoring and managing the risks exposed by the Bank. The VAR based limits, that are determined by the Board of Directors, and the denominated interest rate risk of the Bank' is limited to certain percentage of the shareholders' equity.

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the Bank's possibility of loss that may cause due to the general market risk, currency risk, specific risk, commodity risk, clearing risk and counterparty credit risk is calculated by using the standard method. The following table discloses the amounts that are calculated using the standard method.

The Value at Risk (VaR) that is calculated by using internal model methods besides standard method is validated by scenario analysis and stress tests. The VaR is calculated daily by using historical simulation and parametric approach and the results are reported the Executives.

a) Information related to market risk:

	Current Period	Prior Period
(I) Capital requirement to be employed for general market risk	193.908	179.935
(II) Capital requirement to be employed for specific risk	41.103	32.966
(III) Capital requirement to be employed for specific risk in securitization positions- Standard Method	-	-
(IV)Capital requirement to be employed for currency risk	12.508	25.735
(V)Capital requirement to be employed for commodity risk	-	-
(VI)Capital requirement to be employed for clearing risk	-	-
(VII)Total capital requirement to be employed for counterparty credit risk-Standard method	576	96
(VIII)Capital requirement to be employed for general market risk.	9.317	4.418
(IX) Total capital requirement to be employed for market risk	-	-
(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)	257.412	243.150
(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)	3.217.650	3.039.375

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE MARKET RISK (continued)

b) Average market risk calculated as of the end of months in the related period:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	231.914	248.223	211.156	174.401	252.145	100.444
Share Risk	9.129	10.698	7.826	4.188	8.480	1.672
Currency Risk	38.871	118.583	12.508	33.758	46.530	25.735
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Options Risk	1.056	2.538	350	448	1.313	96
Counterparty Credit Risk	5.314	9.317	3.616	2.709	4.418	1.484
Amount Subject to Total Risk	286.284	389.359	235.456	215.504	312.886	129.431

Information about counterparty risk:

Counterparty credit risk is the risk that the counterparty to a transaction could default before the transaction's cash flows.

Over the counter derivatives, Credit Derivatives, Securities Financing Transactions, Long Settlement Transactions, Margin Lending Transactions are subject to counterparty credit risk calculations.

The Bank uses current exposure method in the calculation process of counterparty credit risk. The comprehensive financial collateral and simple financial collateral approaches are taken into account in the calculation process of counterparty credit risk of repo style transactions for trading and banking book activities, respectively.

Under the current exposure method, the Bank calculates the current replacement cost by marking contracts to market, thus capturing the current exposure without any need for estimation, and then adding a factor ("add on") to reflect the potential future exposure over the remaining life of the contract.

The contracts made according to the attribute of the transaction are evaluated by taking into account ISDA and CSA frame for derivative transactions, GMRA frame for repurchase agreements. The risk is mitigated by receiving cash or other forms of collateral. In secured lending and repo transactions, the haircut amounts are reduced from the counterparty's limits.

The Bank does not take part in transactions and contracts requiring extra collateral in accordance with possible changes of credit rating. Especially, in the process of signing ISDA, CSA and GMRA contracts related to treasury transactions, it is cared about not accepting the conditional statements and invalidation of the contracts due to the reduction of Bank's rating. Because possible falls or rises in rating affects the current replacement cost, margin call agreements are used as a risk mitigator.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE MARKET RISK (continued)

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

	Amount*
Contracts based on Interest rate	9.087
Contracts based on currency	92.172
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	101.259
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	48.152
The net position of derivatives	101.259

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

IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK

In the calculation of the Bank's operational risk, the "Basic Indicator Method" is used. The amount subject to operational risk is calculated once a year in accordance with the Regulation on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 29111 on 6 September 2014. In the Basic Indicator Method, the amount subject to operational risk is calculated by multiplying 15% of the Bank's average gross revenue over the previous three years with 12,5. Amount subject to operational risk is TRY 10.129.038 for the current period (31 December 2013: TRY 8.912.469).

	2 PP Value	1 PP Value	CD Value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	4.528.461	5.848.227	5.829.772	5.402.153	15	810.323
Amount subject to operational risk (Total*12,5)						10.129.038

V. EXPLANATIONS RELATED TO THE CURRENCY RISK

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

V. EXPLANATIONS RELATED TO THE CURRENCY RISK (continued)

Announced current foreign exchange buying rates of the Bank as at 31 December 2014 and the previous five working days in full TRY are as follows:

	24.12.2014	25.12.2014	26.12.2014	29.12.2014	30.12.2014	31.12.2014
USD	2,2850000	2,2850000	2,2900000	2,2900000	2,3000000	2,3000000
CHF	2,3133000	2,3229000	2,3150000	2,3170000	2,3232000	2,3148000
GBP	3,5458000	3,5451000	3,5588000	3,5520000	3,5722000	3,5803000
JPY	0,0189476	0,0189933	0,0189938	0,0189528	0,0192656	0,0191923
EURO	2,7839000	2,7976000	2,7870000	2,7893000	2,7968000	2,7871000

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

	Monthly average
USD	2,2680435
CHF	2,3198565
GBP	3,5404696
JPY	0,0189707
EURO	2,7922870

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

V. EXPLANATIONS RELATED TO THE CURRENCY RISK (continued)

Information related to currency risk:

Current Period	EURO	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	2.808.328	10.814.623	2.493.768	16.116.719
Banks	302.298	830.939	83.560	1.216.797
Financial assets at fair value through profit and loss ⁽³⁾	34.057	46.593	155	80.805
Money market placements	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	753.229	1.842.075	-	2.595.304
Loans ⁽²⁾	10.468.600	17.808.278	220.358	28.497.236
Subsidiaries, associates and entities under common control ⁽⁵⁾	-	-	-	-
Held-to-maturity investments	-	1.508.067	-	1.508.067
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	85	85
Intangible assets	-	-	-	-
Other assets ⁽³⁾	16.727	61.104	70	77.901
Total assets	14.383.239	32.911.679	2.797.996	50.092.914
Liabilities				
Bank deposits	4.749.119	2.215.662	502.926	7.467.707
Foreign currency deposits	13.077.086	11.347.467	1.731.186	26.155.739
Money market balances	-	231.208	-	231.208
Funds provided from other financial institutions	5.407.975	6.280.835	469	11.689.279
Bonds issued	-	4.649.617	-	4.649.617
Sundry creditors	17.592	34.103	15	51.710
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	115.406	138.438	26.540	280.384
Total liabilities	23.367.178	24.897.330	2.261.136	50.525.644
Net balance sheet position	(8.983.939)	8.014.349	536.860	(432.730)
Net off-balance sheet position				
Financial derivative assets ⁽⁴⁾	9.429.686	2.802.071	682.173	12.913.930
Financial derivative liabilities ⁽⁴⁾	715.716	10.738.542	1.219.039	12.673.297
Non-cash loans ⁽¹⁾	4.384.199	12.730.976	598.070	17.713.245
Prior period				
Total assets	19.134.339	26.143.739	2.528.749	47.806.827
Total liabilities	26.019.911	23.308.328	2.608.820	51.937.059
Net balance sheet position	(6.885.572)	2.835.411	(80.071)	(4.130.232)
Net off-balance sheet position				
Financial derivative assets	7.538.178	1.528.531	521.062	9.587.771
Financial derivative liabilities	934.551	4.354.082	436.731	5.725.364
Non-cash loans ⁽¹⁾	3.975.105	9.852.417	398.172	14.225.694

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

⁽²⁾ Includes TRY 1.047.457 of foreign currency indexed loans and their accruals. (31 December 2013: 861.262 TL)

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 35.106), prepaid expenses (TRY 108) in assets; and derivative financial instruments foreign currency expense accruals (TRY 132.344) and shareholders' equity (TRY 19.378) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounted to TRY 2.445. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 805.714. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

⁽⁵⁾ Demirhalkbank NV (TRY 74.716), an associate operates in foreign currency, Macar Halkbank (TRY 2.063) International Garagum Bank (TRY 250), and a foreign currency subsidiary Halk Bank AD Skopje (TRY 145.359) followed as available for sale items in foreign currency, are presented in financials with their historical costs since they are non-monetary financial items.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

V. EXPLANATIONS RELATED TO THE CURRENCY RISK (continued)

Foreign currency sensitivity:

Bank is exposed to currency risk in EURO and USD terms in balance sheet and also utilizes from derivative instruments in order to hedge against currency risk.

The following table sets the Bank's sensitivity to a 10% increase and decrease in the TRY against USD, EURO and the other foreign currencies. 10% sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the possible change in foreign exchange rates. Negative amounts represent value decrease in profit and loss or shareholders' equity due to 10% decrease in value of TRY against EURO or USD.

	Change in currency rate in %	Effect on profit /loss before taxation	
		Current period	
USD	10% increase	7.788	986
EURO	10% increase	(26.997)	(28.195)
Other	10% increase	(1)	426

VI. EXPLANATIONS RELATED TO THE INTEREST RATE RISK

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

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

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

The Bank assesses the probability of any significant losses can be caused by interest rate risk exposures as low.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	3.414.419	-	-	-	-	16.861.685	20.276.104
Banks and financial institutions	957.596	6.397	14.542	-	-	305.125	1.283.660
Financial assets at fair value through profit and loss	30.078	1.719	8.949	11.776	16	103.032	155.570
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	2.070.654	647.593	1.705.033	1.533.212	2.901.823	66.866	8.925.181
Loans	35.240.762	14.588.259	21.412.684	22.675.206	3.630.004	2.934.371	100.481.286
Held-to-maturity investments	8.388.086	517.854	2.158.620	2.188.377	4.510.728	-	17.763.665
Other assets ⁽²⁾	6.240	6.150	27.606	63.473	24.077	6.410.007	6.537.553
Total assets	50.107.835	15.767.972	25.327.434	26.472.044	11.066.648	26.681.086	155.423.019
Liabilities							
Bank deposits	9.288.383	2.277.003	201.442	-	-	5.414.639	17.181.467
Other deposits	43.133.568	19.402.541	7.729.699	122.419	-	16.138.660	86.526.887
Money market balances	8.181.354	231.402	-	-	-	-	8.412.756
Sundry creditors	915.879	5.041	952.187	-	-	150.815	2.023.922
Bonds issued	68.912	502.447	1.019.793	2.865.352	1.715.353	-	6.171.857
Funds provided from other financial institutions ⁽⁴⁾	1.129.197	4.488.241	4.783.718	1.708.354	513.249	7.598	12.630.357
Other liabilities ^{(1),(3)}	1.925.178	165.495	1.018.885	-	-	19.366.215	22.475.773
Total liabilities	64.642.471	27.072.170	15.705.724	4.696.125	2.228.602	41.077.927	155.423.019
Balance sheet long position	-	-	9.621.710	21.775.919	8.838.045	-	40.235.674
Balance sheet short position	(14.534.636)	(11.304.199)	-	-	-	(14.396.841)	(40.235.676)
Off-balance sheet long position	115.011	840.031	33.634	426.575	-	-	1.415.251
Off-balance sheet short position	1.456	561.724	29.256	426.167	-	-	1.018.603
Total position	(14.418.169)	(9.902.444)	9.684.600	22.628.661	8.838.045	(14.396.841)	2.433.854

⁽¹⁾ TRY 238.268 of deferred tax liability is disclosed under the non-interest bearing column in other assets.

⁽²⁾ TRY 1.285.685 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	19.300	-	-	-	-	19.956.484	19.975.784
Banks and financial institutions	1.608.653	4.404	3.597	-	-	232.122	1.848.776
Financial assets at fair value through profit and loss	70.305	22.415	31.658	34.091	5.064	-	163.533
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	3.131.671	539.295	873.986	2.139.173	2.792.471	64.152	9.540.748
Loans	26.959.078	14.873.150	16.979.816	19.951.167	3.662.263	1.987.967	84.413.441
Held-to-maturity investments	9.295.467	1.603.846	1.397.826	2.688.829	3.868.618	-	18.854.586
Other assets ^{(1),(2)}	66.962	3.648	18.095	37.251	15.846	5.004.837	5.146.639
Total assets	41.151.436	17.046.758	19.304.978	24.850.511	10.344.262	27.245.562	139.943.507
Liabilities							
Bank deposits	5.825.381	306.452	300.131	-	-	3.585.229	10.017.193
Other deposits	47.210.931	19.599.080	8.742.092	77.291	31	15.109.579	90.739.004
Money market balances	771.416	-	-	-	-	-	771.416
Sundry creditors	574.245	2.699	885.739	-	-	161.370	1.624.053
Bonds issued	38.663	30.694	1.014.151	1.763.434	1.317.742	-	4.164.684
Funds provided from other financial institutions ⁽⁴⁾	2.604.492	3.663.879	5.575.666	1.257.825	508.403	4.890	13.615.155
Other liabilities ⁽³⁾	1.235.127	84.435	233.601	-	-	17.458.839	19.012.002
Total liabilities	58.260.255	23.687.239	16.751.380	3.098.550	1.826.176	36.319.907	139.943.507
Balance sheet long position	-	-	2.553.598	21.751.961	8.518.086	-	32.823.645
Balance sheet short position	(17.108.819)	(6.640.481)	-	-	-	(9.074.345)	(32.823.645)
Off-balance sheet long position	12.410	10.146	6.893	-	-	-	29.449
Off-balance sheet short position	(12.020)	(10.535)	(6.896)	-	-	-	(29.451)
Total position	(17.108.429)	(6.640.870)	2.553.595	21.751.961	8.518.086	(9.074.345)	(2)

⁽¹⁾ TRY 8.303 of deferred tax assets is disclosed under the non-interest bearing column in other assets.

⁽²⁾ TRY 434.849 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

2. Average interest rates applied to financial instruments:

Current period	EURO	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,50	-	-	3,50
Due from other banks and financial institutions ⁽¹⁾	0,71	0,16	-	10,07
Financial assets at fair value through profit and loss	-	1,71	-	8,68
Money market placements	-	-	-	-
Available-for-sale financial assets	5,29	5,63	-	9,03
Loans ⁽²⁾	4,55	4,78	-	11,64
Held-to-maturity investments	-	5,80	-	8,86
Liabilities				
Bank deposits	0,40	0,80	-	9,59
Other deposits ⁽⁴⁾	1,87	2,13	0,25	9,03
Money market borrowings	-	0,95	-	9,18
Sundry creditors ⁽³⁾	-	-	-	3,56
Bonds issued	-	4,47	-	8,84
Funds provided from other financial institutions	0,50	1,57	-	7,33
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	0,50	-	-	3,50
Due from other banks and financial institutions	0,28	0,41	-	8,48
Financial assets at fair value through profit and loss	-	3,20	-	9,80
Money market placements	-	-	-	-
Available-for-sale financial assets	5,41	6,00	-	8,47
Loans	4,26	4,15	-	11,04
Held-to-maturity investments	-	5,89	-	8,95
Liabilities				
Bank deposits	0,53	1,29	-	8,83
Other deposits	2,82	2,64	0,25	8,19
Money market borrowings	0,55	1,09	-	6,00
Sundry creditors	-	-	-	3,56
Bonds issued	-	4,38	-	9,13
Funds provided from other financial institutions	1,15	1,68	-	7,95

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

⁽²⁾ Interest rates for loans given as of balance sheet date are calculated using weighted average method for client's base.

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

3. The interest rate risk of the banking book items:

Standard interest rate shock methods are being used in respect of measuring the risk arising from re-pricing mismatch of asset and liability items. The duration within the limits are determined by BRSA that obtained from the calculation intended for demand deposits by using core deposit and duration analysis is taken into account.

The interest rate risk of the banking book items is calculated by taking into account the worst ratio for the Bank among the calculated ratios by dividing the total of the differences in terms of maturities and currencies with the shareholders' equity. The mentioned difference is the difference between the net position amounts which are derived from the cash flows of the on-balance and off-balance sheet positions included in the interest sensitive banking book items discounted by the ratios derived from the application of positive and negative shocks, and the net position amounts which are discounted by the ratios without applying the shocks. The maximum limit regarding the economic value change is 20% of shareholders' equity.

While maturity distribution of the related cash flows, remaining maturities are taken into account for fixed rate instruments and re-pricing dates are taken into account for flexible interest instruments. Non-performing loans are placed to relevant maturity periods except demand time interval that are not than not be less than six months by taking into account receiving durations are receivables ratios under other receivables and estimated receiving durations. Foreign currency indexed asset and liabilities are placed to related forms by taking into accounts their indexed currency types.

In defining the maturity of demand deposits, average durations which are calculated by statistical analysis are being used.

Current Period				
	Currency	Applied Shock (+/- x basis points)	Gains/ Losses	Gains/Shareholders' Equity – Losses/ Shareholders' Equity
1	TRY	500	(2.441.325)	(14,11%)
		(400)	2.533.249	14,64%
2	EURO	200	439.085	2,54%
		(200)	(476.404)	(2,75%)
3	USD	200	74.447	0,43%
		(200)	29.202	0,17%
Total (For negative shocks)			2.086.047	12,06%
Total (For positive shocks)			(1.927.793)	(11,14%)
Prior Period				
	Currency	Applied Shock (+/- x basis points)	Gains/ Losses	Gains/Shareholders' Equity – Losses/ Shareholders' Equity
1	TRY	500	(1.944.449)	(13,26%)
		(400)	2.029.290	13,84%
2	EURO	200	398.381	2,72%
		(200)	(429.990)	(2,93%)
3	USD	200	57.709	0,40%
		(200)	(11.397)	(0,08%)
Total (For negative shocks)			1.587.903	10,83%
Total (For positive shocks)			(1.488.359)	(10,15%)

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO THE POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Balance Sheet	Comparison	
	Value	Fair Value Change	Market Value
1. Associates	92.553	-	-
Quoted in a stock exchange	-	-	-
2. Subsidiaries	2.576.816	2.431.457	607.758
Quoted in a stock exchange	952.993	952.993	607.758
Traded on Free Trading Platform ⁽¹⁾	345.235	345.235	-
Investments securities for Group A ^{(2),(3)}	607.758	607.758	607.758
Unquoted in a stock exchange	1.623.823	1.478.464	-

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

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

⁽³⁾ In accordance with the Capital Markets Board's decision "New-publicly traded companies' securities are classified as Group A, B and C after the companies are started to traded on Borsa Istanbul AŞ three months later", the securities are in Group A.

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

Portfolio	Revaluated appreciation in the fair value			Unrealized gains and losses		
	Realized gains (losses) in the current period	Total	Included to supplementary capital	Total	Included to total core capital	Included to supplementary capital
1. Private equity investments	-	-	-	-	-	-
2. Share Certificates quoted in a stock exchange ^{(1) (2)}	-	251.542	251.542	105.476	105.476	-
3. Other share certificates	-	753.201	753.201	-	-	-
Total	-	1.004.743	1.004.743	105.476	105.476	-

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK

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

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK (continued)

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	5.724.362	4.358.611	5.789.761	4.315.185	87.932	253	-	20.276.104
Banks	305.125	957.596	6.397	14.542	-	-	-	1.283.660
Financial assets at fair value through profit and loss	-	48.243	33.383	39.706	25.135	9.103	-	155.570
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	170.799	576.850	813.056	2.546.113	4.751.497	66.866	8.925.181
Loans ⁽²⁾	1.320.584	7.329.927	8.540.355	31.521.497	43.990.598	7.778.325	-	100.481.286
Held-to-maturity investments	-	272.401	1.627.635	2.097.290	3.611.357	10.154.982	-	17.763.665
Other assets ⁽³⁾	409.339	28.757	13.345	7.639	62.814	14.990	6.000.669	6.537.553
Total assets	7.759.410	13.166.334	16.587.726	38.808.915	50.323.949	22.709.150	6.067.535	155.423.019
Liabilities								
Bank deposits	5.414.639	9.288.383	2.277.003	201.442	-	-	-	17.181.467
Other deposits	16.138.660	43.129.422	19.393.811	7.646.235	214.224	4.535	-	86.526.887
Funds provided from other financial institutions ⁽⁴⁾	16.945	1.179.281	974.606	3.855.795	4.477.935	2.125.795	-	12.630.357
Money market balances	-	8.181.354	231.402	-	-	-	-	8.412.756
Bonds issued	-	68.912	502.447	1.019.793	2.865.352	1.715.353	-	6.171.857
Sundry creditors	157.711	941.152	65.077	257.725	602.257	-	-	2.023.922
Other liabilities ⁽¹⁾	3.326.197	354.574	232.465	1.325.488	327.682	294.170	16.615.197	22.475.773
Total liabilities	25.054.152	63.143.078	23.676.811	14.306.478	8.487.450	4.139.853	16.615.197	155.423.019
Liquidity gap	(17.294.742)	(49.976.744)	(7.089.085)	24.502.437	41.836.499	18.569.297	(10.547.662)	-
Previous period								
Total assets	6.755.597	12.526.335	14.239.625	37.206.041	45.793.673	19.225.222	4.197.014	139.943.507
Total liabilities	22.147.002	55.119.127	20.925.873	18.098.215	5.779.298	3.480.824	14.393.168	139.943.507
Liquidity gap	(15.391.405)	(42.592.792)	(6.686.248)	19.107.826	40.014.375	15.744.398	(10.196.154)	-

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

⁽²⁾ TRY 1.285.638 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK (continued)

Analysis of non-derivative financial liabilities by remaining contractual maturities:

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	74.087.085	21.904.556	8.069.397	224.022	4.535	(581.241)	103.708.354
Funds provided from other financial intuitions	1.144.315	995.059	3.982.546	4.662.760	2.205.479	(359.802)	12.630.357
Money market borrowings	8.185.745	231.819	-	-	-	(4.808)	8.412.756
Securities issued	42.047	694.536	1.062.740	3.597.344	1.758.422	(983.232)	6.171.857
Funds	671.523	114.622	390.449	343.079	310.068	(60.450)	1.769.291
Total	84.130.715	23.940.592	13.505.132	8.827.205	4.278.504	(1.989.533)	132.692.615

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	71.870.536	20.093.409	9.180.058	164.860	5.075	(557.741)	100.756.197
Funds provided from other financial intuitions	468.050	784.256	7.452.275	3.262.037	2.081.646	(433.109)	13.615.155
Money market borrowings	771.570	-	-	-	-	(154)	771.416
Securities issued	38.756	30.806	1.056.083	2.068.988	1.682.419	(712.368)	4.164.684
Funds	624.364	141.448	319.597	245.812	206.084	(48.763)	1.488.542
Total	73.773.276	21.049.919	18.008.013	5.741.697	3.975.224	(1.752.135)	120.795.994

Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

In accordance with the Communiqué on the “Measurement and Assessment of Liquidity of the Banks” published in the official gazette dated 1 November 2006 No: 26333, beginning from 1 June 2007 liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%. Liquidity ratios as at 31 December 2014 and 31 December 2013 are presented below:

	Current Period				Prior Period			
	First maturity Tranche(Weekly)		First maturity Tranche(Monthly)		First maturity Tranche(Weekly)		First maturity Tranche(Monthly)	
	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC
Average	244,17	169,38	157,94	115,56	266,58	222,10	171,77	135,40
Maximum	300,32	237,89	191,11	135,70	363,35	291,28	209,41	154,00
Minimum	192,86	143,86	128,79	102,33	185,12	183,18	132,01	121,99

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK (continued)

Analysis of Bank's derivative financial instruments according to their remaining maturities:

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	447.672	924.736	735.850	1.027.858	-	3.136.116
Forward Contracts – Sell	445.423	100.785	735.784	1.024.476	-	2.306.468
Swaps – Buy	7.373.267	2.869.155	348.727	115.000	-	10.706.149
Swaps – Sell	7.451.484	2.915.569	345.286	91.175	-	10.803.514
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	-	2.445	-	-	-	2.445
Forward Precious Metal - Sell	-	805.714	-	-	-	805.714
Money Buy Options	48.581	45.967	62.172	-	-	156.720
Money Sell Options	48.579	45.967	62.172	-	-	156.718
Swaps Interest – Buy	-	-	-	-	933.143	933.143
Swaps Interest – Sell	-	-	-	-	933.143	933.143
Total	15.815.006	7.710.338	2.289.991	2.258.509	1.866.286	29.940.130

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	864.772	325.844	493.614	4.118	-	1.688.348
Forward Contracts – Sell	855.519	180.495	491.752	4.106	-	1.531.872
Swaps – Buy	8.222.392	284.080	119.964	106.000	-	8.732.436
Swaps – Sell	8.185.666	269.741	105.094	91.175	-	8.651.676
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	-	5.873	-	-	-	5.873
Forward Precious Metal - Sell	-	149.450	-	-	-	149.450
Money Buy Options	50.680	52.904	21.934	-	-	125.518
Money Sell Options	50.246	44.618	30.655	-	-	125.519
Swaps Interest – Buy	-	-	-	-	678.400	678.400
Swaps Interest – Sell	-	-	-	-	678.400	678.400
Total	18.229.275	1.313.005	1.263.013	205.399	1.356.800	22.367.492

IX. EXPLANATIONS RELATED TO THE SECURITIZATION POSITIONS:

Securitization positions:

None.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

X. EXPLANATIONS RELATED TO THE CREDIT RISK MITIGATION TECHNIQUES:

Credit risk mitigation techniques:

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

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

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

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

The Bank reviews to reevaluate the value of the mortgages during the credit period.

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

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

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

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

Information about guaranties according to risk classifications:

Risk Classifications	Amount	Financial guaranties	Other/Physical guaranties	Guarantees and credit derivatives
Claims on sovereigns and Central Banks	44.306.669	5.148.962	-	-
Claims on regional governments or local authorities	572.882	20.771	-	-
Claims on administrative bodies and other non-commercial undertakings	555.602	33.891	-	100
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	6.837.994	1.411.571	-	-
Claims on corporate	49.289.026	1.105.016	-	194.187
Claims included in the regulatory retail portfolios	32.740.278	1.762.597	-	95.872
Claims secured by residential property	22.949.623	26.541	-	-
Overdue loans	1.285.458	-	123.381	-
Higher risk categories decided by the Board	10.735.582	-	-	-
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	8.261.574	-	-	-

(*) 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 FINANCIAL STRUCTURE (continued)

XI. EXPLANATIONS RELATED TO THE RISK MANAGEMENT TARGET AND POLICIES:

Credit Risk:

The credit authorization limits are defined with respect to Head Office, Regional Directories and Branch Basis. Credit origination and marketing activities are completely separated. The main point here is about to the Loan Department that related to credit expansion performance should not placed in loan granting process. Credit allocation monitoring processes are carried out by Credit Risk Monitoring Department which is an independent unit. The risk measurement activities are being carried out by the Risk Management Department which reports to Audit Committee directly.

In the process of credit assessment process, rating modules are used by the Bank and risk mitigators are defined with respect to rating categories. Rating modules are subject to validation process and the discrimination power of the module is calculated periodically.

The expected loss amount is estimated by the Bank and the Bank analyses whether own funds will be able to compensate the loss. Furthermore, the effect of possible shocks is analyzed periodically by scenario analysis and stress tests.

The concentration limits are defined in respect of main and sub-sectors.

Overdue loans and their customer segmentations and sectors are periodically monitored.

Foreign Exchange Risk:

The Risk Management Department measures the foreign exchange risk of the Bank.

The risks that arising from the exchange rate volatility are calculated by using either standard method or internal model methods by Risk Management Department on a daily basis.

The trading loss of the Bank is restricted by using VaR based limits. Besides, stop loss limits are also defined for foreign exchange transactions. The Bank defines limits with respect to the nominal short or long foreign exchange position.

Interest Rate Risk:

The activities regarding the measurement of interest rate risk are carried out by Risk Management Department.

The risks arising from the interest rate volatility are measured both for trading and banking book items. Whereas standardized method and internal models are used in the measurement process of trading items, standard interest rate shock method and duration analysis are used in the measurement process of banking book items.

The economic value decline which will be occurred due to the interest rate risk in the banking book is restricted by a certain percentage of shareholders' equity. Furthermore, the interest rate risk which will be raised from the trading book items is restricted by VaR based limits.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

Liquidity Risk:

The liquidity risk measurement activities are carried out by Risk Management Department.

Both BRSA and Basel III liquidity ratios are taken into account in liquidity risk measurement process. Moreover, the strategies that will be implemented in case of liquidity shocks are determined by liquidity contingency plan. The duration mismatch of asset and liability items is monitored daily basis and the liquidity deficit which will be occurred due to the maturity mismatch is restricted by setting a limit.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION

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

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

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

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

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

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

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO 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 2014 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment⁽¹⁾	Elimination⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	1.749.030	1.287.454	11.227.287	8.998.978	(11.811.616)	11.451.133
<i>Interest on loans</i>	<i>1.039.593</i>	<i>1.099.343</i>	<i>6.208.582</i>	<i>433.386</i>	-	<i>8.780.904</i>
<i>Interest income on marketable securities</i>	-	-	-	<i>2.652.451</i>	-	<i>2.652.451</i>
<i>Interest received from banks</i>	-	-	-	<i>12.653</i>	-	<i>12.653</i>
<i>Other interest income⁽²⁾</i>	<i>709.437</i>	<i>188.111</i>	<i>5.018.705</i>	<i>5.900.488</i>	<i>(11.811.616)</i>	<i>5.125</i>
Interest expense	1.185.412	726.899	8.866.132	7.372.757	(11.811.616)	6.339.584
<i>Interest on deposits</i>	<i>658.991</i>	<i>160.751</i>	<i>3.935.302</i>	<i>441.479</i>	-	<i>5.196.523</i>
<i>Interest on borrowings</i>	<i>2.716</i>	<i>13.205</i>	<i>16.539</i>	<i>216.442</i>	-	<i>248.902</i>
<i>Interest on money market borrowings</i>	-	-	-	<i>521.497</i>	-	<i>521.497</i>
<i>Interest on marketable bonds issued</i>	-	-	-	<i>278.423</i>	-	<i>278.423</i>
<i>Other interest expense⁽²⁾</i>	<i>523.705</i>	<i>552.943</i>	<i>4.914.291</i>	<i>5.914.916</i>	<i>(11.811.616)</i>	<i>94.239</i>
Net interest income	563.618	560.555	2.361.155	1.626.221	-	5.111.549
Net fees and commissions income	184.082	129.290	584.842	124.330	-	1.022.544
Net trading profit / (loss)	-	-	-	56.005	-	56.005
Dividend income	-	-	-	153.844	-	153.844
Other income	7.660	68.259	267.991	187.584	-	531.494
Loans and other receivables' impairment loss	415.756	128.817	366.492	249.703	-	1.160.768
Other expenses	20.189	62.934	1.357.844	1.546.446	-	2.987.413
Income before taxes	319.415	566.353	1.489.652	351.835	-	2.727.255
Income tax provision	-	-	-	(521.487)	-	(521.487)
Net profit for the period	319.415	566.353	1.489.652	(169.652)	-	2.205.768
SEGMENT ASSETS						
Marketable securities	-	-	-	26.741.384	-	26.741.384
Derivative financial assets held for trading	-	-	-	103.032	-	103.032
Banks and money market receivables	-	-	-	1.283.660	-	1.283.660
Associates and subsidiaries (net)	-	-	-	2.669.369	-	2.669.369
Loans	15.628.968	16.297.820	62.060.930	7.779.206	-	101.766.924
Other assets ⁽¹⁾	601	11.029	812.486	22.034.534	-	22.858.650
TOTAL ASSETS	15.629.569	16.308.849	62.873.416	60.611.185	-	155.423.019
SEGMENT LIABILITIES						
Deposits	13.230.859	5.830.939	67.860.260	16.786.296	-	103.708.354
Derivative financial liabilities held for trading	-	-	-	176.454	-	176.454
Money market balances	-	-	-	8.412.756	-	8.412.756
Borrowing funding loans	13.976	213.542	318.214	12.084.625	-	12.630.357
Bonds issued	-	-	-	6.171.857	-	6.171.857
Other liabilities	266.765	222.978	3.460.307	1.193.035	-	5.143.085
Provisions and tax payable	34.336	30.294	129.752	2.449.852	-	2.644.234
Shareholders' equity	-	-	-	16.535.922	-	16.535.922
TOTAL LIABILITIES	13.545.936	6.297.753	71.768.533	63.810.797	-	155.423.019
OFF BALANCE SHEET ITEMS						
Guarantees and surety ships	10.644.543	8.156.253	8.067.904	5.909.892	-	32.778.592
Commitments	46.133	653.733	7.553.718	11.198.578	-	19.452.162
Derivative financial instruments	-	-	-	29.385.583	-	29.385.583

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.180.114 (net) and deferred tax assets amounting TRY 238.268 in other assets are presented under the Treasury / Investment column.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	1.245.806	947.019	8.852.094	6.952.155	(8.792.431)	9.204.643
Interest on loans	798.109	785.863	5.169.226	381.063	-	7.134.261
Interest income on marketable securities	-	-	-	2.053.202	-	2.053.202
Interest received from banks	-	-	-	10.883	-	10.883
Other interest income ⁽²⁾	447.697	161.156	3.682.868	4.507.007	(8.792.431)	6.297
Interest expense	740.750	517.992	6.972.619	4.936.715	(8.792.431)	4.375.645
Interest on deposits	446.766	152.082	3.048.753	191.451	-	3.839.052
Interest on borrowings	3.155	15.300	14.430	188.874	-	221.759
Interest on money market borrowings	-	-	-	84.331	-	84.331
Interest on marketable securities issued	-	-	-	178.206	-	178.206
Other interest expense ⁽²⁾	290.829	350.610	3.909.436	4.293.853	(8.792.431)	52.297
Net interest income	505.056	429.027	1.879.475	2.015.440	-	4.828.998
Net fees and commissions income	179.745	98.288	582.839	69.134	-	930.006
Net trading profit / (loss)	-	-	-	244.443	-	244.443
Dividend income	-	-	-	97.468	-	97.468
Other income	38.254	41.594	290.240	397.550	-	767.638
Loans and other receivables' impairment loss	13.858	105.954	351.916	377.014	-	848.742
Other expenses	24.560	63.615	1.190.615	1.376.129	-	2.654.919
Income before taxes	684.637	399.340	1.210.023	1.070.892	-	3.364.892
Income tax provision	-	-	-	(614.049)	-	(614.049)
Net profit for the period	684.637	399.340	1.210.023	456.843	-	2.750.843
SEGMENT ASSETS						
Marketable securities	-	-	-	28.419.180	-	28.419.180
Derivative financial assets held for trading	-	-	-	139.687	-	139.687
Banks and money market receivables	-	-	-	1.848.776	-	1.848.776
Associates and subsidiaries (net)	-	-	-	2.426.816	-	2.426.816
Loans	13.631.524	12.780.356	51.364.586	7.071.824	-	84.848.290
Other assets ⁽¹⁾	1.582	11.057	883.741	21.364.378	-	22.260.758
TOTAL ASSETS	13.633.106	12.791.413	52.248.327	61.270.661	-	139.943.507
SEGMENT LIABILITIES						
Deposits	13.683.623	4.518.277	67.171.161	15.383.136	-	100.756.197
Derivative financial liabilities held for trading	-	-	-	43.848	-	43.848
Money market balances	-	-	-	771.416	-	771.416
Borrowing funding loans	20.257	315.600	417.038	12.862.260	-	13.615.155
Bonds issued	-	-	-	4.164.684	-	4.164.684
Other liabilities	111.541	201.343	2.939.419	1.096.278	-	4.348.581
Provisions and tax payable	21.488	21.027	120.307	1.935.031	-	2.097.853
Shareholders' equity	-	-	-	14.145.773	-	14.145.773
TOTAL LIABILITIES	13.836.909	5.056.247	70.647.925	50.402.426	-	139.943.507
OFF BALANCE SHEET ITEMS						
Guarantees and surety ships	13.710.270	6.326.256	6.746.366	255.285	-	27.038.177
Commitments	36.854	500.440	6.763.240	11.685.045	-	18.985.579
Derivative financial instruments	-	-	-	20.905.639	-	20.905.639

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.067.814 (net) and deferred tax assets amounting TRY 8.303 in other assets are presented under the Treasury / Investment column.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	148.870.171	134.782.905	140.277.939	126.780.453
Cash and Balances with the Central Bank of Turkey	20.276.104	19.975.784	20.276.104	19.975.784
Financial assets fair value changes reflected to income statement	155.570	163.533	155.570	163.533
Banks	1.283.660	1.848.776	1.283.660	1.848.776
Money market placements	-	-	-	-
Available for sale financial assets ⁽¹⁾	8.909.886	9.526.785	8.909.886	9.526.785
Held to maturity investments	17.763.665	18.854.586	18.974.463	18.373.149
Loans ⁽²⁾	100.481.286	84.413.441	90.678.256	76.892.426
Financial Liabilities	133.124.425	120.976.743	134.686.083	119.985.771
Deposits	103.708.354	100.756.197	103.810.071	100.887.812
Derivative financial liabilities held for trading	176.454	43.848	176.454	43.848
Funds provided from other financial intuitions	12.630.357	13.615.155	14.143.183	12.838.597
Money market borrowings	8.412.756	771.416	8.412.756	771.416
Securities issued	6.171.857	4.164.684	6.172.055	3.916.700
Miscellaneous payables	2.023.922	1.624.053	1.970.839	1.526.008
Leasing payables	725	1.390	725	1.390

⁽¹⁾ As of 31 December 2014, TRY 15.295 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2013: TRY 13.963).

⁽²⁾ Net of follow-up loans has not been included in the table above.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- The fair value of the held to maturity assets is determined by market places, when the market prices are not available, quoted market prices of other marketable securities which are subject to redemption with the same terms of interest maturity and other similar conditions have been used.
- ii- The applicable interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial intuitions and sundry creditors.

Classification of Fair Value Measurement

IFRS 7 – Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (continued)

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose ⁽²⁾ :	48.739	103.032	-	151.771
<i>Debt securities</i>	48.739	-	-	48.739
<i>Derivative financial assets held for trading purpose</i>	-	103.032	-	103.032
Available-for-sale financial assets ⁽¹⁾	8.909.886	-	-	8.909.886
<i>Debt securities</i>	8.909.886	-	-	8.909.886
Subsidiaries ⁽³⁾	607.758	345.235	1.478.464	2.431.457
Total Financial Assets	9.566.383	448.267	1.478.464	11.341.495
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	176.454	-	176.454
Total Financial Liabilities	-	176.454	-	176.454

ber 2014, share certificates amounting to TRY 15.295 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

⁽²⁾ As of 31 December 2014, marketable securities amounting to TRY 3.799 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

⁽³⁾ As of 31 December 2014 Halkbank AD, Skopje amounting to TRY 145.359 that are followed with cost value, are not included in subsidiaries.

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose ⁽²⁾ :	20.174	139.687	-	159.861
<i>Debt securities</i>	20.174	-	-	20.174
<i>Derivative financial assets held for trading purpose</i>	-	139.687	-	139.687
Available-for-sale financial assets ⁽¹⁾	9.526.785	-	-	9.526.785
<i>Debt securities</i>	9.526.785	-	-	9.526.785
Subsidiaries ⁽³⁾	590.794	323.818	1.274.292	2.188.904
Total Financial Assets	10.137.753	463.505	1.274.292	11.875.550
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	43.848	-	43.848
Total Financial Liabilities	-	43.848	-	43.848

mber 2013, share certificates amounting to TRY 13.963 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

⁽²⁾ As of 31 December 2013, marketable securities amounting to TRY 3.672 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

⁽³⁾ As of 31 December 2013 Halkbank AD, Skopje amounting to TRY 145.359 that are followed with cost value, are not included in subsidiaries.

Movement of financial assets at level three is as follows:

	Current Period	Prior Period
Beginning Balance	1.274.292	789.540
Purchases during the year	44.296	167.590
Bonus shares obtained profit from current year's share	101.163	77.860
Valuation differences	58.713	238.967
Transfers	-	335
Balance at the end of the period	1.478.464	1.274.292

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

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

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The Bank does not engage in transaction based on trust.

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

(1) a) Cash and balances with the Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	755.292	219.098	627.715	167.691
Central Bank of Turkey	3.404.093	15.897.276	2.173.404	17.006.682
Other	-	345	-	292
Total	4.159.385	16.116.719	2.801.119	17.174.665

b) Information on the account of Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	3.389.735	1.360.238	2.164.297	1.570.064
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits ⁽²⁾	14.358	14.537.038	9.107	15.436.618
Total	3.404.093	15.897.276	2.173.404	17.006.682

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

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

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of Turkey (CBT), banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 5%-11.5% for TL deposits and other liabilities (31 December 2013: between 5% and 11.5% according to their maturities), between 9%-13% for FC deposits and between 6%-13% for other FC liabilities (31 December 2013: between %6 and %13 according to their maturities). Reserves are calculated and set aside every two weeks on Friday for 14-day periods. In accordance with the related communiqué, Central Bank of Turkey pays interests to TL reserves, however do not pay interest for foreign currency reserves.

With the Board of Minutes No.872 dated 30 January 2014 of TRNC Central Bank’s, required reserve ratio is between 5% and 8% for TRY liabilities and 8% for foreign currency liabilities.

As per the change at 21 October 2014, CBT started to pay interests at November 2014 on TL reserves with 500 or 700 basis points lower than the weighted average fund costs shown on the CBT website.

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

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

None.

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

None.

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	58.068	-	26.493
Swap transactions	-	44.193	-	112.900
Futures transactions	-	-	-	-
Options	8	763	3	291
Other	-	-	-	-
Total	8	103.024	3	139.684

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

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

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	20.953	564.938	9.249	578.432
Foreign banks	45.910	651.859	100.491	1.160.604
Branches and offices abroad	-	-	-	-
Total	66.863	1.216.797	109.740	1.739.036

b) Information on foreign banks:

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	474.881	1.006.904	-	-
USA and Canada	79.544	28.985	-	-
OECD Countries ⁽¹⁾	17.291	2.251	-	-
Offshore Banking Regions	-	-	-	-
Other	126.053	222.955	-	-
Total	697.769	1.261.095	-	-

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

(4) Information on financial assets available-for-sale:

a) Financial assets available-for-sale blocked/given as collateral or subject to repurchase agreements:

a.1. Information on financial assets available-for-sale blocked/given as collateral:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	-	848.984	-	857.722
Total	-	848.984	-	857.722

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	1.286.912	-	-	-
Toplam	1.286.912	-	-	-

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Debt securities	8.858.989		9.659.732	
<i>Quoted on a stock exchange</i>	8.858.989		9.659.732	
<i>Not quoted</i>	-		-	
Share certificates	85.748		83.035	
<i>Quoted on a stock exchange</i>	51.571		50.189	
<i>Not quoted</i>	34.177		32.846	
Impairment provision(-)	19.556		202.019	
Total	8.925.181		9.540.748	

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

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

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	171.422	-	163.316	-
Total	171.422	-	163.316	-

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

	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	Agreement conditions modified		Loans and other receivables (Total)	Agreement conditions modified	
		Payment plan extensions	Other		Payment plan extensions	Other
Cash loans						
Non-specialized loans	79.956.099	646.007	-	1.364.721	445.115	-
<i>Corporation loans</i>	47.134.853	509.301	-	1.086.038	439.054	-
<i>Export loans</i>	3.018.191	81.974	-	17.929	2.609	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	3.081.193	-	-	-	-	-
<i>Consumer loans⁽¹⁾</i>	22.626.028	51.462	-	180.129	3.452	-
<i>Credit cards⁽²⁾</i>	2.815.464	-	-	63.265	-	-
<i>Other</i>	1.280.370	3.270	-	17.360	-	-
Specialized lending	17.699.605	73.212	-	189.026	12.031	-
Other receivables	-	-	-	-	-	-
Accruals	1.251.917	9.220	-	19.918	5.860	-
Total	98.907.621	728.439	-	1.573.665	463.006	-

⁽¹⁾ Includes TRY 124.348 of personnel loans.

⁽²⁾ Includes TRY 47.027 of personnel credit cards.

Number of modifications made to extend payment plan	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
	Extended by 1 or 2 times	640.316
Extended by 3,4 or 5 times	74.136	12.838
Extended by more than 5 times	4.767	3.730

^(*) Accruals amounting to TRY 9.220 are not included in the table above.

^(**) Accruals amounting to TRY 5.860 are not included in the table above.

Extended period of time	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
	0-6 Months	291.279
6 Months - 12 Months	210.293	26.153
1-2 Years	62.915	48.898
2-5 Years	140.844	237.452
5 Years and over	13.888	110.199

^(*) Accruals amounting to TRY 9.220 are not included in the table above.

^(**) Accruals amounting to TRY 5.860 are not included in the table above.

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

(5) Information on loans: (continued)

c) Loans according to their maturity structure:

Current Period	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
Short term loans and other receivables	22.323.980	332.560	268.395	28.324
<i>Non-specialized loans</i>	21.817.518	305.605	264.907	27.965
<i>Specialized lending</i>	223.866	22.746	90	-
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	282.596	4.209	3.398	359
Medium and long term loans and other receivables	75.855.202	395.879	842.264	434.682
<i>Non-specialized loans</i>	57.492.574	340.402	654.699	417.150
<i>Specialized lending</i>	17.402.527	50.466	176.905	12.031
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	960.101	5.011	10.660	5.501

Prior Period	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
Short term loans and other receivables	18.310.279	482.333	204.298	41.084
<i>Non-specialized loans</i>	17.949.434	459.373	201.638	40.588
<i>Specialized lending</i>	139.670	17.134	193	-
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	221.175	5.826	2.467	496
Medium and long term loans and other receivables	62.922.224	394.777	597.136	1.461.310
<i>Non-specialized loans</i>	47.421.303	349.712	425.135	1.421.164
<i>Specialized lending</i>	14.740.876	40.296	164.788	22.494
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	760.045	4.769	7.213	17.652

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I. EXPLANATIONS AND NOTES RELATED TO THE 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	333.521	21.970.039	22.303.560
<i>Real estate loans</i>	2.089	10.320.990	10.323.079
<i>Automobile loans</i>	975	111.953	112.928
<i>Consumer loans</i>	330.457	11.485.598	11.816.055
<i>Other</i>	-	51.498	51.498
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	2.133.185	1.206	2.134.391
<i>Installment</i>	820.381	-	820.381
<i>Non-installment</i>	1.312.804	1.206	1.314.010
Individual credit cards-FC	40	-	40
<i>Installment</i>	-	-	-
<i>Non-installment</i>	40	-	40
Personnel loans-TRY	5.218	119.130	124.348
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	5.218	119.130	124.348
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	47.021	6	47.027
<i>Installment</i>	17.833	-	17.833
<i>Non-installment</i>	29.188	6	29.194
Personnel credit cards-FC	47	-	47
<i>Installment</i>	-	-	-
<i>Non-installment</i>	47	-	47
Overdraft accounts-TRY (Retail customer)	378.249	-	378.249
Overdraft accounts-FC (Retail customer)	-	-	-
Total	2.897.281	22.090.381	24.987.662

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

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I. EXPLANATIONS AND NOTES RELATED TO THE 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	4.857	877.017	881.874
<i>Business residential loans</i>	27	516.573	516.600
<i>Automobile loans</i>	4.830	264.407	269.237
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	96.037	96.037
Commercial installment loans- Indexed to FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Corporate credit cards-TRY	697.222	-	697.222
<i>Installment</i>	445.299	-	445.299
<i>Non-installment</i>	251.923	-	251.923
Corporate credit cards-FC	2	-	2
<i>Installment</i>	-	-	-
<i>Non-installment</i>	2	-	2
Overdraft accounts-TRY (Commercial customer)	530.953	-	530.953
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	1.233.034	877.017	2.110.051

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

f) Loan according to type of borrowers:

	Current period	Prior period
Public	2.640.241	2.113.116
Private	97.841.045	82.300.325
Total	100.481.286	84.413.441

g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	100.025.174	84.074.252
Foreign loans	456.112	339.189
Total	100.481.286	84.413.441

h) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	675.395	501.111
Indirect loans granted to subsidiaries and associates	-	-
Total	675.395	501.111

i) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	213.407	245.140
Loans and receivables with doubtful collectability	578.268	130.511
Uncollectible loans and receivables	1.622.348	1.434.676
Total	2.414.023	1.810.327

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

(5) Information on loans: (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period	45.487	14.610	42.346
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	45.487	14.610	42.346
Prior period	145.197	8.194	84.801
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	145.197	8.194	84.801

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	377.572	215.511	1.652.093
Additions (+)	1.983.307	17.956	55.804
Transfers from other categories of loans under follow-up (+)	-	1.672.109	519.425
Transfers to other categories of loans under follow-up (-)	1.809.594	381.940	-
Collections (-)	218.973	70.792	312.817
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	332.312	1.452.844	1.914.505
Specific provision (-)	213.407	578.268	1.622.348
Net balance on balance sheet	118.905	874.576	292.157

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	16.630	1.238.761	168.987
Specific provisions(-)	10.849	430.564	106.439
Net balance in the balance sheet	5.781	808.197	62.548
Prior period			
Balance at the end of the period	99.688	12.342	130.597
Specific provisions(-)	59.746	4.545	83.408
Net balance in the balance sheet	39.942	7.797	47.189

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

(5) Information on loans: (continued)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	118.905	874.576	292.157
Loans to granted real persons and legal entities (Gross)	331.603	1.451.665	1.862.005
Specific provisions (-)	212.698	577.089	1.569.848
Loans to granted real persons and legal entities (Net)	118.905	874.576	292.157
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	709	1.179	52.500
Specific provisions (-)	709	1.179	52.500
Other loans and receivables (Net)	-	-	-
Prior period (Net)	132.432	85.000	217.417
Loans to granted real persons and legal entities (Gross)	377.430	213.345	1.601.606
Specific provisions (-)	244.998	128.345	1.384.189
Loans to granted real persons and legal entities (Net)	132.432	85.000	217.417
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	142	2.166	50.487
Specific provisions (-)	142	2.166	50.487
Other loans and receivables (Net)	-	-	-

k) Main guidelines of the liquidation policy of the Bank about the uncollectible loans and receivables:

The Bank liquidates its uncollectible receivables through three methods. These are by signing financial restructuring contract under the Law No: 4743, by making payment protocols and by presenting adequate repayment schedules for the lower amount of receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and capital receivables from loans.

The Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted.

l) Explanations on write-off policy:

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

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

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

(5) Information on loans: (continued)

m) Aging analysis of overdue but not impaired financial assets per classes of financial instruments:

Current Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	1.950	117	3.851	5.918
SME Loans	106.913	12.861	16.175	135.949
Consumer Loans	18.702	5.939	4.810	29.451
Credit cards	131.366	25.049	15.141	171.556
Total	258.931	43.966	39.977	342.874

(*)Only the overdue loans that subject to outstanding principal payment amounting to TRY 516.905 are included.

Prior Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	37.061	11.849	417	49.327
SME Loans	92.435	19.073	15.644	127.152
Consumer Loans	18.569	5.913	4.201	28.683
Credit cards	120.478	20.934	10.949	152.361
Total	268.543	57.769	31.211	357.523

(*)Only the overdue loans that subject to outstanding principal payment amounting to TRY 1.348.348 are included.

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

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

a) Information on held-to-maturity investments blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value:

a.1. Held-to-maturity investments blocked/given as collateral:

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds and similar securities	3.348.402	416.619	3.041.571	121.049
Total	3.348.402	416.619	3.041.571	121.049

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	6.744.155	248.221	764.916	-
Total	6.744.155	248.221	764.916	-

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds	17.763.665	-	18.854.586	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Total	17.763.665	-	18.854.586	-

c) Information on held-to-maturity investments:

	Current period		Prior period	
	TRY	FC	TRY	FC
Debt securities	17.763.665	-	18.854.586	-
<i>Quoted on a stock exchange</i>	17.149.074	-	17.626.787	-
<i>Not quoted</i>	614.591	-	1.227.799	-
Impairment provision (-)	-	-	-	-
Total	17.763.665	-	18.854.586	-

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Beginning balance	18.854.586	-	13.455.515	-
Foreign currency differences on monetary assets	89.777	-	(30)	-
Purchases during the year ⁽¹⁾⁽³⁾	3.011.096	-	9.116.697	-
Disposals through sales and redemptions ⁽²⁾	(4.191.794)	-	(3.717.596)	-
Impairment provision (-) / provision reversal (+)	-	-	-	-
Balance at the end of the period	17.763.665	-	18.854.586	-

⁽¹⁾ Interest income accrual difference between 31 December 2014 amounting to TRY 1.541.077 and 31 December 2013 amounting to TRY 1.129.103 has been included in purchases row.

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

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

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

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

e) Information on held-to-maturity investments accounts:

The breakdown of the held to maturity securities of the Bank is as follows:

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of Treasury of Republic of Turkey ⁽¹⁾	10.419.624	553.127	11.677.559	565.483	10.300.287	-	11.285.826	-
Obtained with the transfer	600.000	-	614.589	-	1.200.000	-	1.227.798	-
Reclassified from other securities portfolios ⁽¹⁾	3.721.019	928.818	3.963.450	942.584	5.167.817	937.622	5.274.255	945.657
Other ⁽¹⁾	-	-	-	-	-	119.757	-	121.050
Total	14.740.643	1.481.945	16.255.598	1.508.067	16.668.104	1.057.379	17.787.879	1.066.707

⁽¹⁾ At 23 October 2013 the bank has classified amount of TRY 5.022.329 to Held to Maturities portfolio from Marketable Securities.

(7) Information on associates (Net):

a) Information on associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demirhalkbank NV	Rotterdam/The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara/Turkey	31,47	33,12
3. Kredi Kayıt Bürosu AŞ	İstanbul/Turkey	18,18	18,18
4. Bankalararası Kart Merkezi AŞ	Istanbul/Turkey	18,95	18,95

b) Information related to the associates as sorted in (a):

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	5.226.693	650.523	33.345	146.266	7.647	33.943	39.515	-
2.	46.518	46.214	21.652	2.365	-	508	152	-
3.	106.802	80.884	49.124	4.265	-	17.802	32.665	-
4.	58.459	24.707	34.286	962	-	2.423	2.644	-

⁽¹⁾ The information is presented from companies' financial statements as of 31 December 2014.

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

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

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	92.553	92.888
Movements during the period	-	(335)
<i>Purchases</i>	-	-
<i>Bonus shares obtained profit from current year's share</i>	-	-
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	(335)
<i>Transfers</i>	-	-
<i>Revaluation decrease (-) / increase</i>	-	-
<i>Provision for impairment (-) / reversals (+)</i>	-	-
Balance at the end of the period	92.553	92.553
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	74.716	74.716
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	11.518	11.518

e) Associates quoted to a stock exchange:

None.

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I. EXPLANATIONS AND NOTES RELATED TO THE 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 Bank AD, Skopje	Halk Faktoring AŞ
CORE CAPITAL								
Paid in Capital	64.000	94.000	183.000	697.900	272.250	5.000	109.685	40.000
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share premium	-	-	-	49.945	-	-	11.633	-
Share Cancellation Profits	-	-	-	(18.991)	-	-	-	-
Reserves	6.289	38.138	19.309	28.364	8.163	1.201	26.829	-
Other Comprehensive Income according to TAS	1.973	(3.157)	2.297	-	-	-	204	-
Profit / Loss	18.029	50.962	98.659	70.512	17.742	2.452	18.159	9.344
<i>Net Profit</i>	18.122	50.962	90.304	61.347	5.142	2.328	12.045	8.585
<i>Prior Period Profit/Loss</i>	(93)	-	8.355	9.165	12.600	124	6.114	759
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	-	-	-	-	-	-	-	-
Leasehold Improvements (-)	-	-	441	-	-	-	2.160	97
Intangible Assets (-)	455	3.292	1.724	704	700	42	1.431	129
Total Core Capital	89.836	176.651	301.100	827.026	297.455	8.611	162.919	49.118
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	8.982	-
CAPITAL	89.836	176.651	301.100	827.026	297.455	8.611	171.901	49.118
DEDUCTIONS FROM CAPITAL	-	-	-	-	-	-	-	-
NET AVAILABLE CAPITAL⁽¹⁾	89.836	176.651	301.100	827.026	297.455	8.611	171.901	49.118

⁽¹⁾ The information is presented from companies' financial statements as of 31 December 2014.

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

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

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

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

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

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

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

(8) Information on subsidiaries (continued)

b) Information on subsidiaries: (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	İstanbul	99,96	99,96
2. Halk Sigorta AŞ	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
9. Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri AŞ	İstanbul	100,00	100,00

c) Information related to the subsidiaries as sorted in (b):^{(1) (3)}

	Total assets	Shareholders ' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value ⁽²⁾
1.	469.908	89.836	1.970	27.896	2.459	18.122	8.713	134.557
2.	617.698	176.651	6.213	35.075	4.922	50.962	43.134	345.235
3.	635.019	301.100	3.577	53.198	28.268	90.304	77.404	826.332
4.	928.407	827.026	690.621	14.844	7.630	61.347	31.511	607.758
5.	2.058.711	297.455	1.102	125.691	-	5.142	16.503	409.660
6.	9.572	8.611	284	730	25	2.328	1.349	11.933
7.	1.120.437	171.901	31.650	59.875	6.150	12.045	5.626	-
8.	375.018	49.118	557	60.474	-	8.585	1.020	58.123
9.	28.469	18.089	4.093	560	702	2.248	2.562	37.859

⁽¹⁾ The information is presented from companies' financial statements as of 31 December 2014.

⁽²⁾ The information is presented from valuation reports as 31 December 2014, valued by Halk Gayrimenkul Yatırım Ortaklığı AŞ stock price.

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

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

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

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

d) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period	2.334.263	1.794.160
Movements during the period	242.553	540.103
<i>Purchases^(*)</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>	58.250	286.311
<i>Reversal of provision for impairment (-)</i>	-	-
Balance at the end of the period	2.576.816	2.334.263
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

^(*)Purchases amounting to TRY 44.296 consist payments amounting to TRY 41.382 due to purchase of 5,60 % shares of Halk Hayat ve Emeklilik AŞ, amounting to TRY 1.789 due to purchase of 19 % shares of Halk Portföy Yönetimi AŞ, amounting to TRY 1.106 due to purchase of 2,50% shares of Halk Faktoring AŞ and amounting to TRY 19 due to purchase of 0,02% shares of Halk Yatırım Menkul Değerler AŞ. The Bank has purchased all of the non-publicly traded shares of Halk Hayat ve Emeklilik AŞ and Halk Sigorta AŞ and all of their shares in other related parties.

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

	Current period	Prior period
Banks	145.359	145.359
Insurance companies	1.171.567	1.021.407
Factoring companies	58.123	42.032
Leasing companies	409.660	406.645
Financing companies	-	-
Other financial subsidiaries	754.248	688.216
Other non-financial subsidiaries	37.859	30.604

f) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock ⁽¹⁾⁽²⁾	952.993	914.612
Quoted foreign stock exchange	-	-

⁽¹⁾In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company since Halk Sigorta AŞ does not have transaction depth on the Borsa İstanbul AŞ.

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

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

None.

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

None.

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

None.

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

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

(12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Immovable	631.808	5.908	2.919	(8.133)	626.664
Tangible assets purchased through financial lease	32.253	176	1.642	-	30.787
Office machines	300.582	60.521	15.006	-	346.097
Fixed assets obtained due to non-performing loans	380.819	249.123	121.736	(105)	508.101
Lease hold improvements costs	246.443	9.662	3.624	-	252.481
Other	144.082	23.472	30.987	-	136.567
Total Cost	1.735.987	348.862	175.914	(8.238)	1.900.697
Accumulated depreciation:					
Immovable	205.835	12.588	527	(2.317)	215.579
Tangible assets purchased through financial lease	30.047	681	1.629	-	29.099
Office machines	144.390	43.576	10.295	-	177.671
Fixed assets obtained due to non-performing loans	8.685	4.158	2.164	(3)	10.676
Lease hold improvements costs	194.467	15.094	1.865	-	207.696
Other	74.448	27.817	30.649	-	71.616
Total accumulated depreciation	657.872	103.914	47.129	(2.320)	712.337
Provision for impairment (-)					
Immovable	5.616	-	3.796	35	1.855
Tangible assets purchased through financial lease	-	-	-	-	-
Office machines	-	-	-	-	-
Fixed assets obtained due to non-performing loans	4.684	2.037	330	-	6.391
Total provision for impairment (-)	10.300	2.037	4.126	35	8.246
Net Book Value	1.067.815	242.911	124.659	(5.953)	1.180.114

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

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

(12) Information on tangible assets (continued):

Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Immovable	630.552	10.567	2.754	(6.558)	631.807
Tangible assets purchased through financial lease	36.824	274	4.845	-	32.253
Office machines	235.602	74.110	9.130	-	300.582
Fixed assets obtained due to non-performing loans	455.684	162.167	237.125	94	380.820
Lease hold improvements costs	147.540	26.488	29.946	-	144.082
Other	233.886	17.353	4.796	-	246.443
Total Cost	1.740.088	290.959	288.596	(6.464)	1.735.987
Accumulated depreciation:					
Immovable	195.337	12.637	597	(1.542)	205.835
Tangible assets purchased through financial lease	34.211	679	4.843	-	30.047
Office machines	113.627	39.632	8.869	-	144.390
Fixed assets obtained due to non-performing loans	8.862	3.873	4.050	-	8.685
Lease hold improvements costs	68.680	29.754	23.985	-	74.449
Other	181.689	16.519	3.741	-	194.467
Total accumulated depreciation	602.406	103.094	46.085	(1.542)	657.873
Provision for impairment (-)					
Immovable	6.520	-	904	-	5.616
Tangible assets purchased through financial lease	-	-	-	-	-
Office machines	-	-	-	-	-
Fixed assets obtained due to non-performing loans	7.997	2.389	5.702	-	4.684
Total provision for impairment (-)	14.517	2.389	6.606	-	10.300
Net Book Value	1.123.165	185.476	235.905	(4.922)	1.067.814

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

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

(13) Information on intangible assets:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	54.138	22.730	1.736	-	75.132
Total Cost	54.138	22.730	1.736	-	75.132
Accumulated Depreciation:					
Other intangible assets	8.991	7.252	54	-	16.189
Total Accumulated Depreciation	8.991	7.252	54	-	16.189
Net Book Value	45.147	15.478	1.682	-	58.943

Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	42.965	13.657	2.484	-	54.138
Total Cost	42.965	13.657	2.484	-	54.138
Accumulated Depreciation:					
Other intangible assets	5.680	3.324	13	-	8.991
Total Accumulated Depreciation	5.680	3.324	13	-	8.991
Net Book Value	37.285	10.333	2.471	-	45.147

(14) Information on investment property:

None.

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

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

(15) Information on tax assets:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	156.021	118.704
Revaluation of Financial Assets	86.095	(124.689)
Other	(3.848)	(2.318)
Deferred Tax (Asset) /Liability:	238.268	(8.303)
Deferred tax accounted in shareholders' equity	(121.814)	15.671
Fair value differences for available for sale financial assets	(81.604)	19.457
Actuarial Gain/Loss	3.269	(3.786)
Subsidiary Valuation	(43.479)	-

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

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

	Current period	Prior period
Cost	7.812	5.305
Accumulated Depreciation (-) ⁽¹⁾	(2.296)	(1.193)
Net Book Value	5.516	4.112
Opening Balance	4.112	2.976
Acquisitions (Transfers) (Net)	8.238	6.464
Disposals (Net)	(5.741)	(5.145)
Impairment Charge/Cancellation	10	198
Amortization Charge ⁽¹⁾	(1.103)	(381)
Net Book Value	5.516	4.112

(1) The amount of accumulated depreciation belongs to asset held for sale in current period.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 1.099.705 and does not exceed 10% of the balance sheet total (31 December 2013: TRY 1.167.901).

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

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	3.931.504	-	391.405	23.615.774	1.337.988	399.488	580.948	106.619	30.363.726
Foreign currency deposits	4.502.775	-	1.984.622	11.380.000	2.704.533	1.048.731	3.015.118	11.191	24.646.970
<i>Residents in Turkey</i>	3.485.930	-	1.876.782	11.072.350	2.590.260	940.166	2.069.198	11.063	22.045.749
<i>Residents abroad</i>	1.016.845	-	107.840	307.650	114.273	108.565	945.920	128	2.601.221
Public sector deposits	2.386.024	-	1.493.653	2.559.538	272.145	2.244.198	4.347	-	8.959.905
Commercial inst. deposits	3.194.977	-	3.073.323	11.360.025	527.657	214.262	37.353	-	18.407.597
Other inst. deposits	614.611	-	76.643	1.220.875	49.041	543.638	135.112	-	2.639.920
Precious metals	1.508.769	-	-	-	-	-	-	-	1.508.769
Interbank deposits	5.414.639	-	5.705.208	4.390.748	1.522.737	23.740	124.395	-	17.181.467
<i>Central Bank of Turkey</i>	8	-	-	-	-	-	-	-	8
<i>Domestic banks</i>	14.862	-	5.454.488	1.113.546	361.532	19.106	4.304	-	6.967.838
<i>Foreign banks</i>	4.679.610	-	250.720	3.277.202	1.161.205	4.634	120.091	-	9.493.462
<i>Participation banks</i>	720.159	-	-	-	-	-	-	-	720.159
Total	21.553.299	-	12.724.854	54.526.960	6.414.101	4.474.057	3.897.273	117.810	103.708.354

a.2. Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	3.284.266	-	341.488	23.669.564	1.353.617	395.438	633.612	122.789	29.800.774
Foreign currency deposits	3.473.557	-	1.629.520	12.212.789	4.930.815	2.229.731	3.039.160	13.049	27.528.621
<i>Residents in Turkey</i>	2.172.772	-	1.582.317	11.920.017	4.807.360	1.995.467	2.197.551	12.923	24.688.407
<i>Residents abroad</i>	1.300.785	-	47.203	292.772	123.455	234.264	841.609	126	2.840.214
Public sector deposits	2.524.920	-	724.063	4.901.027	496.489	197.956	81.705	-	8.926.160
Commercial inst. deposits	3.249.845	-	2.502.068	12.314.591	498.577	487.939	179.953	-	19.232.973
Other inst. deposits	560.173	-	65.145	1.859.320	256.623	378.779	113.618	-	3.233.658
Precious metals	2.016.818	-	-	-	-	-	-	-	2.016.818
Interbank deposits	3.585.229	-	3.727.183	1.816.514	343.376	68.108	476.783	-	10.017.193
<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>	3.129.647	-	1.302.004	844.179	263.192	63.899	476.668	-	6.079.589
<i>Participation banks</i>	432.751	-	-	-	-	-	-	-	432.751
Total	18.694.808	-	8.989.467	56.773.805	7.879.497	3.757.951	4.524.831	135.838	100.756.197

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

II. EXPLANATIONS AND NOTES RELATED TO THE 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	19.038.326	18.203.362	11.249.274	11.528.066
Foreign currency saving deposits	5.947.571	5.668.891	8.112.662	7.225.458
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	92.647	86.977	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

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

	Current period	Prior period
Foreign branches' saving deposits and other accounts	120.160	144.674
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	5.141	4.426
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	39.927	-	21.483
Swap transactions	-	135.749	-	22.024
Future transactions	-	-	-	-
Options	15	763	30	311
Other	-	-	-	-
Total	15	176.439	30	43.818

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	301.378	258.695	352.531	419.097
Foreign banks, institutions and funds	639.700	11.430.584	485.457	12.358.070
Total	941.078	11.689.279	837.988	12.777.167

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	289.295	6.552.045	331.668	7.521.917
Medium and long-term	651.783	5.137.234	506.320	5.255.250
Total	941.078	11.689.279	837.988	12.777.167

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

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

Main liability of the Bank is deposit, which is composed of 29% of saving deposits and 24% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Bank's 43% of banks deposits and 30% of other deposits consist of foreign currency deposits.

Information on funds provided from repurchase agreement transactions:

	Current period		Prior period	
	TRY	FC	TRY	FC
From domestic transactions	8.175.808	-	770.977	-
<i>Financial inst. and organizations</i>	8.097.694	-	713.817	-
<i>Other institutions and organizations</i>	38.752	-	25.887	-
<i>Real persons</i>	39.362	-	31.273	-
From overseas transactions	305	231.074	203	-
<i>Financial inst. and organizations</i>	-	231.074	-	-
<i>Other institutions and organizations</i>	-	-	-	-
<i>Real persons</i>	305	-	203	-
Accruals	5.435	134	236	-
Total	8.181.548	231.208	771.416	-

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

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

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills ⁽¹⁾	1.522.240	-	946.297	-
Bonds ⁽²⁾	-	4.649.617	-	3.218.387
Total	1.522.240	4.649.617	946.297	3.218.387

⁽¹⁾As of 26 September 2014, the bonds amounting to TRY 750.000 with maturity of 175 days and as of 11 December 2014 the bonds amounting TRY 1.000.000 with a maturity of 175 days are issued by the Bank.

⁽²⁾As of 19 July 2012, the treasury bills amounting to USD 750.000 with maturity of 5 years and as of 5 February 2013 the treasury bills amounting to USD 750.000 with maturity of 7 years and as of 4 June 2014 the treasury bills amounting to USD 500.000 with maturity of 5 years are issued by Bank

(5) Explanations to the funds:

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

a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	19.404	1.749.887	17.957	1.470.585

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 1.349.147 and does not exceed 10% of the balance sheet total (31 December 2013: TRY 1.234.596).

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

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

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

b) Explanation on finance lease payables:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	410	381
Between 1-4 years ⁽¹⁾	610	562	522	400
More than 4 years	246	163	819	609
Total	856	725	1.751	1.390

⁽¹⁾ Finance lease payables are presented with respect to original maturity.

c) Explanations regarding operational leases:

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

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II. EXPLANATIONS AND NOTES RELATED TO THE 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	1.268.847	1.134.717
Provisions for first group loans and receivables	1.134.564	966.345
<i>Additional provisions for the loans with extended payment plan</i>	<i>18.719</i>	<i>15.179</i>
Provisions for second group loans and receivables	46.989	89.542
<i>Additional provisions for the loans with extended payment plan</i>	<i>22.942</i>	<i>74.253</i>
Provisions for non cash loans	87.294	78.830
Other	-	-

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

None.

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

As of 31 December 2014, the Bank's specific provision for unindemnified non-cash loans balance is TRY 94.271 (31 December 2013: TRY 69.008).

d) Information on other provisions:

Total other provision balance amounting to TRY 243.292 (31 December 2013: TRY 249.831) consists of TRY 94.271 (31 December 2013: TRY 69.008) for specific provisions for unindemnified non cash loans, TRY 81.135 (31 December 2013: TRY 23.073) for legal cases filed against the Bank and TRY 67.886 (31 December 2013: TRY 25.519) of other provisions.

d.1.) Movement of employee termination benefits:

Severance indemnity provision as of 31 December 2014 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation according to TAS 19, is as follows;

	Current Period	Prior Period
Discount Rate	8,60%	9,80%
Inflation Rate	6,00%	6,40%
Wage growth	2,60%	3,20%
Estimated Real Wage Growth Rate	6,20%	6,60%

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

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

Information on other provisions (continued):

Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	295.858	293.424
Charge for the year	24.691	25.229
Interest Expense	28.082	21.777
Actuarial gain/loss	35.945	(18.651)
Prior period service cost composed current period	830	-
Payment/The limitation of benefits/ Loss (Gain) therefore discharge	224	3.282
Benefits paid within the period(-)	(30.373)	(29.203)
Total	355.257	295.858

As of 31 December 2014, unused vacation provision is TRY 125.124 and severance indemnity provision for outsource firms is TRY 9.125. This amount is followed under employee benefits provision under liabilities (31 December 2013: TRY 111.804 TL for unused vacation provision; TRY 8.026 for severance indemnity provision for outsources).

As of 1 January 2013, actuarial gains and losses are recognized and accounted in shareholders' equity.

e) Liabilities on pension rights

e.1. Liabilities for pension funds established in accordance with "Social Security Institution":
None.

e.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees:

Based on the results of the actuarial report prepared for the period 31 December 2014 and 31 December 2013, no technical deficit has been reported for Türkiye Halk Bankası AŞ Emekli Sandığı, T.C. Ziraat Bankası and Türkiye Halk Bankası Çalışanları Emekli Sandığı Vakfı.

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2014, the Bank's corporate tax payable for the 4th quarter of 2014 is amounting to TRY 331.165 after setting off TRY 574.378 of prepaid taxes from TRY 905.543 of corporate tax liabilities tax provision.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	331.165	48.839
Income on securities tax	107.811	72.009
Property income tax	965	773
Banking and insurance transactions tax (BITT)	46.288	34.231
Foreign exchange transactions tax	11	11
Value added tax payable	-	-
Other	22.803	19.856
Total	509.043	175.719

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

(10) Explanations related to tax liabilities (continued):

a) Information on current tax liability (continued):

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	17	17
Social insurance premiums-employer	21	20
Bank social aid pension fund premium-employee	7.176	5.205
Bank social aid pension fund premium-employer	9.810	7.205
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	-	-
Unemployment insurance-employer	-	-
Other	1.522	1.148
Total	18.546	13.595

b) Deferred tax liability:

Please refer to Section 5, explanations related to the assets footnote 15.

(11) Information on liabilities regarding assets held for sale and discontinued operations:

None.

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

None.

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

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

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

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

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.110.219	-	1.096.032	-
Revaluation difference	144.098	19.378	(144.339)	(145.914)
Exchange rate difference	25.689	-	7.771	-
Total	1.280.006	19.378	959.464	(145.914)

i) Information on legal reserves:

	Current period	Prior period
First Legal Reserves	751.166	613.624
Second Legal Reserves	462.921	432.456
Legal reserves appropriated in accordance with the law	3.316	2.522
Total	1.217.403	1.048.602

j) Information on the extraordinary reserves

	Current period	Prior period
Reserves appropriated by General Assembly	9.300.043	6.993.085
Retained Earnings	34.104	62.325
Accumulated Reserves	-	-
Foreign Currency Translation Differences (-)	-	-
Total	9.334.147	7.055.410

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current period	Prior period
Commitments for credit card expenditure limits	10.312.329	9.883.048
Payment commitments for cheques	5.073.145	4.670.295
Loan granting commitments	2.045.738	1.572.258
Two days forward foreign exchange buy/sell transactions	554.547	1.461.853
Commitments for credit cards and banking services promotions	41.774	37.663
Tax and fund liabilities from export commitments	17.037	13.413
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	1.407.592	1.347.049
Total	19.452.162	18.985.579

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

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

	Current period	Prior period
Bank acceptance loans	3.899.063	3.789.406
Letters of credit	3.068.156	1.944.803
Other guarantees	905.190	956.431
Total	7.872.409	6.690.640

b.2. Certain guarantees, tentative guarantees, surety ships and similar transactions:

	Current period	Prior period
Letters of certain guarantees	12.623.491	10.645.927
Letters of advance guarantees	1.973.059	1.697.143
Letters of tentative guarantees	915.139	747.085
Letters of guarantee given to customs offices	1.073.877	911.583
Other letters of guarantee	8.320.617	6.345.799
Total	24.906.183	20.347.537

c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	514.563	341.162
<i>Within one year or less original maturity</i>	140.976	4.478
<i>Within more than one year maturity</i>	373.587	336.684
Other non-cash loans	32.264.029	26.697.015
Total	32.778.592	27.038.177

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III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS (continued)

(1) Information on off-balance sheet liabilities (continued):

c) Total non-cash loans (continued):

c.1) Non-cash loans sectoral risk concentrations:

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	30.725	0,20	916	0,01	18.638	0,14	1.199	0,01
<i>Farming and raising livestock</i>	17.406	0,12	916	0,01	14.453	0,11	1.109	0,01
<i>Forestry</i>	174	0,00	-	0,00	362	0,00	-	0,00
<i>Fishing</i>	13.145	0,08	-	0,00	3.823	0,03	90	0,00
Manufacturing	3.800.910	25,23	10.324.279	58,29	3.052.627	23,83	7.838.763	55,10
<i>Mining</i>	92.975	0,62	381.949	2,16	67.664	0,53	98.804	0,69
<i>Production</i>	2.440.417	16,20	7.667.877	43,29	2.120.143	16,55	6.775.292	47,63
<i>Electric, gas and water</i>	1.267.518	8,41	2.274.453	12,84	864.820	6,75	964.667	6,78
Construction	3.685.543	24,46	3.173.885	17,92	3.385.711	26,43	2.609.919	18,35
Services	7.418.626	49,24	3.989.944	22,53	6.246.790	48,76	3.572.599	25,11
<i>Wholesale and retail trade</i>	3.507.006	23,28	1.744.237	9,85	2.619.589	20,45	1.664.609	11,70
<i>Hotel, food and beverage services</i>	61.570	0,41	43.576	0,25	56.412	0,44	42.839	0,30
<i>Transportation and telecommunication</i>	117.045	0,78	240.935	1,36	98.138	0,77	225.576	1,59
<i>Financial Institutions</i>	2.781.196	18,46	595.230	3,35	2.567.595	20,04	596.307	4,19
<i>Real estate and renting services</i>	850.808	5,65	1.359.520	7,68	838.794	6,55	1.023.755	7,20
<i>Self-employment services</i>	9.841	0,05	1.131	0,01	9.511	0,07	1.268	0,01
<i>Education services</i>	17.399	0,12	3.318	0,02	8.131	0,06	8.087	0,06
<i>Health and social services</i>	73.761	0,49	1.997	0,01	48.620	0,38	10.158	0,07
Other	129.543	0,87	224.221	1,25	108.717	0,85	203.214	1,43
Total	15.065.347	100,00	17.713.245	100,00	12.812.483	100,00	14.225.694	100,00

c.2) Non-cash loans classified in Group I and II:

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	14.795.173	17.693.053	270.174	20.192
Letters of guarantee	14.136.407	10.487.999	270.174	11.603
Bank acceptances	121.450	2.943.982	-	2.724
Letters of credit	10.996	3.882.202	-	5.865
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	526.320	378.870	-	-

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III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS (continued)

(1) Information on off-balance sheet liabilities (continued):

c.3) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Risk Management	
	Current period	Prior period	Current period	Prior period
Types of trading transactions				
Foreign currency related derivative transactions (I)				
	26.711.138	19.393.516	-	-
Forward foreign currency buy/sell transactions	4.888.037	1.758.367	-	-
Currency buy/sell swap	21.509.663	17.384.112	-	-
Currency futures	-	-	-	-
Currency put/call options	313.438	251.037	-	-
Interest related derivative transactions (II)				
	1.866.286	1.356.800	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	1.866.286	1.356.800	-	-
Interest rate put/call options	-	-	-	-
Interest rate buy/sell futures	-	-	-	-
Other trading derivative transactions (III)⁽¹⁾				
	808.159	155.323	-	-
A. Total trading derivative transactions (I+II+III)				
	29.385.583	20.905.639	-	-
Types of derivative transactions for risk management				
	-	-	-	-
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B. Total derivative transactions for hedging				
	-	-	-	-
Total derivative transactions (A+B)				
	29.385.583	20.905.639	-	-

⁽¹⁾ Other trading derivatives include credit default swap purchases and sale transactions amounting TRY 2.445 and TRY 805.714 respectively.

d) Information on contingent liabilities and assets:

The Bank has provided TRY 81.135 (31 December 2013: TRY 23.073) of provision for the disputed legal cases filed by various persons and institutions.

e) Services supplied on behalf of others:

None.

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IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	2.255.415	112.228	1.679.941	121.853
Medium and long term loans	5.162.158	1.182.181	4.222.280	1.048.078
Interest on non-performing loans	68.922	-	62.109	-
Premiums from resource utilization support fund	-	-	-	-
Total	7.486.495	1.294.409	5.964.330	1.169.931

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

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	2.846	-	-	-
Domestic banks	1.653	2.345	2.247	3.758
Overseas banks	3.759	2.050	2.768	2.110
Head office and branches	-	-	-	-
Total	8.258	4.395	5.015	5.868

c) Interest income on marketable securities:

	Current Period		Prior Period	
	DC	FC	DC	FC
Financial Assets Held for Trading	1.135	691	1.930	610
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	696.747	125.404	639.265	124.679
Held-to-Maturity Investments	1.755.680	72.794	1.275.998	10.720
Total	2.453.562	198.889	1.917.193	136.009

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries and associates	33.429	25.177

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IV. EXPLANATIONS AND NOTES RELATED TO THE 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	53.502	191.237	27.491	167.570
<i>Domestic banks</i>	20.977	9.744	19.245	10.688
<i>Overseas banks</i>	32.525	181.493	8.246	156.882
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	4.149	14	26.698	-
Total	57.651	191.251	54.189	167.570

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	70.859	53.952

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	95.084	183.339	48.032	130.174
Total	95.084	183.339	48.032	130.174

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits						Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
TRY								
Bank deposits	108	254.219	73.131	15.800	1.511	-	-	344.769
Saving deposits	40	26.402	2.103.906	111.956	31.836	44.026	8.010	2.326.176
Public deposits	277	105.526	267.052	28.028	1.885	430	-	403.198
Commercial deposits	320	199.386	869.318	44.323	17.888	3.462	-	1.134.697
Other deposits	-	56.310	142.010	12.492	185.003	13.977	-	409.792
7 days call accounts	-	-	-	-	-	-	-	-
Total	745	641.843	3.455.417	212.599	238.123	61.895	8.010	4.618.632
Foreign currency								
Deposits	421	47.020	264.590	90.865	57.616	72.372	-	532.884
Bank deposits	-	45.007	-	-	-	-	-	45.007
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
Total	421	92.027	264.590	90.865	57.616	72.372	-	577.891
Grand total	1.166	733.870	3.720.007	303.464	295.739	134.267	8.010	5.196.523

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IV. EXPLANATIONS AND NOTES RELATED TO THE 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	3.106	1.974
Other	150.738	95.494
Total	153.844	97.468

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

	Current period	Prior period
Profit	17.319.413	12.613.894
Profit from the capital market operations	299.858	333.261
Profit on derivative financial instruments	3.229.700	2.528.069
Foreign exchange gains	13.789.855	9.752.564
Loss (-)	17.263.408	12.369.451
Loss from the capital market operations	919	10.424
Loss on derivative financial instruments	4.675.586	2.057.216
Foreign exchange losses	12.586.903	10.301.811

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	3.229.700	2.528.069
Effect of the change in foreign exchange on profit	3.221.183	2.508.224
Effect of the change in interest rate on profit	8.517	19.845
Loss on derivative financial instruments (-)	4.675.586	2.057.216
Effect of the change in foreign exchange on loss	4.669.057	2.047.444
Effect of the change in interest rate on loss	6.529	9.772
Profit/loss on derivative financial instruments	(1.445.886)	470.853

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses ^(*)	427.439	633.062
Receivable from the asset sale on credit terms	56.407	64.530
Provision for communication expenses	7.775	8.310
Rent income	4.700	4.309
Other income	35.173	57.427
Total	531.494	767.638

^(*)As of 31 December 2014, the Bank reversed the general reserve amounting to TRY 132.231 (31 December 2013: TRY 196.069) which had been recognized as expense on previous periods.

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

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

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	876.459	435.996
<i>Group - III loans and receivables</i>	241.544	247.926
<i>Group - IV loans and receivables</i>	555.719	111.218
<i>Group - V loans and receivables</i>	79.196	76.852
General loan provision expenses	134.159	321.609
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	-
<i>Financial assets at fair value through profit and loss</i>	-	-
<i>Financial assets available for sale</i>	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Jointly controlled entities (joint ventures)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Other	150.150	91.137
Total	1.160.768	848.742

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	1.247.781	1.083.774
Reserve for employee termination benefits	55.595	51.985
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	99.756	99.221
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	7.252	3.324
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	2.398	1.365
Amortization expenses of assets that will be disposed of	4.158	3.873
Impairment expense for property and equipment held for sale	25	59
Other operating expenses	1.048.663	1.034.988
<i>Operational leasing expenses</i>	147.158	128.505
<i>Maintenance expenses</i>	20.452	24.195
<i>Advertisement expenses</i>	142.509	144.603
<i>Other expenses</i>	738.544	737.685
Loss on sales of assets	5.420	1.487
Other	516.365	374.843
Total	2.987.413	2.654.919

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

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

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

The Bank's income before tax is due from continuing activities. TRY 5.111.549 of the income before tax consists of net interest income, TRY 1.022.544 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Bank is amounting to TRY 2.727.255.

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

For the year ended 31 December 2014, the Bank's tax provision amounting to TRY 521.487 consists of TRY 905.543 of current tax charge and TRY 384.056 of deferred tax income.

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

As of 31 December 2014, the Bank's net operating income after tax is amounting to TRY 2.205.768.

(11) Information on net profit/loss from continuing and discontinued operations:

- a) Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Bank's performance for the period between 1 January 2014 and 31 December 2014.
- b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.
- c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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

V. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(1) Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

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

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

- (1) Disclosures for the “other” and “the effect of foreign exchange differences on cash and cash equivalents” items of cash flow statement:

The “net increase/(decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 8.412.477 thousands increase for the year 2014 (31 December 2013: TRY 738.088 increase). The “others” item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TRY 3.046.384 thousands decrease for the year 2014 (31 December 2013: TRY 3.067.287 decrease).

For the year ended 31 December 2014, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 97.128 increase (31 December 2013: TRY 638.248 increase).

- (2) Items of cash and cash equivalents, accounting policies used in the determination of those items: Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.
- (3) The effect of any change in accounting policies: None.
- (4) Period beginning cash and cash equivalents balance:

	Current period	Prior period
Cash	19.975.784	12.487.743
<i>Cash in TRY and foreign currency</i>	795.406	685.419
<i>Central Bank and others⁽¹⁾</i>	19.180.378	11.802.324
Cash equivalents	1.842.776	2.631.767
<i>Demand and Time Deposits Up to 3 Months</i>	1.842.776	2.619.412
<i>Money Market Placements</i>	-	12.355
Total cash and cash equivalents	21.818.560	15.119.510
Reserve deposits in Central Bank of Turkey	(15.445.725)	(9.849.458)
Accruals on banks	(515)	(566)
Cash and Cash Equivalents	6.372.320	5.269.486

⁽¹⁾ Others items include cheques received.

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

	Current Period	Prior Period
Cash	20.276.104	19.975.784
<i>Cash in TRY and foreign currency</i>	974.390	795.406
<i>Central Bank and others⁽¹⁾</i>	19.301.714	19.180.378
Cash Equivalents	1.265.660	1.842.776
<i>Demand and Time Deposits Up to 3 Months</i>	1.265.660	1.842.776
<i>Money Market Placements</i>	-	-
Cash and Banks	21.541.764	21.818.560
Reserve deposits in Central Bank of Turkey	(14.549.790)	(15.445.725)
Accruals on reserve deposits in Central Bank of Turkey	(1.606)	-
Accruals on banks	(1.124)	(515)
Total Cash and Cash Equivalents	6.989.244	6.372.320

⁽¹⁾ Others items include cheques received.

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

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK

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

a) Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	501.111	354.400	-	-	-	-
Closing balance	675.395	309.393	-	-	-	-
Interest and commissions income	33.429	1.809	-	-	-	-

b) Prior period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	299.727	340.509	-	-	-	-
Closing balance	501.111	354.400	-	-	-	-
Interest and commissions income	25.177	1.408	-	-	-	-

c) Deposits held by the Bank's risk group:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Beginning balance	961.604	579.099	-	-	-	-
Closing Balance	803.623	961.604	-	-	-	-
Interest expense on deposits	70.859	53.952	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Financial Assets At Fv Through Profit And Loss						
Beginning balance	1.305	68.331	-	-	-	-
Closing Balance	430	1.305	-	-	-	-
Total Profit/Loss	(29)	23	-	-	-	-

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

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

(2) Disclosures for risk group:

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

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

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

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

	Amount	% compared to the amounts in the financial statements
Cash loans	675.395	0,66%
Non-cash loans	309.393	0,94%
Deposits	803.623	0,77%
Forward and option contracts	430	0,00%
Banks and financial institutions	-	-

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

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

d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 9.681 as of 31 December 2014 (31 December 2013: TRY 6.943).

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

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

- (1) Explanations on the Bank's domestic branches, agencies/branches abroad and off-shore branches

	Quantity	Number of employees	Country	Total Assets	Legal Capital
Domestic Branches	895	17.265			
Agencies Abroad	2	2	Tahran/İRAN		
		1 ^(*)			
Overseas Branches	4	23	Lefkoşa/KKTC	319.075	-
		10	Gazimagosa/KKTC	40.603	-
		9	Girne/KKTC	46.281	-
		2	Paşaköy/KKTC	393	-
Off-shore Branches	1	3	Manama/BAHREYN	5.531.026	-

^(*) Related personnel is employed by the Bank's subsidiary Halk Yatırım AŞ.

- (2) Explanations on branch and agency openings or closings of the Bank:
The Bank opened 23 domestic branches during the year 2014.

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

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

With the Decision No.2014/129 of Privatization High Council(PHC) 90% (ninety percent) or upon request %100 (hundred percent) of the shares of Halk Hayat ve Emeklilik A.Ş., the subsidiary of Türkiye Halk Bankası Anonim Şirketi (“Halkbank”) will be made available for privatization through tender via “Block Sale” method and the remaining 10% (ten percent) of Halk Hayat ve Emeklilik AŞ shares will be available for sale to the buyer of the shares with the price specified in the tender. With the PHC Decision numbered 2014/130 and dated 29 December 2014 89,18% of the shares in the capital of the Halk Sigorta A.Ş. the subsidiary of Halkbank, held by Halkbank and 4,31% of the shares of Halk Sigorta AŞ held by Halk Yatırım Menkul Değerler AŞ corresponding to a total of 93,49% of the shares of Halk Sigorta A.Ş will be made available for purchase through tender via “Block Sale” method.

Tender announcement about the related sentence has announced by the Republic of Turkey Prime Ministry Privatization Administration at 19 January 2015, and the process continues.

The treasury bills amounting to USD 500.000.000 with maturity of 6 years, with maturity 11 February 2021, with 4,835% interest rate, with coupon rate of 4,75% per every six months approved by the Capital Markets Board at 3 February 2015,. The bank issued the bonds at 11 February 2015.

It was announced within the context of public disclosure dated 16 January 2015 in order to provide high quality banking services internationally and increase presence in the Balkan Region, even though the tender process for the purchase of %76,76 shares of Cacanska Banka A.D. operating in Serbia had been finalized on 2 December 2014, due to ongoing expectations about the potential of the banking sector and the economy of Serbia, the interest about the purchase of shares of Cacanska Banka A.D. is decided to be maintained.

Capital Markets Board of Turkey and Banking Regulation and Supervision Agency approved the Amendment of the Articles of Association regarding the increasing the Bank's paid-up capital TRY 1.250.000.000 (full TRY) to TRY 2.250.000.000 (full TRY) by TRY 1.000.000.000 (full TRY) in cash (right issue). The Amendment of the Articles of Association will be subject to approval of the Ministry Of Customs and Trade. Following the approval by the Ministry, the Amendments will be on the agenda of the Bank's General Assembly.

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SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

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

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SECTION VII: INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements as of and for the year ended 31 December 2014 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 17 February 2015 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.