

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

Türkiye Halk Bankası Anonim Şirketi

Consolidated Financial Statements
As of and For the Nine-Month Period Ended 30 September 2015
With Limited Review Report Thereon
*(Convenience Translation of Consolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

2 November 2015

*This report contains “Limited Review Report”
comprising 2 pages and; “Consolidated
Financial Statements and Related Disclosures
and Footnotes” comprising 97 pages.*

*Convenience Translation of the Limited Review Report
Originally Prepared and Issued in Turkish (See Section 3.I)*

LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To the Board of Directors of Türkiye Halk Bankası AŞ;

Introduction

We have reviewed the accompanying statement of financial position of Türkiye Halk Bankası AŞ (the “Bank”) and its financial subsidiaries (together the “Group”) as at 30 September 2015 and the consolidated statements of income, consolidated statement of income and expense items accounted under shareholders’ equity, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the nine-month period then ended and summary of significant accounting policies and other explanatory information (“interim financial information”). The Bank Management is responsible for the preparation and fair presentation of this interim financial information in accordance with “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published on the Official Gazette numbered 26333 on 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as BRSA Accounting and Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” except for the matters regulated by BRSA. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of limited review

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, a review of interim financial information does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of Qualified Conclusion

The accompanying unconsolidated financial information as of 30 September 2015 include a general provision amounting to TRY 162.509 thousands, all of which has been recognized as expense in the current period provided by the Parent Bank management for the possible result of the negative circumstances which may arise from any circumstances from any change in economy or market conditions.

Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not presented fairly, in all material respects, the consolidated financial position of Türkiye Halk Bankası AŞ and its financial subsidiaries as of 30 September 2015 and the result of its operations and consolidated cash flows for the nine-month period then ended in accordance with “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published on the Official Gazette numbered 26333 on 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority and Turkish Accounting Standard 34 “Interim Financial Reporting” except for the matters regulated by BRSA Legislation.

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

Alper Güvenç
Partner, SMMM

2 November 2015
Istanbul, Türkiye

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 CONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2015

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

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

- **Section One** : GENERAL INFORMATION ABOUT THE PARENT BANK
- **Section Two** : CONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES OF THE GROUP
- **Section Four** : INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP
- **Section Five** : EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** : OTHER EXPLANATIONS AND NOTES
- **Section Seven** : LIMITED REVIEW REPORT

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

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

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures as of and for the nine-month period ended 30 September 2015 are prepared in **Thousand Turkish Lira** and they have been reviewed and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

İstanbul, 2 November 2015

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

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

Name/Title : Pınar Küçük / Senior Specialist

Telephone/Fax No : 0312 289 30 14/ 0312 289 30 50

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TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2015

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

As of 30 September 2015 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	30 September 2015	%	31 December 2014	%
Prime Ministry Privatization Administration ^(1,2)	638.276	51,06	638.276	51,06
Public shares ⁽²⁾	611.640	48,93	611.279	48,90
Other shareholders ⁽³⁾	84	0,01	445	0,04
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾ As per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007; 25% of the public shares that were previously held by the Privatization Administration were privatized by a public offering and the Parent Bank’s shares were registered to Capital Market Board records by decision number 16/471 dated 26 April 2007. The shares were traded on the Borsa İstanbul 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⁾ “TRY 82 of the shares which are among the “Other Shareholders” group belong to our shareholders whose shares do not trade on the Exchange (though these shareholders have been dematerialized them in their own accounts) while TRY 2 of which belong to our shareholders whose shares are monitored under the DESA in the presence of MKK due to the ongoing legal action.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2015

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

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

III. EXPLANATIONS REGARDING THE PARENT BANK'S CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE PARENT BANK, IF ANY⁽¹⁾

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Recep Süleyman ÖZDİL	Chairman of the Board of Directors	28.08.2015	Ankara Eco. and Com. Science (ECS) Academy - Economy Finance	27
Süleyman KALKAN	Vice Chairman of the Board of Directors, Independent Board Member, Head of the Audit Committee	01.04.2013	Ankara University, Faculty of Political Science – International Relations Department.	32
Ali Fuat TAŞKESEN LİOĞLU	Member of the Board of Directors, Chief Executive Officer	07.02.2014	Master's Degree: Beykent University Social Science Ins. Business Administration Bachelor Degree: Atatürk University, Faculty of Economic and Administrative Sciences-Business Administration.	27
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.03.2003	Doctor's Degree: Washington International University- Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA).	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.	22
İsmail Erol İŞBİLEN	Independent Member of the Board of Directors	01.04.2013	Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department. Bachelor Degree: Istanbul Uni. - Business Administration.	30
Sadık TILTAK	Independent Member of the Board of Directors, Member of the Audit Committee	01.04.2014	Bachelor Degree: Ankara University, Faculty of Political Sciences – Economy and Public Finance Department	27
Yunus KARAN	Member of the Board of Directors	01.04.2014	Ankara University, Faculty of Political Science-Finance	47
Faruk ÖZÇELİK	Member of the Board of Auditors	29.03.2013 ⁽²⁾	İstanbul Uni. Eco. and Com. Science Academy-Finance Accounting	5
Ali ARSLAN	Member of the Board of Auditors	29.03.2013 ⁽²⁾	Master's Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	22
Mustafa SAVAŞ	Executive Vice President	12.08.2002	Master's Degree: Cleveland State University Business School(MBA) Bachelor Degree: Çukurova University, Faculty of Economic and Administrative Sciences-Business Administration	24
Erol GÖNCÜ	Executive Vice President	14.06.2005	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	26
Asst. Prof. Şahap KAVCIOĞLU	Executive Vice President	17.06.2005	METU Faculty of Arts and Sciences-Mathematics Department. Doctor's Degree: Marmara University, Ban and Ins. Ins.-Banking Department.	24
Selahattin SÜLEYMANOĞLU	Executive Vice President	01.07.2007	Master's Degree: Marmara University, Ban. and Ins.Ins.-Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	25
Mehmet Akif AYDEMİR	Executive Vice President	04.03.2010	Master Degree: Selcuk University Social Sciences Ins.- International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	28
Mehmet Hakan ATILLA	Executive Vice President	11.11.2011	Ankara University, Faculty of Political Sciences –Economics. Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.	20
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	17
Erdal ERDEM	Executive Vice President	27.03.2014	Bachelor Degree: Afyon Kocatepe Uni. Faculty of Economic and Administrative Sciences-Finance.	20
Salim KÖSE	Executive Vice President	10.07.2014	İstanbul University, Faculty of Law	25
Ömer Faruk ŞENEL	Executive Vice President	10.07.2014	Master Degree: Fatih University, Social Sciences Ins. Master of Business Administration	23
Murat OKTAY	Executive Vice President	10.07.2014	METU Faculty of Economic and Administrative Sciences-Economics	22
Mehmet Sebahattin BULUT	Executive Vice President	10.07.2014	METU Faculty of Economic and Administrative Sciences-Economics	21
Hasan ÜNAL	Executive Vice President	10.07.2014	Bursa Uludağ University, Faculty of Economic and Administrative Sciences - Econometrics	25
Mustafa AYDIN	Executive Vice President	10.07.2014	İstanbul Technical University, Faculty of Business Administration – Business Engineering METU Faculty of Economic and Administrative Sciences- Public Administration	25

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

(2) Assigned date for Audit Committee.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2015
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

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

a) There are professionals who have assigned to the Bank’s top management in 2015.

Name	Title	Assignment Date
Recep Süleyman Özdil	Chairman of the Board of Directors	28 August 2015

b) There are professionals from the Bank’s top management who have left their position in 2015.

Name	Title	Leaving Date
Hasan Cebeci	Chairman of the Board of Directors	27 August 2015

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2015

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

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

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

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

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

a) General information about the Parent Bank:

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

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

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

c.1 When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Parent Bank shares were decided to be sold before 25 May 2008 using the block sale method. By the Privatization High Council's decree numbered 2006/4258 and dated 29 November 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 was executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on 11 August 2006, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Parent Bank corresponding to 24.98% was completed in the first week of May 2007 and Halkbank shares were traded on Borsa İstanbul 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2015

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

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

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

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

As of 30 September 2015, the Bank operates with a total of 936 branches consisting of 931 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 32 satellite branches and 1 financial services branches. The Bank has also 2 representative office in England and Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

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

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

The Parent Bank’s associates;

- Demir-Halkbank NV
- Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
- Türk P ve I Sigorta AŞ

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

Halk Gayrimenkul Yatırım Ortaklığı AŞ (“the Company”), a subsidiary of the Parent Bank established in 2010, was registered on 18 October 2010. The Company’s main line of business is, to form and improve real estate portfolios and to invest in real estate based capital market instruments. The Company’s main operative target is, based on the Capital Markets Board’s (“CMB”) regulation regarding the investment properties, to invest in capital market instruments based on real estates, real estate projects and rights based on real estates.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2015

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

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

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

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

Halk Finansal Kiralama AŞ ("Halk Leasing"), was an associate of the Parent Bank with 47,75% of the shares and consolidated according to the equity method until 27 May 2011. The Group obtained the control of Halk Leasing by acquiring 52,24% of the shares and voting interests in the company as of 27 May 2011. As a result, the Group's equity interest in Halk Leasing has increased from 47,75% to 100%. Halk Leasing was established in September 1991 in Turkey and operates under the provisions of the Turkish financial leasing law number 3226.

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

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

Halk Faktoring AŞ ("Halk Faktoring"), was a subsidiary of the Parent Bank with capital payments of amounting to TRY 39.000 and 97,5% of shares. After, it was registered to trade registry on 6 June 2012, establishment has been completed. Halk Faktoring's main line of business is to provide factoring services that include legitimate commercial lending for all domestic and international trade operation.

The Parent Bank obtained the control of Cacanska Bank AD, Cacak by acquiring 76,76% of the shares and voting interests of the company as of 28 May 2015. Its main activities include commercial lending, receiving of deposits, foreign exchange deals, and payment operation services in the country and abroad and retail banking services.

Halk Sigorta AŞ ("Halk Sigorta") was founded in 1958 under the leadership of Halkbank as the first cooperative in Turkey to engage in a full array of insurance activities with the participation of the Artisans and Tradesmen Loan and Guarantee Cooperatives. The company's business name was changed to Halk Sigorta AŞ from Birlik Sigorta AŞ at the Extraordinary General Assembly Meeting held on 27 December 2010.

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

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

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

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

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

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

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

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

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

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

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

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

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SECTION II: CONSOLIDATED FINANCIAL STATEMENTS

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

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

I. BASIS OF PRESENTATION

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

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

Additional paragraph for convenience translation to English

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

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

1. The Group’s strategy on financial instruments:

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

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

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

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

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

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

The Group started to apply fair value hedge accounting as at 1 July 2015 by designating the exchange rate risk of Cacanska Banka AD, Cacak, Demirhalkbank NV are foreign investments that are recognized under fair value accounting as hedged item, in compliance with “ TAS 39 Financial Instruments: Recognition and Measurement”. Accordingly, the effective portion of the foreign exchange differences is recorded under equity statement in the current period.

III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION

1. Basis of consolidation:

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

a. Basis of consolidation of subsidiaries:

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

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

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

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

b. Basis of consolidation of associates:

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

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

1. Basis of consolidation (continued):

b. Basis of consolidation of associates (continued):

Qualified share is the share that directly or indirectly constitute ten percent of an entity's capital or voting rights and irrespective of this requirement, possession of privileged shares giving right to appoint members of board of directors.

Equity method is an accounting method of associates by which book value of the associate is increased or decreased due to changes in the Parent Bank's share in the associates' equity and dividends received from associate is deducted from the share of Bank calculated as explained above.

Accounting principles used by Demir Halkbank NV, Kobi Girişim Sermayesi AŞ and Türk P ve I Sigorta AŞ which are a consolidated associate by the equity method of accounting, has the same accounting principles of the Parent Bank.

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures.

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

Accounting for business combinations

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

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

Acquisitions on or after 1 January 2010

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

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

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

The initial recognition of the business combination is accounted for provisionally if the fair values of the identifiable assets, liabilities and contingent liabilities acquired in a business combination can only be recognized, or the cost of a business combination is measured, only using provisional amounts. The provisional business combination accounting shall be completed in the 12 months following the date of acquisition and the adjustments shall be recognized retrospectively.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

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

1. Basis of consolidation (continued):

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

Accounting for business combinations (continued)

Acquisitions on or after 1 January 2010 (continued)

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

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

Acquisitions before 1 January 2010

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

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

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

V. INTEREST INCOME AND EXPENSES

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

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

VI. FEES AND COMMISSION INCOME AND EXPENSES

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

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

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

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

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

1. Cash and banks

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

2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

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

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

2.2. Financial assets at fair value through profit and loss

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

The Group has not any financial assets at fair value through profit and loss as of 30 September 2015 and 31 December 2014.

3. Investments held to maturity

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

4. Financial assets available for sale

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

5. Loans and receivables

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

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

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

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

Non-performing loans are classified in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No: 26333 dated 1 November 2006 and amended with the regulation published in the Official Gazette No: 29268 dated last 14 February 2015 and specific provisions are allocated for those loans. Specific provisions are reflected to “820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses” account. Provisions released in same year are recognized as a credit movement under the “Provision Expenses”, released portion of the previous period provisions are recognized under the “Other Operating Income” account.

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

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

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

Other than specific allowances, the Bank provides “general allowances” for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The Bank provides 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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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. 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 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.

In the consequence of the ratio of consumer loans to total loans has been below 25% as of the second quarter, the Bank has begun to allocate 1% and 2% rate of general allowances for all consumer loans except for real estate loans instead of 4% and 8%. In accordance with the communiqué “The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” published on 8 October 2013 No: 28789 Official Gazette, as of the recent month end prior to the effective date of the Communiqué, the Bank cancelled the differences in general allowances for all consumer loans except for real estate loans in both groups with the rates stated in the second paragraph of Article 7 of the Communiqué as of the second quarter.

IX. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the consolidated balance sheet of the Group.

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

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

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

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

XV. EXPLANATIONS ON LEASING TRANSACTIONS

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

In the cases of the Group is renter, at the beginning of the lease operation the value of assets held under financial leases are recognized as financial lease receivables in the balance sheet. Interest income obtained by the difference between total financial lease receivables and investment value of assets held under financial leases is recorded in the income statement by distributing the receivables in the related accounting period with the constant interest rate. The interest income which is not accrued in the related period, is recognized in the account of unaccrued interest income.

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

XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

Insurance premium income is obtained subsequent the share of reinsurers in policy income is diminished.

Claims are recorded in expense as they are reported. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers' share of claims paid and outstanding loss are offset in these provisions.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

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

The provision for unearned premiums consists of the gross overlapping portion of accrued premiums for insurance contracts that are in effect to the subsequent period or periods of balance sheet date on a daily basis without a commission or any other discount. In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision is recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer.

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

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

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

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

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

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium.

In conformity with TFRS 4, at each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of related Deferred Acquisition Costs (DAC) and premiums receivable. Investment income from the assets backing the liabilities is taken into account in calculating the provision. Any deficiency, if there is, is immediately charged to the income statement initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests. Any DAC written off as a result of this test cannot subsequently be reinstated.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XVIII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES (continued)

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

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9 %. 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, no technical deficit has been reported.

XX. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 30 June 2015 has been paid in August 2015, accrued advance tax as of 30 September 2015 is going to be paid in November 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 on each consolidated entity’s non-consolidated financial statements. Deferred tax assets and liabilities are also offset.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XX. EXPLANATIONS ON TAXATION (continued)

Tax practices in the countries that foreign branches and financial institution operate:

Turkish Republic of Northern Cyprus (TRNC)

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

Bahrain

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

Tax practices for the subsidiaries which are subject to consolidation

Halk Gayrimenkul Yatırım Ortaklığı AŞ

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

Halk Banka AD Skopje

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

"Distributions" are split into two components:

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XX. EXPLANATIONS ON TAXATION (continued)

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

Halk Banka AD Skopje (continued)

As such, the new income tax regime provokes certain implications on the presentation of the tax in the financial statements which are summarized below:

(i) Tax on dividend distribution:

Tax on dividend distribution is considered to be income tax within scope of Turkish Accounting Standards - Tax on Income ("TAS 12").

The timing of recognition of this type of income tax is to be consistent with the underlining dividend liability recognition (i.e., recognized when the dividend is paid and/or declared). As such no provisions are required for income tax arising from dividend distribution until the dividend is declared and/or paid.

When the tax on dividend distribution arises on interim (advance) dividend paid before the year end, the income tax charge is recognized and presented in the Statement of comprehensive income after profit and loss before tax as income tax expense.

When the tax on dividend distribution arises from retained earnings, it is recognized and presented in the statement of changes in equity.

(ii) Tax on non deductible items:

Tax on non deductible items is not income tax and is out of scope of TAS 12. Accordingly, such tax expense is presented within the operating results, and related tax payable/receivable is presented within the other assets/other liabilities in the statement of financial position.

Recognition of tax provisions:

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

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

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

Cacanska Bank AD, Cacak

The Parent Bank's acquired subsidiary in 2015 Cacanka Bank AD, Cacanska is subject to tax regulations in the Republic of Serbia.

The annual corporate income tax is payable at the rate of 15% on profit before tax, adjusted for permanent differences that prescribed tax rate adjusted to the effective tax rate.

The Law on Corporate Income Tax in the Republic of Serbia does not allow any tax losses of the current period to be used to recover taxes paid in previous periods. However, any current year losses disclosed in the tax balance up to 2009 may be used to reduce tax base for future periods, but only for a period not longer than ten years. The losses in the tax balance for 2010 and thereafter may be used for reduction of tax base for the following accounting periods, but for maximum 5 years. Such tax losses, up to the amount of assumed future taxable profit that can be offset to tax losses, are recognized in the balance sheet as deferred tax.

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XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

XXII. EXPLANATIONS ON SHARES AND SHARE ISSUE

Share issuances related to costs are accounted under shareholders' equity. Dividend income related with the equity shares are determined by the General Assembly of the Parent Bank.

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

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

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

XXIII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXV. EXPLANATIONS ON SEGMENT REPORTING

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

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

XXVI. EXPLANATION ON OTHER MATTERS

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

	Fixed Property
Valuation focused on cost value	1.141.805
The Effect of change in Accounting Policy	1.503.559
Valuation based on fair value	2.645.364

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO

The capital adequacy ratio calculations are made in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” published in Official Gazette No 29111 of 6 September 2014. The consolidated basis capital adequacy ratio of the Group is 12,35% as of 30 September 2015 (31 December 2014: 12,73%).

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

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

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

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

1. Information on the consolidated capital adequacy ratio:

Current Period	The Parent Bank									Consolidated								
	0%	10%	20%	50%	75%	100%	150%	200%	250%	0%	10%	20%	50%	75%	100%	150%	200%	250%
Surplus credit risk weighted	-	-	1.354.151	18.820.880	28.951.319	69.571.590	3.431.304	9.659.962	631.720	-	-	1.418.491	19.096.654	29.635.205	71.211.705	3.528.168	10.218.010	865.300
Risk classifications:																		
Claims on sovereigns and Central Banks	43.565.649	-	4.230	4.216.654	-	-	-	-	-	43.801.920	-	4.230	4.216.654	-	85.800	-	-	-
Claims on regional governments or local authorities	16.753	-	947.829	-	-	-	-	-	-	16.753	-	947.829	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	38.142	-	197	-	-	686.106	-	-	-	38.142	-	197	-	-	686.106	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	247.833	-	4.113.606	1.554.166	-	280.740	-	-	-	248.505	-	4.435.305	1.556.097	-	225.552	-	-	-
Claims on corporates	2.338.478	-	698.692	977.979	-	61.881.025	-	-	-	1.333.494	-	698.692	977.979	-	64.665.368	-	-	-
Claims included in the regulatory retail portfolios	1.519.118	-	180.045	-	38.272.752	668.988	-	-	-	1.519.118	-	180.045	-	39.184.334	676.948	-	-	-
Claims secured by residential property	23.421	-	4.011	30.776.734	30.303	-	-	-	-	23.421	-	4.011	31.326.351	30.303	-	-	-	-
Overdue loans	13.742	-	-	116.227	-	783.380	-	-	-	13.742	-	-	116.227	-	863.482	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	2.287.536	4.829.981	819	-	-	-	-	-	-	2.352.112	5.109.005	20.948
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	2.879.088	-	822.147	-	298.703	5.271.351	-	-	251.869	2.947.061	-	822.147	-	298.969	4.008.449	-	-	325.172
Prior Period	0%	10%	20%	50%	75%	100%	150%	200%	250%	0%	10%	20%	50%	75%	100%	150%	200%	250%
Surplus credit risk weighted	-	-	810.058	14.076.567	22.962.208	54.730.042	3.613.293	16.572.334	912.638	-	-	867.323	14.168.725	23.355.181	55.241.523	3.677.288	16.902.844	1.461.988
Risk classifications:																		
Claims on sovereigns and Central Banks	40.918.786	-	2.856	3.385.027	-	-	-	-	-	41.013.434	-	2.856	3.385.027	-	30.087	-	-	-
Claims on regional governments or local authorities	18.263	-	554.619	-	-	-	-	-	-	18.263	-	554.619	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	28.273	-	199	-	-	527.130	-	-	-	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	-	-	-	1.768.551	-	2.862.136	1.800.219	-	6.245	-	-	-
Claims on corporates	768.725	-	242.822	-	-	48.277.479	-	-	-	752.016	-	242.822	-	-	50.494.579	-	-	-
Claims included in the regulatory retail portfolios	1.497.528	-	159.191	-	30.426.898	656.661	-	-	-	1.497.528	-	159.191	-	30.931.251	662.627	-	-	-
Claims secured by residential property	23.228	-	3.302	22.857.026	66.067	-	-	-	-	23.228	-	3.302	23.028.822	66.067	-	-	-	-
Overdue loans	-	-	-	123.381	-	1.162.077	-	-	-	-	-	-	123.381	-	1.268.139	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	2.408.862	8.286.167	40.553	-	-	-	-	-	-	2.451.525	8.451.422	55.529
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	3.242.822	-	511.492	-	123.312	4.059.446	-	-	324.502	3.274.721	-	511.492	-	142.923	2.252.716	-	-	529.266

(1) As of 30 September 2015, overdue finance lease receivables amounting to TRY 223.377 is included in the 100% risk weighted of overdue loans above (31 December 2014: TRY 106.062).

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

2. Consolidated Capital adequacy ratio summary:

		The Parent Bank		Consolidated	
		Current Period	Prior Period	Current Period	Prior Period
A	Capital to be employed for credit risk (Amount subject to credit risk*0,08) (I)	10.593.674	9.094.171	10.877.883	9.253.990
B	Capital to be employed for market risk (II)	384.338	257.412	390.242	265.729
C	Capital to be employed for operational risk (III)	878.258	810.323	963.285	875.751
	Shareholders' equity	19.245.406	17.301.950	18.888.230	16.539.425
	Shareholders' equity / (I+II+III) * 12,5*100	12,99	13,62	12,35	12,73
	Core Capital/((CRCR+MRCR+OROR)*12,5)*100	12,29	12,92	11,67	12,04
	Tier I Capital/((CRCR+MRCR+OROR)*12,5)*100	12,22	12,96	11,71	12,09

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

3. Information on equity items:

	Current Period	Prior Period
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	2.470.451
Share Premium	39.250	39.009
Share Cancellation Profits	-	-
Legal Reserves	12.580.733	10.520.206
Other Comprehensive Income according to TAS	871.768	194.785
Profit	1.731.603	2.410.166
<i>Net Current Period Profit</i>	1.566.797	2.270.398
<i>Prior Period Profit</i>	164.806	139.768
Provisions for Possible Losses	162.509	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit shares	3.973	4.031
Minority shares	149.810	152.123
Common Equity Tier 1 capital before regulatory adjustments	18.010.097	15.790.771
Common Equity Tier 1 capital: regulatory adjustments		
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)	-	-
Leasehold improvements on operational leases (-)	67.961	67.649
Goodwill and intangible assets and related deferred tax liabilities (-)	38.784	16.521
Net deferred tax assets / liabilities (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Investments in own common equity (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage servicing rights (amount above 10% threshold) (-)	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Mortgage servicing rights (amount above 10% threshold) (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be defined by the regulator (-)	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions (-)	-	-
Total regulatory adjustments to Common equity Tier 1	106.745	84.170
Common Equity Tier 1 capital	17.903.352	15.706.601
ADDITIONAL TIER 1 CAPITAL		
Privileged stocks which are not included in common equity and share premiums	-	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)	-	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained before 1.1.2014)	-	-
Additional shares in the capital of third parties	-	-
Additional Tier 1 capital before regulatory adjustments	-	-
Additional Tier 1 capital: regulatory adjustments		
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be Defined by the regulator (-)	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions (-)	-	-

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

3. Information on equity items: (continued)

	Current Period	Prior Period
Total regulatory adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 capital	-	-
Regulatory adjustments to Common Equity	58.177	66.080
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	58.177	66.080
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Tier 1 capital	17.845.175	15.640.521
TIER 2 CAPITAL		
Directly issued qualifying Tier 2 instruments (that are approved by the regulatory) plus related stock surplus (Issued or Obtained after 01.01.2014)	-	-
Directly issued qualifying Tier 2 instruments (that are approved by the regulatory) plus related stock surplus (Issued or Obtained before 01.01.2014)	-	-
Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders Generic Provisions	1.140.874	1.277.829
Additional shares in the capital of third parties		
Tier 2 capital before regulatory adjustments	1.140.874	1.277.829
Tier 2 capital: regulatory adjustments		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Consolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be Defined by the regulator (-)	-	-
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital	1.140.874	1.277.829
CAPITAL	18.986.049	16.918.350
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10	10
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	62.627	49.245
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Other items to be Defined by the regulator (-)	35.182	329.670
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
EQUITY	18.888.230	16.539.425
Amounts below the thresholds for deduction		
Remaining Total of Net Long Positions of the Investments in Own Fund Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital	15.635	15.113
Remaining total of net long positions of the investments in Tier I capital of Consolidated banks and Financial Institutions where the Bank owns more than 10% Or Less of the Tier I Capital	1.423.436	1.257.801
Remaining mortgage servicing rights	-	-
Net deferred tax assets arising from temporary differences	572.711	349.610

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

3. Information on equity items: (continued)

a) Information on the provisional application elements in the calculation of equity:

	The Parent Bank		Consolidated	
	Amount recognized in regulatory capital	Total	Amount recognized in regulatory capital	Total
Minority Interest in Tier I Capital	-	-	149.810	210.452
Shares of Third Parties in Additional Core Capital	-	-	-	-
Shares of Third Parties in Tier II Capital	-	-	-	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained before 01.01.2014)	-	-	-	-

b) Details on subordinated liabilities:

None.

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK

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

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

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

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

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

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

As of 30 September 2015, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 21,28% and 26,74% of its total cash loans.

As of 30 September 2015, receivables of the Group from its top 100 and 200 non-cash loan customers are respectively 52,05% and 62,46% of its total non-cash loans.

As of 30 September 2015, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 16,82% and 21,72% of its total balance sheet and off-balance sheet assets.

As of 30 September 2015, general loan loss provision related to the credit risk incurred by the Group in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 1.140.874 (31 December 2014: TRY 1.277.829).

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK

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

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

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

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

a) Information related to consolidated market risk:

	Current period	Prior period
(I) Capital requirement to be employed for general market risk	279.978	193.635
(II) Capital requirement to be employed for specific risk	66.714	39.666
(III) Capital requirement to be employed for specific risk in securitization positions- Standard Method	-	-
(IV)Capital requirement to be employed for currency risk	22.680	20.215
(V)Capital requirement to be employed for commodity risk	-	-
(VI)Capital requirement to be employed for clearing risk	-	-
(VII)Total capital requirement to be employed for counterparty credit risk-Standard method	614	576
(VIII)Capital requirement to be employed for general market risk.	20.256	11.637
(IX) Total capital requirement to be employed for market risk	-	-
(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)	390.242	265.729
(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)	4.878.025	3.321.613

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK

Information about counterparty risk:

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

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

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

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

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

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

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

	Amount ⁽¹⁾
Contracts based on Interest rate	102.848
Contracts based on currency	194.180
Contracts based on commodity	-
Contracts based on stocks	-
Other	77
Gross Positive Fair Value	297.105
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	44.610
The net position of derivatives	297.105

⁽¹⁾ Counterparty risk related to the trading accounts is included.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK

In the calculation of the Group's operational risk, the "Basic Indicator Method" is used. The amount subject to operational risk is calculated once a year in accordance with the Regulation on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 29111 on 6 September 2014. In the Basic Indicator Method, the amount subject to operational risk is calculated by multiplying 15% of the Group's average gross revenue over the previous three years with 12,5. Amount subject to operational risk is TRY 12.041.060 for the current period (31 December 2014: 10.946.889 TRY).

V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK

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

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

Announced current foreign exchange buying rates of the Parent Bank as at 30 September 2015 and the previous five working days in full TRY are as follows:

	21.09.2015	22.09.2015	23.09.2015	28.09.2015	29.09.2015	30.09.2015
USD	2,9700000	2,9900000	2,9800000	3,0100000	3,0000000	3,0000000
CHF	3,0460000	3,0674000	3,0478000	3,0819000	3,0829000	3,0657000
GBP	4,5975000	4,5862000	4,5587000	4,5682000	4,5395000	4,5361000
JPY	0,0246001	0,0248949	0,0247641	0,0250760	0,0249531	0,0250083
EURO	3,3258000	3,3271000	3,3179000	3,3698000	3,3648000	3,3473000

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 30 September 2015 are as follows:

	Monthly average
USD	2,9715000
CHF	3,0510850
GBP	4,5552200
JPY	0,0246980
EURO	3,3321650

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

Information related to the consolidated currency risk:

Current Period	EURO	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	3.114.663	14.117.785	3.126.547	20.358.995
Banks	2.865.773	1.327.571	447.699	4.641.043
Financial assets at fair value through profit and loss ⁽³⁾	87.615	248.742	1.193	337.550
Money market placements	-	-	21.938	21.938
Financial assets available-for-sale	902.419	2.786.508	80.634	3.769.561
Loans ⁽²⁾	17.229.185	23.805.270	982.828	42.017.283
Subsidiaries, associates and entities under common control ⁽⁵⁾	253.468	-	-	253.468
Held-to-maturity investments	9.752	1.986.551	162.189	2.158.492
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	60.387	60.387
Intangible assets	-	-	-	-
Other assets ⁽³⁾	1.251.382	1.008.804	49.593	2.309.779
Total assets	25.714.257	45.281.231	4.933.008	75.928.496
Liabilities				
Bank deposits	3.905.947	4.107.076	873.803	8.886.826
Foreign currency deposits	15.380.080	21.427.313	1.922.780	38.730.173
Money market balances	-	152.188	-	152.188
Funds provided from other financial institutions	8.357.296	13.325.159	37.697	21.720.152
Bonds issued	-	7.541.708	-	7.541.708
Sundry creditors	20.800	10.777	6.856	38.433
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	257.794	331.686	127.232	716.712
Total liabilities	27.921.917	46.895.907	2.968.368	77.786.192
Net balance sheet position	(2.207.660)	(1.614.676)	1.964.640	(1.857.696)
Net off-balance sheet position				
Financial derivative assets⁽⁴⁾	3.082.580	3.837.927	765.160	7.685.667
Financial derivative liabilities⁽⁴⁾	960.269	2.012.092	2.493.154	5.465.515
Non-cash loans⁽¹⁾	6.611.387	16.265.278	848.964	23.725.629
Prior period				
Total assets	15.608.806	33.502.132	3.503.692	52.614.630
Total liabilities	24.138.532	25.397.415	2.826.586	52.362.533
Net balance sheet position	(8.529.726)	8.104.717	677.106	252.097
Net off-balance sheet position				
Financial derivative assets	9.614.242	2.857.612	682.364	13.154.218
Financial derivative liabilities	724.885	10.738.530	1.219.039	12.682.454
Non-cash loans⁽¹⁾	4.426.846	12.734.159	639.589	17.800.594

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

⁽²⁾ Includes TRY 1.497.592 of foreign currency indexed loans and their accruals (31 December 2014: 1.047.457 TRY).

⁽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 25.526), prepaid expenses (TRY 296) in assets; and derivative financial instruments foreign currency expense accruals (TRY 78.500) and shareholders' equity (TRY 24.094) in liabilities are not taken into consideration in the currency risk measurement. Subordinated capitals (TRY 49.219) are shown in other liabilities.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounted to TRY 2.154. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 1.953.200. Besides forward asset purchase commitments are included.

⁽⁵⁾ EURO associate Demir-Halk Bank NV (TRY 253.468) are included.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK

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

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

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

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

1. Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing 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	16.697.254	-	-	-	-	6.996.134	23.693.388
Banks and financial institutions	2.048.851	228.456	-	-	-	2.432.368	4.709.675
Financial assets at fair value through profit and loss	362.751	15.538	24.530	104	2.284	11.511	416.718
Money market placements	21.938	52.949	-	-	-	-	74.887
Financial assets available-for-sale	2.118.189	984.540	1.278.230	2.457.057	4.151.423	28.264	11.017.703
Loans	46.571.120	14.667.700	35.336.361	22.785.719	4.504.212	2.098.353	125.963.465
Held-to-maturity investments	7.640.144	1.477.308	1.132.537	2.156.055	4.926.775	-	17.332.819
Other assets ^{(1), (2)}	996.397	272.753	556.944	1.487.866	182.064	6.307.468	9.803.492
Total assets	76.456.644	17.699.244	38.328.602	28.886.801	13.766.758	17.874.098	193.012.147
Liabilities							
Bank deposits	9.090.608	2.546.360	681.579	-	-	4.582.151	16.900.698
Other deposits	61.615.481	20.002.619	7.076.429	521.026	1.141	17.295.627	106.512.323
Money market balances	9.581.548	39.142	152.187	-	-	-	9.772.877
Sundry creditors	891.399	36.458	1.027.901	24.656	-	84.178	2.064.592
Bonds issued	-	840.735	734.173	5.979.455	1.494.128	-	9.048.491
Funds provided from other financial institutions ⁽⁴⁾	1.237.515	1.655.945	13.451.077	2.680.214	3.903.188	32.074	22.960.013
Other liabilities ⁽³⁾	2.160.685	168.965	704.493	67.374	-	22.651.636	25.753.153
Total liabilities	84.577.236	25.290.224	23.827.839	9.272.725	5.398.457	44.645.666	193.012.147
Balance sheet long position	-	-	14.500.763	19.614.076	8.368.301	-	42.483.140
Balance sheet short position	(8.120.592)	(7.590.980)	-	-	-	(26.771.568)	(42.483.140)
Off-balance sheet long position	-	764.369	612.369	1.332.390	1.346.914	-	4.056.042
Off-balance sheet short position	-	(616.667)	(618.946)	(1.434.433)	(1.319.421)	-	(3.989.467)
Total position	(8.120.592)	(7.443.278)	14.494.186	19.512.033	8.395.794	(26.771.568)	66.575

⁽¹⁾ TRY 56.074 of deferred tax assets is disclosed under the non interest bearing column in other assets and TRY 28.800 of deferred tax liability is disclosed under the non interest bearing column in other liabilities.

⁽²⁾ TRY 1.005.736 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	3.444.506	-	-	-	-	16.887.430	20.331.936
Banks and financial institutions	991.784	83.812	14.542	-	-	368.394	1.458.532
Financial assets at fair value through profit and loss	38.601	16.701	25.256	23.732	16	121.674	225.980
Money market placements	4.443	297.664	-	-	-	-	302.107
Financial assets available-for-sale	2.071.065	674.342	1.728.516	1.613.663	3.081.148	27.113	9.195.847
Loans	35.277.234	14.636.538	21.655.481	22.640.849	3.401.042	2.934.371	100.545.515
Held-to-maturity investments	8.456.256	517.854	2.167.358	2.216.886	4.510.728	-	17.869.082
Other assets ^{(1),(2)}	95.155	221.542	723.584	1.395.715	146.015	4.843.251	7.425.262
Total assets	50.379.044	16.448.453	26.314.737	27.890.845	11.138.949	25.182.233	157.354.261
Liabilities							
Bank deposits	9.289.406	2.277.003	201.468	-	-	5.414.668	17.182.545
Other deposits	43.066.190	18.922.779	7.932.795	325.437	672	16.223.732	86.471.605
Money market balances	8.181.354	584.583	-	-	-	-	8.765.937
Sundry creditors	924.232	39.744	979.976	25.219	-	120.361	2.089.532
Bonds issued	68.912	491.227	950.550	2.865.352	1.715.353	-	6.091.394
Funds provided from other financial institutions ⁽⁴⁾	1.294.679	4.868.097	5.336.585	2.339.739	334.591	8.083	14.181.774
Other liabilities ^{(1),(3)}	1.925.178	175.644	1.382.168	8.304	-	19.080.180	22.571.474
Total liabilities	64.749.951	27.359.077	16.783.542	5.564.051	2.050.616	40.847.024	157.354.261
Balance sheet long position	-	-	9.531.195	22.326.794	9.088.333	-	40.946.322
Balance sheet short position	(14.370.907)	(10.910.624)	-	-	-	(15.664.791)	(40.946.322)
Off-balance sheet long position	115.011	840.031	33.634	426.575	-	-	1.415.251
Off-balance sheet short position	(1.456)	(561.724)	(29.256)	(426.167)	-	-	(1.018.603)
Total position	(14.257.352)	(10.632.317)	9.535.573	22.327.202	9.088.333	(15.664.791)	396.648

⁽¹⁾ TRY 309.467 of deferred tax assets is disclosed under the non interest bearing column in other assets and TRY 4.474 of deferred tax liability is disclosed under the non interest bearing column in other liabilities.

⁽²⁾ TRY 1.283.862 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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⁾	2,50	0,18	-	3,88
Due from other banks and financial institutions ⁽¹⁾	0,29	0,15	-	11,41
Financial assets at fair value through profit and loss	-	2,22	-	8,95
Money market placements	-	-	-	-
Available-for-sale financial assets	5,26	5,48	-	9,07
Loans ⁽²⁾	4,26	5,01	-	12,11
Held-to-maturity investments	-	5,91	-	10,97
Liabilities				
Bank deposits	0,68	0,33	-	13,08
Other deposits ⁽⁴⁾	1,56	1,98	0,25	10,46
Money market borrowings	-	1,39	-	8,80
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,53	-	10,52
Funds provided from other financial institutions	0,87	1,76	-	7,19
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,50	-	-	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	1,87	2,13	0,25	9,03
Money market borrowings	-	0,95	-	9,18
Sundry creditors	-	-	-	3,56
Bonds issued	-	4,47	-	8,84
Funds provided from other financial institutions ⁽⁴⁾	0,50	1,57	-	7,33

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

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

⁽³⁾ Interest rate equals declared maximum deposits interest rate with a maturity of nine months as of 30 September 2015.

⁽⁴⁾ Customer based calculated stock interest rates are applied to TRY and FC deposits as of 30 September 2015.

⁽⁵⁾ Required reserve ratio of the Central Bank of TRNC and Serbia's Central Bank.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

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

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

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

The impact on financial statements regarding interest rate instabilities stated below as divided by the Parent Bank's different currencies.

Current Period			
Currency	Applied Shock (+/- x basis points)	Gains/ Losses	Gains/Shareholders' Equity – Losses/Shareholders' Equity
1 TRY	500	(2.222.581)	(11,64%)
	(400)	2.254.577	11,81%
2 EURO	200	296.528	1,55%
	(200)	(317.745)	(1,66%)
3 USD	200	147.187	0,77%
	(200)	(35.953)	(0,19%)
Total (For negative shocks)		1.900.879	9,96%
Total (For positive shocks)		(1.778.866)	(9,32%)
Prior Period			
Currency	Applied Shock (+/- x basis points)	Gains/ Losses	Gains/Shareholders' Equity – Losses/Shareholders' Equity
1 TRY	500	(2.441.325)	(14,11%)
	(400)	2.533.249	14,64%
2 EURO	200	439.085	2,54%
	(200)	(476.404)	(2,75%)
3 USD	200	74.447	0,43%
	(200)	29.202	0,17%
Total (For negative shocks)		2.086.047	12,06%
Total (For positive shocks)		(1.927.793)	(11,14%)

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO THE CONSOLIDATED POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Balance Sheet Value	Comparison	
		Fair Value	Market Value
1. Associates	275.418	239.106⁽¹⁾	-
<i>Quoted in a stock exchange</i>	-	-	-
<i>Unquoted in a stock exchange</i>	275.418	239.106	-
2. Subsidiaries	37.859	37.859	-
<i>Quoted in a stock exchange</i>	-	-	-
<i>Unquoted in a stock exchange</i>	37.859	37.859	-

⁽¹⁾ Bank's associates which are shown with their cost values in the accompanying financial statements, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ. (TRY 11.518), Bankalararası Kart Merkezi AŞ. (TRY 3.804), Kredi Kayıt Bürosu AŞ. (TRY 2.516) and Türk Pvl Sigorta AŞ. (TRY 1.245) are not included in the table.

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

Portfolio	Realized gains (losses) in the current period	Revaluated appreciation in the fair value		Unrealized gains and losses	
		Total	Included to core capital	Total	Included to total core capital
1. Private equity investments	-	-	-	-	-
2. Share Certificates quoted in a stock exchange	-	-	-	-	-
3. Other share certificates	-	8.984	8.984	-	-
Total	-	8.984	8.984	-	-

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK

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

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

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	5.761.132	5.856.361	7.484.236	4.297.053	294.313	293	-	23.693.388
Banks	2.532.281	1.967.993	208.909	-	-	492	-	4.709.675
Financial assets at fair value through profit and loss	8.287	125.064	38.925	36.798	117.040	87.380	3.224	416.718
Money market placements	-	74.887	-	-	-	-	-	74.887
Financial assets available-for-sale	-	174.571	96.465	714.055	3.673.289	6.332.499	26.824	11.017.703
Loans ⁽²⁾	1.115.496	7.883.970	9.162.616	41.352.438	53.393.819	13.052.794	2.332	125.963.465
Held-to-maturity investments	-	970.451	631.140	1.952.338	3.484.459	10.294.431	-	17.332.819
Other assets ⁽³⁾	2.042.882	83.390	309.785	555.393	1.454.351	220.219	5.137.472	9.803.492
Total assets	11.460.078	17.136.687	17.932.076	48.908.075	62.417.271	29.988.108	5.169.852	193.012.147
Liabilities								
Bank deposits	4.579.902	9.092.857	2.546.360	681.579	-	-	-	16.900.698
Other deposits	17.407.295	61.458.540	19.996.304	7.020.996	621.193	7.995	-	106.512.323
Funds provided from other financial institutions ⁽⁴⁾	40	1.204.120	1.455.641	13.482.160	2.752.434	4.065.618	-	22.960.013
Money market balances	-	9.581.548	39.142	152.187	-	-	-	9.772.877
Bonds issued	-	-	840.735	734.173	5.979.455	1.494.128	-	9.048.491
Sundry creditors	75.406	946.160	70.014	292.801	665.213	101	14.897	2.064.592
Other liabilities ⁽¹⁾	4.659.772	381.353	904.627	689.015	576.152	443.189	18.099.045	25.753.153
Total liabilities	26.722.415	82.664.578	25.852.823	23.052.911	10.594.447	6.011.031	18.113.942	193.012.147
Liquidity gap	(15.262.337)	(65.527.891)	(7.920.747)	25.855.164	51.822.824	23.977.077	(12.944.090)	-
Previous period								
Total assets	7.997.077	13.360.328	17.187.326	39.685.614	51.716.587	22.997.626	4.409.703	157.354.261
Total liabilities	25.106.051	63.249.857	23.963.749	15.384.296	9.355.376	3.961.867	16.333.065	157.354.261
Liquidity gap	(17.108.974)	(49.889.529)	(6.776.423)	24.301.318	42.361.211	19.035.759	(11.923.362)	-

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

⁽²⁾ TRY 1.005.736 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

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

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

IX. EXPLANATIONS RELATED TO THE CONSOLIDATED SECURITIZATION POSITIONS:

Securitization positions:

None.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

Credit risk mitigation techniques:

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

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

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

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

The 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 the Parent Bank's shareholders' equity are being made by the firms authorized by BRSA or Capital Market Board.

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

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

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

Information about guaranties according to risk classifications:

Risk Classifications	Amount	Financial guaranties	Other/Physical guaranties	Guarantees and credit derivatives
Claims on sovereigns and Central Banks	48.108.604	5.681.805	-	-
Claims on regional governments or local authorities	964.582	22.925	-	-
Claims on administrative bodies and other non-commercial undertakings	724.445	69.890	-	100
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	6.465.459	184.218	-	-
Claims on corporate	67.675.533	2.343.188	-	29.686
Claims included in the regulatory retail portfolios	41.560.445	1.814.362	-	39.780
Claims secured by residential property	31.384.086	27.439	-	-
Overdue loans	993.451	-	116.227	-
Higher risk categories decided by the Board	7.482.065	-	-	-
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	8.401.798	-	-	-
Total	213.760.468	10.143.827	116.227	69.566

⁽¹⁾ In the determination of the amounts, the non-cash loans and other off-balance sheet items are taken into account after being multiplied by credit conversion rates.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

Risk management target and policies:

Credit Risk:

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

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

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

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

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

Foreign Exchange Risk:

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

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

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

Interest Rate Risk:

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

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

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

Risk management target and policies (continued):

Liquidity Risk:

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION

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

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

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

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

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

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

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION (continued)

- Acting as an operator in order to provide risk management systems related to technical support and consulting services,
- Providing technical support and consulting services to Bank's subsidiaries,
- Acting as a portfolio storage institute in order to store client's assets related to individual portfolio management of portfolio management companies.
- Acting as a portfolio management agency.

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION (continued)

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 30 September 2015 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Other ⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	909.350	1.128.639	5.681.119	2.212.158	170.499	10.101.765
<i>Interest on loans</i>	909.333	1.128.533	5.677.221	493.788	-	8.208.875
<i>Interest income on marketable securities</i>	-	-	-	1.671.572	16.847	1.688.419
<i>Interest received from banks</i>	-	-	-	32.278	6.582	38.860
<i>Other interest income</i>	17	106	3.898	14.520	147.070	165.611
Interest expense	579.167	210.037	3.357.170	1.516.972	64.417	5.727.763
<i>Interest on deposits</i>	568.456	201.814	3.305.702	444.636	-	4.520.608
<i>Interest on borrowings</i>	1.147	7.634	13.084	217.159	64.025	303.049
<i>Interest on money market borrowings</i>	-	-	-	513.365	-	513.365
<i>Interest on marketable bonds issued</i>	-	-	-	337.065	-	337.065
<i>Other interest expense</i>	9.564	589	38.384	4.747	392	53.676
Net interest income	330.183	918.602	2.323.949	695.186	106.082	4.374.002
Net fees and commissions income	131.648	171.098	460.227	158.448	(110.176)	811.245
Net trading profit / (loss)	-	-	-	(256.823)	14.243	(242.580)
Dividend income	-	-	-	6.224	-	6.224
Other income	4.571	43.739	207.142	555.381	490.327	1.301.160
Loans and other receivables' impairment loss	371.007	46.591	304.381	509.781	21.378	1.253.138
Other expenses	15.076	48.448	1.247.040	1.339.988	348.823	2.999.375
Income before taxes	80.319	1.038.400	1.439.897	(691.353)	130.275	1.997.538
Income tax provision	-	-	-	(390.949)	(31.191)	(422.140)
Net profit for the period	80.319	1.038.400	1.439.897	(1.082.302)	99.084	1.575.398
SEGMENT ASSETS						
Marketable securities	-	-	-	28.168.112	268.149	28.436.261
Derivative financial assets held for trading	-	-	-	328.779	2.200	330.979
Banks and money market receivables	-	-	-	4.772.374	12.188	4.784.562
Associates and subsidiaries (net)	-	-	-	313.277	-	313.277
Loans	19.674.847	24.309.202	72.419.308	10.565.844	-	126.969.201
Other assets ⁽¹⁾	388	14.128	926.263	28.171.722	3.065.366	32.177.867
TOTAL ASSETS	19.675.235	24.323.330	73.345.571	72.320.108	3.347.903	193.012.147
SEGMENT LIABILITIES						
Deposits	16.952.983	7.646.970	81.032.296	17.780.772	-	123.413.021
Derivative financial liabilities held for trading	-	-	-	247.669	42.522	290.191
Money market balances	-	-	-	9.772.877	-	9.772.877
Borrowing funding loans	1.005	195.265	441.614	20.877.383	1.444.746	22.960.013
Bonds issued	-	-	-	9.048.491	-	9,048.491
Other liabilities	182.956	236.387	3.670.155	2.069.072	69.032	6.227.602
Provisions and tax payable	40.862	36.037	157.114	2.246.895	910.814	3.391.722
Shareholders' equity	-	-	-	17.079.805	828.425	17.908.230
TOTAL LIABILITIES	17.177.806	8.114.659	85.301.179	79.122.964	3.295.539	193.012.147
OFF BALANCE SHEET ITEMS						
Guarantees and surety ships	11.470.016	9.889.343	9.118.421	9.022.215	-	39,499.995
Commitments	49.810	719.527	8.370.690	12.372.195	170.519	21,682.741
Derivative financial instruments	-	-	-	24.245.388	602.908	24,848.296

⁽¹⁾ Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Cancanska Bank AD, Cacak, Halk Banka AD, Skopje transactions are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 3,236.127 (net), deferred tax assets amounting TRY 56.074 and deferred tax liability amounting TRY 28.800 in other assets are presented under the Treasury / Investment column.

⁽²⁾ Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ and Halk Faktoring AŞ transactions are presented in other column.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION (continued)

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

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Other ⁽³⁾	Total
OPERATING INCOME / EXPENSES						
(30 September 2014)						
Interest income	754.336	803.570	4.528.141	2.426.313	161.833	8.674.193
Interest on loans	754.298	803.508	4.524.475	354.760	-	6.437.041
Interest income on marketable securities	-	-	-	2.047.309	22.370	2.069.679
Interest received from banks	-	-	-	18.125	3.780	21.905
Other interest income ⁽²⁾	38	62	3.666	6.119	135.683	145.568
Interest expense	486.211	130.763	3.067.881	1.063.561	63.468	4.811.884
Interest on deposits	452.059	113.723	3.016.616	297.152	-	3.879.550
Interest on borrowings	2.036	10.153	12.595	168.238	57.362	250.384
Interest on money market borrowings	-	-	-	410.078	-	410.078
Interest on marketable bonds issued	-	-	-	186.510	6.106	192.616
Other interest expense ⁽²⁾	32.116	6.887	38.670	1.583	-	79.256
Net interest income	268.125	672.807	1.460.260	1.362.752	98.365	3.862.309
Net fees and commissions income	126.699	76.771	419.714	111.556	(57.448)	677.292
Net trading profit / (loss)	-	-	-	46.656	9.241	55.897
Dividend income	-	-	-	11.783	3.553	15.336
Other income	3.070	58.605	208.476	208.377	321.177	799.705
Loans and other receivables' impairment loss	201.042	111.255	281.806	94.112	16.990	705.205
Other expenses	14.434	45.413	983.373	1.194.621	253.164	2.491.005
Income before taxes	182.418	651.515	823.271	452.391	104.734	2.214.329
Income tax provision	-	-	-	(396.305)	(24.734)	(421.039)
Net profit for the period	182.418	651.515	823.271	56.086	80.000	1.793.290

SEGMENT ASSETS

(31 December 2014)

Marketable securities	-	-	-	26.882.784	284.505	27.167.289
Derivative financial assets held for trading	-	-	-	103.141	20.479	123.620
Banks and money market receivables	-	-	-	1.751.421	9.218	1.760.639
Associates and subsidiaries (net)	-	-	-	263.977	-	263.977
Loans	14.953.573	16.297.820	62.060.930	8.518.830	-	101.831.153
Other assets ⁽¹⁾	601	11.029	812.486	22.870.743	2.512.724	26.207.583
TOTAL ASSETS	14.954.174	16.308.849	62.873.416	60.390.896	2.826.926	157.354.261

SEGMENT LIABILITIES

(31 December 2014)

Deposits	12.489.011	5.830.939	67.860.260	17.473.940	-	103.654.150
Derivative financial liabilities held for trading	-	-	-	176.425	8.304	184.729
Money market balances	-	-	-	8.765.937	-	8.765.937
Borrowing funding loans	13.976	213.542	318.214	12.255.378	1.380.664	14.181.774
Bonds issued	-	-	-	6.091.394	-	6.091.394
Other liabilities	266.765	222.978	3.460.307	1.299.105	47.717	5.296.872
Provisions and tax payable	34.336	30.294	129.752	2.471.491	696.124	3.361.997
Shareholders' equity	-	-	-	14.978.048	839.360	15.817.408
TOTAL LIABILITIES	12.804.088	6.297.753	71.768.533	63.511.718	2.972.169	157.354.261

OFF BALANCE SHEET ITEMS

(31 December 2014)

Guarantees and surety ships	10.644.543	8.156.253	8.067.904	5.909.892	87.349	32.865.941
Commitments	46.133	653.733	7.553.718	11.391.482	254.297	19.899.363
Derivative financial instruments	-	-	-	29.384.723	528.527	29.913.250

⁽¹⁾ Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ and Halk Banka AD, Skopje transactions are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.683.915 (net) and deferred tax assets amounting TRY 309.467 in other assets are presented under the Treasury / Investment column.

⁽²⁾ Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ and Halk Faktoring AŞ transactions are shown in other column.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

The Group does not engage in transaction based on trust.

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

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	780.970	319.717	755.299	244.836
Central Bank of Turkey	2.553.423	19.903.141	3.404.093	15.897.276
Other	-	136.137	-	30.432
Total	3.334.393	20.358.995	4.159.392	16.172.544

⁽¹⁾ As of 30 September 2015, blocked reserve deposits kept in Central Bank of Macedonia amounted TRY 34.928 and Central Bank of Serbia amounted TRY 100.759 (31 December 2014: TRY 30.087).

Information on the account of Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	2.530.781	2.034.390	3.389.735	1.360.238
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits ⁽²⁾	22.642	17.868.751	14.358	14.537.038
Total	2.553.423	19.903.141	3.404.093	15.897.276

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

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

The banks operating in Turkey keep reserve deposits for Turkish currency liabilities in TRY, USD, EUR and/or standard gold at the rates between 5% and 11,5% according to their maturities (31 December 2014: between 5% and 11,5% according to their maturities), foreign currency liabilities in USD, EUR and/or standard gold at the rates between 6% and 20% according to their maturities (31 December 2014: between 6% and 13% according to their maturities), as per the Communiqué no.2013/15 “Reserve Deposits” of the Central Bank of Turkey. Reserves are calculated and set aside every two weeks on Friday for 14-day periods. In accordance with the related communiqué, Central Bank of Turkey pays interests to TL and FC reserves.

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

As per the change at 21 October 2014, CBT started to pay interests at November 2014 on TL reserves with 500 or 700 basis points lower than the weighted average fund costs shown on the CBT website. With the press relates dated 22 April 2015, the interest rate for TL raised 50 basis points.

With the the change in press release dated 23 January 2015, it has been decided to apply a 20 basis point annual commission, to be charged on daily account balances and collected on a monthly basis, on required reserves and two days notice account denominated in Euro held by banks and these are going to be collected as of 1 February 2015. According to the press release dated 30 June 2015, the balances denominated in Euro in required reserves and notice accounts held with the Central Bank is reduced temporarily to 5 basis points due to the recent developments in the Eurozone. As of 27 July 2015 commission ratios have been announced on the CBRT website as the zero percent.

With the change in 2 May 2015 made by CBRT, US Dollars denominated required reserves, reserve options and free reserves held at Central Bank of Republic of Turkey will be remunerated. The interest rate will be set on daily basis by taking global and local financial markets conditions into account.

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

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

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

With the Board of Minutes No. 129 dated 2006 of Central Bank of Macedonia, required reserve ratio are 8% for MKD currency liabilities and 15% for foreign currency liabilities.

Accordingly to Official Gazzette of Serbia No. 78/2005, Central Bank of Serbia keep reserved required ratio 5% for short term liabilities which have been less than two years and 0% for long term liabilities, more than two years, 25% for foreign short term currency liabilities, less than two years, and 18% for long term foreign liabilities more than two years.

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	3.294	6.092	-	-
Total	3.294	6.092	-	-

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	6.936	-	-	-
Total	6.936	-	-	-

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	200.358	-	69.995
Swap transactions	77	130.519	-	44.193
Futures transactions	-	-	138	-
Options	25	-	8	763
Other	-	-	8.523	-
Total	102	330.877	8.669	114.951

- (3) Information on banks and other financial institutions:

- a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	17.881	1.694.465	98.565	567.451
Foreign banks	50.751	2.946.578	45.910	746.606
Branches and offices abroad	-	-	-	-
Total	68.632	4.641.043	144.475	1.314.057

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

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	136.096	836.378	145.325	848.984
Total	136.096	836.378	145.325	848.984

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	3.443.784	-	1.286.912	-
Total	3.443.784	-	1.286.912	-

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

	Current period	Prior period
Debt securities	11.380.101	9.169.408
<i>Quoted on a stock exchange</i>	11.272.366	9.169.408
<i>Not quoted</i>	107.735	-
Share certificates	53.435	45.995
<i>Quoted on a stock exchange</i>	15.661	6.267
<i>Not quoted</i>	37.774	39.728
Impairment provision(-)	415.833	19.556
Total	11.017.703	9.195.847

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

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

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	194.764	-	174.840	-
Total	194.764	-	174.840	-

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	99.397.551	918.389	-	2.283.086	1.110.116	-
<i>Corporation loans</i>	62.931.438	766.816	-	1.924.579	1.105.401	-
<i>Export loans</i>	4.703.350	83.291	-	21.288	393	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	2.561.429	16.737	-	-	-	-
<i>Consumer loans⁽¹⁾</i>	24.709.239	50.326	-	230.430	4.322	-
<i>Credit cards⁽²⁾</i>	3.004.478	0	-	75.048	-	-
<i>Other</i>	1.487.617	1.219	-	31.741	-	-
Specialized lending	22.330.145	132.628	-	193.131	2.120	-
Other receivables	-	-	-	-	-	-
Accruals	1.724.724	14.857	-	34.828	15.694	-
Total	123.452.420	1.065.874	-	2.511.045	1.127.930	-

⁽¹⁾ Includes TRY 148.213 of personnel loans.

⁽²⁾ Includes TRY 46.551 of personnel credit cards.

	Standard Loans and Other Receivables ⁽¹⁾	Loans and Other Receivables Under Close Monitoring ⁽²⁾
Number of modifications made to extend payment plan		
Extended by 1 or 2 times	989.271	1.107.058
Extended by 3,4 or 5 times	54.758	4.379
Extended by more than 5 times	6.988	799

⁽¹⁾ Accruals amounting to TRY 14.857 are not included in the table above.

⁽²⁾ Accruals amounting to TRY 15.694 are not included in the table above.

	Standard Loans and Other Receivables ⁽¹⁾	Loans and Other Receivables Under Close Monitoring ⁽²⁾
Extended period of time		
0-6 Months	426.444	64.352
6 Months - 12 Months	256.738	58.846
1-2 Years	56.712	115.643
2-5 Years	224.475	410.363
5 Years and over	86.648	463.032

⁽¹⁾ Accruals amounting to TRY 14.857 are not included in the table above.

⁽²⁾ Accruals amounting to TRY 15.694 are not included in the table above.

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	305.660	23.547.705	23.853.365
<i>Real estate loans</i>	4.671	11.952.738	11.957.409
<i>Automobile loans</i>	1.651	147.140	148.791
<i>Consumer loans</i>	299.338	11.447.827	11.747.165
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	4.270	481.601	485.871
<i>Real estate loans</i>	355	80.045	80.400
<i>Automobile loans</i>	87	2.556	2.643
<i>Consumer loans</i>	3.014	357.369	360.383
<i>Other</i>	814	41.631	42.445
Individual credit cards-TRY	2.188.947	2.139	2.191.086
<i>Installment</i>	835.506	-	835.506
<i>Non-installment</i>	1.353.441	2.139	1.355.580
Individual credit cards-FC	506	39.594	40.100
<i>Installment</i>	349	39.594	39.943
<i>Non-installment</i>	157	-	157
Personnel loans-TRY	6.489	132.559	139.048
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	6.489	132.559	139.048
<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	186	8.979	9.165
<i>Real estate loans</i>	35	6.801	6.836
<i>Automobile loans</i>	1	77	78
<i>Consumer loans</i>	107	1.094	1.201
<i>Other</i>	43	1.007	1.050
Personnel credit cards-TRY	45.693	3	45.696
<i>Installment</i>	18.514	-	18.514
<i>Non-installment</i>	27.179	3	27.182
Personnel credit cards-FC	123	732	855
<i>Installment</i>	18	732	750
<i>Non-installment</i>	105	-	105
Overdraft accounts-TRY (Retail customer)	421.520	-	421.520
Overdraft accounts-FC (Retail customer)	28.166	2.534	30.700
Total	3.001.560	24.215.846	27.217.406

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	4.637	1.048.616	1.053.253
<i>Business residential loans</i>	-	657.234	657.234
<i>Automobile loans</i>	4.637	314.637	319.274
<i>Consumer loans</i>	-	76.745	76.745
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	181.316	332.112	513.428
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	181.316	332.112	513.428
Corporate credit cards-TRY	800.831	-	800.831
<i>Installment</i>	442.565	-	442.565
<i>Non-installment</i>	358.266	-	358.266
Corporate credit cards-FC	-	958	958
<i>Installment</i>	-	958	958
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY (Commercial customer)	733.699	-	733.699
Overdraft accounts-FC (Commercial customer)	-	-	-
Total ⁽¹⁾	1.720.483	1.381.686	3.102.169

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

e) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	123.262.693	99.349.779
Foreign loans	2.700.772	1.195.736
Total	125.963.465	100.545.515

f) Loans granted to subsidiaries and associates:

None.

g) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	207.415	214.256
Loans and receivables with doubtful collectability	229.458	580.108
Uncollectible loans and receivables	2.655.969	1.639.044
Total	3.092.842	2.433.408

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

(5) Information on loans: (continued)

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

h.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	23.778	15.523	146.488
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	23.778	15.523	146.488
Prior 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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	333.161	1.454.684	1.931.201
Additions (+)	481.268	152.805	114.302
Transfers from other categories of loans under follow-up (+)	-	390.321	1.657.988
Transfers to other categories of loans under follow-up (-)	416.179	1.632.130	-
Collections (-)	107.968	55.182	205.693
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	290.282	310.498	3.497.798
Specific provision (-)	207.415	229.458	2.655.969
Net balance on balance sheet	82.867	81.040	841.829

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

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

(5) Information on loans: (continued)

h.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	33.103	109.588	1.567.107
Specific provisions(-)	26.778	74.829	997.956
Net balance in the balance sheet	6.325	34.759	569.151
Prior period			
Balance at the end of the period	17.479	1.240.601	185.683
Specific provisions(-)	11.698	432.404	123.135
Net balance in the balance sheet	5.781	808.197	62.548

Foreign currency non-performing loans amounting to TRY 227.267 and their related provisions amounting to TRY 147.165 of the consolidated foreign subsidiaries are recognized under foreign currency accounts and the foreign currency non-performing loans of the Parent Bank's and its domestic subsidiaries are recognized under Turkish Lira accounts.

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)			
Loans to granted real persons and legal entities (Gross)	289.987	309.885	3.444.128
Specific provisions (-)	207.120	228.845	2.602.299
Loans to granted real persons and legal entities (Net)	82.867	81.040	841.829
Banks (Gross)			
Specific provisions (-)			
Banks (Net)	-	-	-
Other loans and receivables (Gross)	295	613	53.670
Specific provisions (-)	295	613	53.670
Other loans and receivables (Net)	-	-	-
Prior period (Net)			
Loans to granted real persons and legal entities (Gross)	332.452	1.453.505	1.878.701
Specific provisions (-)	213.547	578.929	1.586.544
Loans to granted real persons and legal entities (Net)	118.905	874.576	292.157
Banks (Gross)			
Specific provisions (-)			
Banks (Net)	-	-	-
Other loans and receivables (Gross)	709	1.179	52.500
Specific provisions (-)	709	1.179	52.500
Other loans and receivables (Net)	-	-	-

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

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

(5) Information on loans: (continued)

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

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

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

j) Explanations on write-off policy:

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills	-	-	10.769	-
Government bonds and similar securities	3.352.893	794.351	3.374.880	416.619
Total	3.352.893	794.351	3.385.649	416.619

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	6.598.493	168.085	6.744.155	248.221
Total	6.598.493	168.085	6.744.155	248.221

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

	Current period	Prior period
Government bonds	17.144.235	17.790.143
Treasury bills	171.941	68.170
Other public sector debt securities	-	-
Total	17.316.176	17.858.313

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	17.332.819	17.869.082
<i>Quoted on a stock exchange</i>	<i>16.543.661</i>	<i>17.186.321</i>
<i>Not quoted</i>	<i>789.158</i>	<i>682.761</i>
Impairment provision (-)	-	-
Total	17.332.819	17.869.082

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

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

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

	Current period	Prior period
Beginning balance	17.869.082	18.973.598
Foreign currency differences on monetary assets	455.110	94.395
Purchases during the year ⁽¹⁾	1.715.394	4.234.250
Disposals through sales and redemptions	(2.706.767)	(5.433.161)
Impairment provision (-)	-	-
Balance at the of the period	17.332.819	17.869.082

⁽¹⁾ Interest income accrual difference between 30 September 2015 amounting to TRY 1.460.358 and 31 December 2014 amounting to TRY 1.546.425 has been included in purchases row.

(7) Information on associates (Net):

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

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

b) Information on unconsolidated associates:

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

Information related to the associates as sorted above:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	121.443	92.637	49.289	3.569	-	25.246	17.378	-
2.	66.897	35.309	40.725	776	-	9.605	7.882	-

⁽¹⁾ The financial data are obtained from 30 September 2015 limited reviewed financial statements.

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

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

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

c) Information on consolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demirhalkbank NV	Holland	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	33,12
3. Türk P ve I Sigorta AŞ	İstanbul	16,67	16,67

Information related to the associates as sorted above:

	Total assets	Shareholder s' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	5.852.777	778.850	28.897	103.013	11.306	27.616	24.324	239.106
2.	47.116	46.708	172	1.858	-	494	252	-
3.	12.778	3.910	547	191	46	(417)	-	-

⁽¹⁾The financial data is obtained from 30 September 2015 reviewed financial statements.

⁽²⁾The fair value of Demir-Halkbank NV has been obtained from its valuation report as of 30 September 2015.

d) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	226.118	227.051
Movements during the period	49.300	(933)
Purchases ⁽¹⁾	1.245	-
Bonus shares obtained profit from current year's share	-	-
Dividends from current year income	-	10.343
Sales	-	-
Transfers	-	-
Revaluation decrease (-) / increase	48.055	(11.276)
Provision for impairment (-) / reversals (+)	-	-
Balance at the end of the period	275.418	226.118
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ Includes purchases of 16,67% share of Türk P&I Sigorta AŞ amounting to TRY 1.245.

e) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	253.468	205.255
Insurance companies	931	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	14.699	14.544

f) Associates quoted to a stock exchange:

None.

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

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

(8) Information on subsidiaries (Net):

a) Information on subsidiaries:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Banka AD, Skopje	Halk Faktoring AŞ	Cacanska Bank AD, Cacak
CORE CAPITAL									
Paid in Capital	82.000	94.000	183.000	743.000	272.250	8.000	109.685	46.500	43.297
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-
Share Premiums	-	-	-	49.945	-	-	11.633	-	29.200
Share cancellation profits	-	-	-	(20.947)	-	-	-	-	-
Reserves	9.517	44.572	30.859	50.023	8.429	412	61.810	1.216	49.498
Other Comprehensive Income according to TAS	(455)	(446)	(12.254)	(20)	(9)	(12)	239	-	7.278
Profit / Loss	3.057	18.757	90.001	35.176	33.121	3.171	28.500	6.858	(605)
<i>Net Profit</i>	<i>3.640</i>	<i>13.761</i>	<i>79.374</i>	<i>36.111</i>	<i>15.635</i>	<i>2.920</i>	<i>10.341</i>	<i>5.230</i>	<i>(605)</i>
<i>Prior Period Profit/Loss</i>	<i>(583)</i>	<i>4.996</i>	<i>10.627</i>	<i>(935)</i>	<i>17.486</i>	<i>251</i>	<i>18.159</i>	<i>1.628</i>	<i>-</i>
Leasehold Improvements (-)	-	-	249	-	-	-	3.285	323	-
Intangible Assets (-)	810	3.613	1.464	583	728	31	1.766	243	951
Direct and Indirect Investments on its own Tier I Capital (-)	-	-	-	-	-	-	-	-	-
Total Core Capital	93.309	153.270	289.893	856.594	313.063	11.540	206.816	54.008	127.717
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	12.838	-	3.393
CAPITAL	93.309	153.270	289.893	856.594	313.063	11.540	219.654	54.008	131.110
NET AVAILABLE CAPITAL	93.309	153.270	289.893	856.594	313.063	11.540	219.654	54.008	131.110

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

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

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

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

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

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

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

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

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

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

(8) Information on subsidiaries (continued)

c) Information on unconsolidated subsidiaries:

				Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)			
	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.	31.890	19.950	4.476	359	802	1.861	3.234	37.859

⁽¹⁾ The financial data of Bileşim Alternatif Dağ. Kan. is obtained from 30 September 2015 limited reviewed financial statements.

⁽²⁾ The information is presented from valuation report as of 31 December 2014.

d) Information on consolidated subsidiaries: (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	İstanbul	99,96	99,96
2. Halk Sigorta AŞ	İstanbul	89,18	93,59
3. Halk Hayat ve Emeklilik AŞ	İstanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul	78,55	78,59
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. Cacanska Banka AD,Cacak	Serbia	76,76	76,76

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value ⁽²⁾
1.	134.908	93.309	1.551	17.332	1.947	3.640	14.652	134.557
2.	783.940	153.270	6.129	33.352	4.396	13.761	42.183	345.235
3.	653.160	289.893	2.859	41.559	15.163	79.374	63.883	826.332
4.	936.722	856.594	666.429	1.437	998	36.111	31.091	534.738
5.	2.564.037	313.063	1.098	105.140	-	15.635	24.294	409.660
6.	12.718	11.540	248	766	6	2.920	1.598	11.932
7.	1.446.438	219.654	39.618	50.808	4.376	10.341	8.657	208.339
8.	352.731	54.008	1.161	42.094	-	5.230	6.622	58.123
9.	858.188	131.110	17.033	28.949	363	(605)	-	33.015

⁽¹⁾ The information is presented from financial statements subject to consolidation as 30 September 2015.

⁽²⁾ The information of Halk Banka AD, Skopje and Cacanska Bank AD are obtained from valuation reports as 30 September 2015, while the information of other subsidiaries are obtained from valuation reports as of 31 December 2014. Halk Gayrimenkul Yatırım Ortaklığı AŞ is valued with stock price.

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

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

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

(8) Information on subsidiaries (continued)

Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period(before elimination)	2.576.816	2.334.263
Movements during the period	22.974	242.553
<i>Purchases ⁽¹⁾</i>	28.907	44.296
<i>Bonus shares obtained profit from current year's share</i>	61.035	140.007
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer</i>	-	-
<i>Revaluation increase</i>	(66.968)	58.250
<i>Reversal of provision for impairment (-)</i>	-	-
Share capital elimination of subsidiaries	(2.561.931)	(2.538.957)
Balance at the end of the period	37.859	37.859
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(1) Purchase includes purchases of 76,76% share of Cacanska Bank AD amounting to TRY 28.907.

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

	Current period	Prior period
Banks	241.354	145.359
Insurance companies	1.171.567	1.171.567
Factoring companies	58.123	58.123
Leasing companies	409.660	409.660
Financing companies	-	-
Other financial subsidiaries	681.227	754.248

f) Acquisition of subsidiaries:

Cacanska Banka AD, Cacak

On 28 May 2015, the Group obtained the control of Cacanska Banka AD, Cacak by acquiring 76,76% of the shares and voting interests in the company in cash amounting to TL 28.907. Taking control of Cacanska Banka AD, Cacak. will enable the Group to operate in Republic of Serbia.

Pre-acquisition carrying amounts of Halk Banka AD, Skopje were determined based on the applicable IFRSs at acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values. In accordance with IFRS 3 "Business Combinations", the measurement period shall not exceed one year from the acquisition date and the provisional amounts recognised in the acquisition date should be corrected.

g) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock ⁽¹⁾	879.973	952.993
Quoted foreign stock exchange	-	-

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

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

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

None.

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

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

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

a) Maturity structure of investments on financial lease:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	841.515	684.920	646.374	523.211
Between 1-4 years	1.466.867	1.269.406	1.189.060	1.028.472
More than 4 years	482.623	464.219	362.702	350.853
Total	2.791.005	2.418.545	2.198.136	1.902.536

b) Information on gross investments of financial lease:

	Current period	Prior period
Gross financial lease investment	2.791.005	2.198.136
Unearned revenues from financial lease	(372.460)	(295.600)
Total	2.418.545	1.902.536

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

	Current period	Prior period
Financial lease receivables with limited collectability	1.703	5.401
Financial lease receivables with doubtful collectability	125.518	65.237
Uncollectible financial lease receivables	233.238	151.128
Specific provisions	(137.082)	(115.704)
Total	223.377	106.062

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

None.

(12) Information on tangible assets:

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

(13) Information on intangible assets:

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

(14) Information on investment property:

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

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

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

(15) Information on tax assets:

a) Current tax assets:

None (31 December 2014: None).

b) Deferred tax assets:

Explained in explanations and notes related to the consolidated liabilities footnote (10).

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

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

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 2.211.286 and does not exceed 10% of the balance sheet total (31 December 2014: TRY 1.502.478).

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

II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	4.569.711	-	532.782	27.233.852	1.138.668	371.467	588.511	101.625	34.536.616
Foreign currency deposits	5.928.325	-	3.828.008	18.725.996	3.983.230	1.646.656	3.734.888	11.697	37.858.800
Residents in Turkey	4.115.807	-	3.661.826	18.143.717	2.792.838	951.441	2.293.706	11.527	31.970.862
Residents abroad	1.812.518	-	166.182	582.279	1.190.392	695.215	1.441.182	170	5.887.938
Public sector deposits	2.401.767	-	3.230.700	2.514.469	260.469	2.117.978	4.359	-	10.529.742
Commercial inst. deposits	3.060.548	-	3.924.238	11.679.373	1.512.171	37.580	175.186	-	20.389.096
Other inst. Deposits	575.713	-	535.615	851.734	307.507	53.379	2.748	-	2.326.696
Precious metals	871.373	-	-	-	-	-	-	-	871.373
Interbank deposits	4.579.902	-	6.291.963	4.054.791	419.890	924.917	629.235	-	16.900.698
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	11.420	-	6.141.875	2.687.936	206.817	534.748	145	-	9.582.941
Foreign banks	3.969.157	-	150.088	1.366.855	213.073	390.169	629.090	-	6.718.432
Participation banks	599.325	-	-	-	-	-	-	-	599.325
Total	21.987.339	-	18.343.306	65.060.215	7.621.935	5.151.977	5.134.927	113.322	123.413.021

a.2. Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	3.931.504	-	391.405	23.615.774	1.337.988	399.488	580.948	106.619	30.363.726
Foreign currency deposits	4.622.648	-	2.099.744	11.578.260	2.704.533	1.255.831	3.015.945	11.191	25.288.152
Residents in Turkey	3.411.659	-	1.873.877	11.071.849	2.590.260	940.166	2.069.198	11.063	21.968.072
Residents abroad	1.210.989	-	225.867	506.411	114.273	315.665	946.747	128	3.320.080
Public sector deposits	2.386.024	-	1.493.653	2.559.538	272.145	2.244.198	4.347	-	8.959.905
Commercial inst. Deposits	3.160.176	-	3.057.548	10.714.137	527.657	214.262	37.353	-	17.711.133
Other inst. Deposits	614.611	-	76.643	1.220.875	49.041	543.638	135.112	-	2.639.920
Precious metals	1.508.769	-	-	-	-	-	-	-	1.508.769
Interbank deposits	5.414.668	-	5.706.230	4.390.775	1.522.737	23.740	124.395	-	17.182.545
Central Bank of Turkey	8	-	-	-	-	-	-	-	8
Domestic banks	14.862	-	5.454.488	1.113.546	361.532	19.106	4.304	-	6.967.838
Foreign banks	4.679.639	-	251.742	3.277.229	1.161.205	4.634	120.091	-	9.494.540
Participation banks	720.159	-	-	-	-	-	-	-	720.159
Total	21.638.400	-	12.825.223	54.079.359	6.414.101	4.681.157	3.898.100	117.810	103.654.150

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current period	Prior period	Current period	Prior period
Saving deposits	20.768.005	19.038.326	13.683.977	11.249.274
Foreign currency saving deposits	6.400.769	6.234.492	12.287.496	8.181.125
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	124.669	92.647	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

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

	Current period	Prior period
Foreign branches' saving deposits and other accounts	151.395	120.160
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	8.591	5.406
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	114.971	-	48.231
Swap transactions	-	175.101	-	135.720
Future transactions	-	-	-	-
Options	41	78	15	763
Other	-	-	-	-
Total	41	290.150	15	184.714

(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	609.432	1.142.878	703.890	314.058
Foreign banks, institutions and funds	630.429	20.577.274	639.700	12.524.126
Total	1.239.861	21.720.152	1.343.590	12.838.184

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	650.124	8.592.291	685.036	7.186.701
Medium and long-term	589.737	13.127.861	658.554	5.651.483
Total	1.239.861	21.720.152	1.343.590	12.838.184

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

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

Main liability of the Group is deposit, which is composed of 28% of saving deposits and 31 % of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Parent Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Group's 53% of banks deposits and 36% of other deposits consist of foreign currency deposits.

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

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

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Bonds ⁽¹⁾	1.506.783	-	1.441.777	-
Treasury Bills ⁽²⁾	-	7.541.708	-	4.649.617
Total	1.506.783	7.541.708	1.441.777	4.649.617

⁽¹⁾ As of 5 June 2015, the bonds amounting to TRY 1.000.000 with maturity of 175 days and as of 11 September 2015, the bonds amounting to TRY 750.000 with maturity of 175 days are issued by the Parent Bank.

⁽²⁾ As of 19 July 2012, the treasury bills amounting to USD 750.000.000 with maturity of 5 years and as of 5 February 2013 the treasury bills amounting to USD 750.000.000 with maturity of 7 years, as of 4 June 2014 the treasury bills amounting to USD 500.000.000 with maturity of 5 years and as of 11 February 2015 treasury bills amounting to USD 500.000 with maturity of 6 years are issued by the Parent Bank.

(5) Explanations to the funds:

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

a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	34.027	1.846.000	19.404	1.749.887

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 2.233.130 and does not exceed 10% of the balance sheet total (31 December 2014: TRY 1.438.049).

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

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

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

b) Explanation on finance lease payables:

None.

c) Explanations regarding operational leases:

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

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

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

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior period
General provision	1.140.874	1.277.829
Provisions for first group loans and receivables	963.360	1.141.397
<i>Additional provisions for the loans with extended payment plan</i>	27.393	18.719
Provisions for second group loans and receivables	76.085	48.680
<i>Additional provisions for the loans with extended payment plan</i>	55.612	22.942
Provisions for non cash loans	101.429	87.752
Other	-	-

Due to fact that the ratio of consumer loans to total loans has been below 25% as of the balance sheet date, 1% and 2% rate of general allowances for cumulative balance as from current period has begun to be allocated instead of 4% and 8% rate of general allowances for all consumer loans. In the consequence of the change mentioned, general allowances in the amount of 430.333 TRY were reversed in the current period. The amount regarding was recognized under "Adjustments for Prior Period Expenses" in Other Operating Income" account.

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

As of 30 September 2015, the Parent Bank's foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables is TRY 312 (31 December 2014: 2.977).

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

As of 30 September 2015, the Parent Bank's specific provision for unindemnified non-cash loans balance is TRY 100.999 (31 December 2014: TRY 94.271).

d) Information on other provisions:

Total other provision balance amounting to TRY 466.209 (31 December 2014: TRY 252.183) consists of TRY 100.999 (31 December 2014: TRY 94.271) for specific provisions for unindemnified non cash loans, TRY 41.578 (31 December 2014: TRY 85.109) for legal cases filed against the Group, TRY 161.123 (31 December 2014: TRY 72.803) of other provisions.

The Parent Bank provided a general provision amounting to TRY 162.509, all of which was recognised as an expense in the current period for the possible result of the negative circumstances which may arise from any change in economy or market conditions (31 December 2014: None). The amount was presented under "provision expenses for possible losses" in impairment losses on loans and other receivables account.

e) Liabilities on pension rights

e.1. Liabilities for pension funds established in accordance with "Social Security Institution":

None.

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

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

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

Based on the results of the actuarial report prepared as of 31 December 2014 no technical deficit has been reported. Besides, no technical deficit for T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported as of 31 December 2014.

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

	Current period	Prior period
Life-Mathematical Provisions	227.246	217.823
Provisions for unearned premium claims	337.791	220.952
Provision for outstanding claims	294.840	216.239
Provisions for unexpired risk reserves	1.240	-
Other	704	704
Total	861.821	655.718

- (10) Explanations related to tax liabilities:

- a) Information on current tax liability:

- a.1. Information on tax provision:

As of 30 September 2015, the Group's corporate tax payable is amounting to TRY 29.467.

- a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	29.467	352.743
Income on securities tax	121.339	107.853
Property income tax	1.257	965
Banking and insurance transactions tax (BITT)	47.409	49.264
Foreign exchange transactions tax	22	11
Value added tax payable	5.239	4.648
Other	13.161	15.326
Total	217.894	530.810

- a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	521	364
Social insurance premiums-employer	1.153	571
Bank social aid pension fund premium-employee	12.694	7.176
Bank social aid pension fund premium-employer	17.590	9.810
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	35	23
Unemployment insurance-employer	105	48
Other	2.879	7.491
Total	34.977	25.483

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

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

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

b) Explanations regarding deferred tax liability:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	186.006	176.684
Revaluation of Financial Assets	(316.540)	86.475
Other	157.808	41.834
Deferred Tax (Asset) /Liability:	27.274	304.993
Deferred tax accounted in shareholders' equity	(8.114)	(75.890)
Fair value differences for available for sale financial assets	351.552	(79.377)
Actuarial gains / losses	3.370	3.487
Revaluation differences of land and buildings	(363.036)	-

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

Net deferred tax assets in the balance sheet amounts to TRY 27.274 (31 December 2014: TRY 304.993) consist of deferred tax asset amounts to TRY 56.074 (31 December 2014: TRY 309.467) and deferred tax liability amounts to TRY 28.800 (31 December 2014: TRY 4.474).

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

None.

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

None.

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

	Current period	Prior period
Common stock	1.250.000	1.250.000
Preferred stock	-	-

b) Application of registered capital system and registered capital ceiling amount:

There is a application of registered capital system and registered capital ceiling amount TRY 7.500.000.

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

(13) Information on shareholders' equity: (continued)

c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

None.

d) Information on additions from capital reserves to capital in the current period:

None.

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

None.

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

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

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	8.984	-	10.984	-
Revaluation difference	(288.682)	(286.500)	163.134	20.667
Exchange rate difference	-	-	-	-
Total	(279.698)	(286.500)	174.118	20.667

(14) a) Information on minority interest shares:

	Current Period	Prior period
Paid-in capital	155.598	141.953
Export Premium	17.621	11.085
Marketable Securities Revaluation Fund	1.694	172
Legal Reserves	9.963	1.125
Extraordinary Reserves	11.215	7.689
Retained Earnings	1.095	(506)
Other Profit Reserves	4.665	337
Net Period Income / Loss	8.601	16.905
Closing Balance	210.452	178.760

b) Movement of minority interest shares:

	Current Period	Prior period
Beginning Balance	178.760	162.947
Change in Minority Interest	23.091	(1.092)
Net Period Income / Loss	8.601	16.905
Closing Balance	210.452	178.760

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current period	Prior period
Commitments for credit card expenditure limits	10.873.362	10.329.418
Payment commitments for cheques	5.421.712	5.073.145
Loan granting commitments	2.384.558	2.045.738
Two days forward foreign exchange buy/sell transactions	435.544	554.547
Commitments for credit cards and banking services promotions	46.975	41.774
Tax and fund liabilities from export commitments	17.439	17.037
Other irrevocable commitments	2.123.286	1.629.046
Total	21.302.876	19.690.705

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

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

	Current period	Prior period
Letters of credit	4.843.113	3.923.602
Bank acceptance loans	3.086.853	3.068.156
Other guarantees	872.459	905.190
Total	8.802.425	7.896.948

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

	Current period	Prior period
Letters of certain guarantees	14.258.979	12.623.491
Letters of advance guarantees	3.169.577	1.973.059
Letters of tentative guarantees	1.177.705	915.139
Letters of guarantee given to customs offices	891.686	1.073.877
Other letters of guarantee	11.199.623	8.383.427
Total	30.697.570	24.968.993

b.3. Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	1.141.642	601.912
<i>Within one year or less original maturity</i>	164.468	211.977
<i>Within more than one year maturity</i>	977.174	389.935
Other non-cash loans	38.358.353	32.264.029
Total	39.499.995	32.865.941

c) Information on contingent liabilities and assets:

The Group has provided TRY 41.578 (31 December 2014: TRY 85.109) of provision for the disputed legal cases filed by various persons and institutions.

d) Services supplied on behalf of others:

None.

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

IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans ⁽¹⁾				
Short term loans	1.977.583	116.680	1.652.274	92.696
Medium and long term loans	4.801.750	1.264.366	3.740.942	902.381
Interest on non-performing loans	46.750	1.746	48.166	582
Premiums from resource utilization support fund	-	-	-	-
Total	6.826.083	1.382.792	5.441.382	995.659

⁽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	15.083	1.388	-	-
Domestic banks	17.430	865	12.500	4.604
Overseas banks	2.304	1.790	2.887	1.914
Head office and branches	-	-	-	-
Total	34.817	4.043	15.387	6.518

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	4.075	665	5.023	517
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	447.516	135.500	562.526	94.736
Held-to-Maturity Investments	1.022.452	78.211	1.351.878	54.786
Total	1.474.043	214.376	1.919.427	150.039

d) Interest income from associates:

None.

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

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

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	82.482	220.548	70.885	175.342
<i>Central Bank of Turkey</i>	-	-	-	-
<i>Domestic banks</i>	49.232	16.009	48.319	14.986
<i>Overseas banks</i>	33.250	204.539	22.566	160.356
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	19	-	4.143	14
Total	82.501	220.548	75.028	175.356

b) Interest expenses to associates:

	Current period	Prior period
Interest expenses to associates	2.024	2.207

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	98.910	238.155	62.147	130.256
Total	98.910	238.155	62.147	130.256

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	58	333.206	88.797	7.601	734	-	-	430.396	
Saving deposits	4	29.166	1.747.968	77.189	23.341	30.322	5.548	1.913.538	
Public deposits	114	115.098	167.030	14.276	53.810	246	-	350.574	
Commercial deposits	392	223.568	716.231	57.497	19.102	11.725	-	1.028.515	
Other deposits	-	43.242	91.114	16.031	162.079	180	-	312.646	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	568	744.280	2.811.140	172.594	259.066	42.473	5.548	4.035.669	
Foreign currency									
Deposits	356	60.605	248.913	48.274	18.176	62.827	-	439.151	
Bank deposits	-	45.735	-	-	-	53	-	45.788	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	-	-	-	-	-	-	-	
Total	356	106.340	248.913	48.274	18.176	62.880	-	484.939	
Grand total	924	850.620	3.060.053	220.868	277.242	105.353	5.548	4.520.608	

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

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

(3) Information on dividend income:

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	4.340	3.337
Other	1.884	11.999
Total	6.224	15.336

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

	Current period	Prior period
Profit	15.959.678	12.369.396
Profit from the capital market operations	34.233	237.107
Profit on derivative financial instruments	3.416.122	2.736.476
Foreign exchange gains	12.509.323	9.395.813
Loss (-)	16.202.258	12.313.499
Loss from the capital market operations	5.129	910
Loss on derivative financial instruments	3.278.083	3.710.465
Foreign exchange losses	12.919.046	8.602.124

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses ^(*)	687.933	353.291
Life insurance income	533.004	359.337
Receivable from the asset sale on credit terms	54.981	47.769
Rent income	8.231	11.044
Other income	8.640	20.887
Total	1.292.789	792.328

^(*) Please refer to page 81 for related explanation.

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

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	729.579	571.908
<i>Group - III loans and receivables</i>	211.894	406.542
<i>Group - IV loans and receivables</i>	100.946	110.426
<i>Group - V loans and receivables</i>	416.739	54.940
General loan provision expenses	293.379	61.240
Provision expenses for possible losses ^(*)	162.509	-
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	67.671	72.057
Total	1.253.138	705.205

^(*) Please refer to page 81 for related explanation.

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	1.208.886	985.985
Reserve for employee termination benefits	73.907	62.561
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	88.965	79.290
Intangible assets impairment expense	-	107
Amortization expenses of intangible assets	14.278	6.445
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	1.118	1.051
Amortization expenses of assets that will be disposed of	14.680	2.979
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	726.889	789.014
<i>Operational leasing expenses</i>	128.098	111.260
<i>Maintenance expenses</i>	22.078	14.595
<i>Advertisement expenses</i>	84.555	84.795
<i>Other expenses</i>	492.158	578.364
Loss on sales of assets	2.936	7.651
Other	867.716	555.922
Total	2.999.375	2.491.005

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

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

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

The Group's income before tax is due from continuing activities. TRY 4.374.002 of the income before tax consists of net interest income, TRY 811.245 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is amounting to TRY 1.997.538

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

As at 30 September 2015, the Group's tax provision amounting to TRY 422.140 consists of TRY 60.417 of current tax charge and TRY 361.723 of deferred tax income.

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

As at 30 September 2015 the Group's net operating income after tax is amounting to TRY 1.575.398.

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

- a) Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Group's performance for the period between 1 January 2015 and 30 September 2015.
- b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.
- c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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

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

Explanations on inflation adjustments for equity items:

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

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

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

VI. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED CASH FLOW STATEMENT

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

The “net increase/(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 2.225.618 (30 September 2014: TRY 7.373.236, increase) thousands increase for the third three months of the year 2015. The “other” item under operating income composes of fees and commissions paid and other operating income excluding employee costs and other operating expenses, and amounts to TRY 6.083.919 (30 September 2014: TRY 2.476.872, cash out) thousands cash out for the third quarter of the year 2015.

The Parent Bank has distributed TRY 220.577 dividend to its shareholders in 2015 based on the profit it made during the year of 2014 (TRY 275.084 dividend is distributed in 2014). The Bank has distributed the dividend amounting TRY 115.000 to its employees which has been recognised as expense (30 September 2014: TRY 100.000).

For the year ended 30 September 2015, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 1.254.302 increase (30 September 2014: TRY 194.563, increase).

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

	Current Period	Prior Period
Cash	20.331.936	20.021.395
<i>Cash in TRY and foreign currency</i>	<i>1.000.135</i>	<i>816.075</i>
<i>Central Bank and others⁽¹⁾</i>	<i>19.331.801</i>	<i>19.205.320</i>
Cash equivalents	1.742.639	2.133.459
<i>Demand and Time Deposits Up to 3 Months</i>	<i>1.440.532</i>	<i>1.902.775</i>
<i>Money Market Placements</i>	<i>302.107</i>	<i>230.684</i>
Total cash and cash equivalents	22.074.575	22.154.854
Reserve deposits in Central Bank	(14.579.877)	(15.470.667)
Bank blockage balance ⁽²⁾	(199.262)	(161.784)
Accruals on reserve deposits	(1.606)	-
Accruals on money market placement	-	(211)
Accruals on banks	(2.899)	(2.611)
Cash and Cash Equivalents	7.290.931	6.519.581

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

⁽²⁾ Technical reserves of Halk Hayat ve Emeklilik AŞ amounting to TRY 154.633, which is given as collateral to under secretariat of Treasury of Republic of Turkey, holds blocked. Technical reserves of Halk Sigorta AŞ amounting to TRY 35.732, which is given as collateral to under secretariat of Treasury of Republic of Turkey, holds blocked.

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VI. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(5) Period ending cash and cash equivalents balance:

	Current Period	Prior Period
Cash	23.693.388	19.306.547
<i>Cash in TRY and foreign currency</i>	<i>1.100.687</i>	<i>837.730</i>
<i>Central Bank and others⁽¹⁾</i>	<i>22.592.701</i>	<i>18.468.817</i>
Cash Equivalents	4.780.562	1.799.556
<i>Demand and Time Deposits Up to 3 Months</i>	<i>4.705.675</i>	<i>1.537.446</i>
<i>Money Market Placements</i>	<i>74.887</i>	<i>262.110</i>
Cash and Banks	28.473.950	21.106.103
Reserve deposits in Central Bank	(18.012.445)	(14.861.346)
Bank blockage balance ⁽²⁾	(110.987)	(170.490)
Accruals for reserve deposits	(14.635)	(266)
Accruals for money market placement	-	-
Accruals for banks	(6.360)	(3.648)
Total Cash and Cash Equivalents	10.329.523	6.070.353

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

⁽²⁾ Technical reserves of Halk Hayat ve Emeklilik AŞ amounting to TRY 88.498, which is given as collateral to Republic of Turkey Prime Ministry Undersecretariat of Treasury, holds blocked. Also, Halk Sigorta AŞ has blockage balance amounting to TRY 22.489 which is given as collateral to Republic of Turkey Prime Ministry Undersecretariat of Treasury.

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

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

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

a) Current period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Parent Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	-	1.878	-	-	-	-
Closing balance	-	-	-	-	-	-
Interest and commissions income	-	-	-	-	-	-

b) Prior period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Parent Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	-	1.119	-	-	-	-
Closing balance	-	1.878	-	-	-	-
Interest and commissions income	-	4	-	-	-	-

c.1. Deposits held by the Parent Bank's risk group:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
	Deposits					
Beginning balance	27.020	34.651	-	-	-	-
Closing Balance	7.966	27.020	-	-	-	-
Interest expense on deposits	322	2.207	-	-	-	-

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

None.

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

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

(2) Disclosures for risk group:

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

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

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

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

	Amount	% compared to the amounts in the financial statements
Cash loans	-	-
Non-cash loans	-	-
Deposits	7.966	%0,01
Forward and option contracts	-	-
Banks and financial institutions	-	-

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

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

Explained in b).

d) Transactions accounted under the equity method:

Demir-Halkbank NV, operating in Netherlands, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ qualified as investments in associates of the Parent Bank, are accounted for in the accompanying consolidated financial statements by the equity method of accounting.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 16.831 as of 30 September 2015 (30 September 2014: TRY 14.213).

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

VIII. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

The trade name of the Parent Bank's subsidiary Cacanska Bank A.D. which is operating in Serbia has been changed as Halkbank A.D. Beograd by the general assembly decision and Head Office has been moved from the Cacak to capital city Belgrade at the date of .15 October 2015.

Halkbank A.D. Beograd will issue preferred stock for the Parent Bank for the purpose of its capital increment by the board of directors decision made at the date of 15 September 2015. The issue price of the preferred stock for the purpose of the capital increment will be 10 Million Euro. The relevant amount has not been paid yet and will be transferred at the date of 3 November 2015.

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SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE PARENT BANK’S OPERATIONS

The Parent bank’s subsidiaries Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş.’s sale of equity within bank’s capital – interconnected with Ministry of Administration of Privatisation’s lead of 4046 Privatisation Law which enables block sale that have been decided upon via official decision by authorities have been canceled by MAP as of 13 August 2015.

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SECTION VII: LIMITED REVIEW REPORT

I. EXPLANATIONS ON THE LIMITED REVIEW REPORT

The consolidated financial statements as of and for the nine-month period ended 30 September 2015 were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Limited Review Report dated 2 November 2015 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.