

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

# **Türkiye Halk Bankası Anonim Şirketi**

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

2 November 2015

*This report contains “Limited Review Report”  
comprising 2 pages and; “Unconsolidated Financial  
Statements and Related Disclosures and Footnotes”  
comprising 83 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 unconsolidated statements of financial position of Türkiye Halk Bankası AŞ (the “Bank”) as at 30 September 2015 and the unconsolidated statement of income, unconsolidated statement of income and expense items accounted under shareholders’ equity, unconsolidated statement of changes in shareholders’ equity and unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial information for the nine-month-period then ended. 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 in the Official Gazette no 26333 dated 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 Legislation. 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 (SRE) 2410, “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 the Auditing Standards of Turkey. 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 Bank management for the possible result of the negative circumstances which may arise from any circumstances from any change in economy or market conditions.

*Qualified 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 unconsolidated financial information do not presented fairly in all material respects, the financial position of Türkiye Halk Bankası Anonim Şirketi at 30 September 2015 and of the results of its operations and its cash flows for nine-month-period then ended in all aspects in accordance with the “Regulation on Accounting Applications for the Banks and Safeguarding or Documents” published in the Official Gazette No. 26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision 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 UNCONSOLIDATED 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 unconsolidated 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 BANK
- **Section Two** : UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES OF THE BANK
- **Section Four** : INFORMATION ON FINANCIAL STRUCTURE
- **Section Five** : EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- **Section Six** : OTHER EXPLANATIONS AND NOTES
- **Section Seven** : LIMITED REVIEW REPORT

Unless otherwise indicated, these unconsolidated financial statements and explanatory footnotes and disclosures as of 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, 30 September 2015

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

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

Name/Title : Turgay AYIK / Director  
Tel No : 0312 289 30 29  
Fax No : 0312 289 30 50

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

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

**SECTION I: GENERAL INFORMATION ABOUT THE BANK**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Recep Süleyman Özdil	Chairman of the Board of Directors	28.08.2015	Ankara University, Faculty of Political Science- Economics	27
Süleyman KALKAN	Vice Chairman of the Board of Directors, Independent Board Member, Head of the Audit Committee	01.04.2013	Ankara University, Faculty of Political Science – International Relations Department.	32
Ali Fuat TAŞKESENİOĞLU	Member of the Board of Directors, Chief Executive Officer	07.02.2014	Master's Degree: Beykent University Social Science Ins. Business Administration Bachelor Degree: Atatürk University, Faculty of Economic and Administrative Sciences-Business Administration.	27
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.03.2003	Doctor's Degree: Washington International University- Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU – Faculty of Engineering - Mechanical Engineering.	31
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.04.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree: Marmara Uni. Banking and Insurance Ins. – International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	23
Dr. Ahmet YARIZ	Member of the Board of Directors	09.04.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins. - Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department. Bachelor Degree: Istanbul Uni. - Business Administration.	22
İsmail Erol İŞBİLEN	Independent Member of the Board of Directors	01.04.2013	Bachelor Degree: Ankara University, Faculty of Political Sciences – Economy and Public Finance Department	30
Sadık TILTAK	Independent Member of the Board of Directors, Member of the Audit Committee	01.04.2014	Ankara University, Faculty of Political Science-Finance	27
Yunus KARAN	Member of the Board of Directors	01.04.2014	İstanbul Uni. Eco. and Com. Science Academy-Finance Accounting	47
Faruk ÖZÇELİK	Member of the Board of Auditors	29.03.2013 <sup>(2)</sup>	Master's Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	5
Ali ARSLAN	Member of the Board of Auditors	29.03.2013 <sup>(2)</sup>	Master's Degree: Cleveland State University Business School(MBA) Bachelor Degree: Çukurova University, Faculty of Economic and Administrative Sciences-Business Administration	22
Mustafa SAVAŞ	Executive Vice President	12.08.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	24
Erol GÖNCÜ	Executive Vice President	14.06.2005	METU Faculty of Arts and Sciences-Mathematics Department.	26
Asst. Prof. Şahap KAVCIOĞLU	Executive Vice President	17.06.2005	Doctor's Degree: Marmara University, Ban and Ins. Ins.-Banking Department. Master's Degree: Marmara University, Ban. and Ins.Ins.-Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	24
Selahattin SÜLEYMANOĞLU	Executive Vice President	01.07.2007	Master Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	25
Mehmet Akif AYDEMİR	Executive Vice President	04.03.2010	Ankara University, Faculty of Political Sciences –Economics.	28
Mehmet Hakan ATİLLA	Executive Vice President	11.11.2011	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 METU Faculty of Economic and Administrative Sciences-Economics	23
Murat OKTAY	Executive Vice President	10.07.2014	METU Faculty of Economic and Administrative Sciences-Economics	22
Mehmet Sebahattin BULUT	Executive Vice President	10.07.2014	Bursa Uludağ University, Faculty of Economic and Administrative Sciences – Econometrics	21
Hasan ÜNAL	Executive Vice President	10.07.2014	İstanbul Technical University, Faculty of Business Administration – Business Engineering	25
Mustafa AYDIN	Executive Vice President	10.07.2014	METU Faculty of Economic and Administrative Sciences- Public Administration	25

(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 UNCONSOLIDATED 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 BANK (continued)**

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

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

<b>Name</b>	<b>Title</b>	<b>Assignment Date</b>
Recep Süleyman ÖZDİL	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.

<b>Name</b>	<b>Title</b>	<b>Assignment Date</b>
Hasan CEBECİ	Chairman of the Board of Directors	27 August 2015

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED 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 BANK (continued)**

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

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

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

a) General information about the Bank:

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

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

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

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

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

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

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

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

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

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

As of 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. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDER’S EQUITY BETWEEN THE BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES**

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

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

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

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

**SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

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

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

**Additional paragraph for convenience translation to English**

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

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

a) The Bank’s strategy on financial instruments:

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

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

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

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

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

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

The Bank started to apply fair value hedge accounting as at 1 July 2015 by designating the exchange rate risk of 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 income statement in the current period.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS**

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

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

**IV. INTEREST INCOME AND EXPENSES**

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

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

**V. FEES AND COMMISSION INCOME AND EXPENSES**

Banking service income is recorded in the 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.

**VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS**

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

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

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

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)**

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

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

1. Cash and banks

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

2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

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

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

2.2. Financial assets at fair value through profit and loss

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

The Bank has not any financial assets at fair value through profit and loss as of 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 Bank as investments held to maturity; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)**

4. Financial assets available for sale

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

5. Loans and receivables

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

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

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

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

Non-performing loans are classified in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No: 26333 dated 1 November 2006 and amended with the regulation published in the Official Gazette No: 29267 dated last 14 February 2015 and specific provisions are allocated for those loans. Specific provisions are reflected to “820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses” account. Provisions released in same year are recognized as a credit movement under the “Provision Expenses”, released portion of the previous period provisions are recognized under the “Other Operating Income” account.



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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)**

6. Associates and subsidiaries:

Turkish Lira denominated associates have been valued based on deducted additions of funds such as revaluation funds, permitted additions to capital under statutory purposes, from the cost of the indexed remaining balances of associate and subsidiary based on the capital increase payment dates until 31 December 2004. Cost of foreign currency associates purchased before 1 January 2005 included their restated values by the occurred indexes at transaction dates until 31 December 2004.

As of 1 January 2012, the Bank changed its accounting policy of Turkish Lira denominated subsidiaries, as of 18 June 2015 the Bank changed its accounting policy of foreign currency denominated subsidiaries and associates, and started to measure related subsidiaries and associates with their fair values. Foreign currency denominated associates and subsidiaries are converted into TRY by using the exchange rates at the date of which the fair value is determined. Fair values of the subsidiaries, whose shares are unquoted on the active market (stock exchange) are determined with the valuation reports that are prepared by the independent valuation company and fair values of the subsidiaries, whose shares are quoted in on active market (stock exchange) are determined by taking into account of book values at stock exchange, valuation differences are added to the subsidiaries values and correspondingly recorded in the “Marketable securities revaluation fund” under the shareholders’ equity.

**VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS**

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

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

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

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

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)**

For loans and receivables; the Bank's management performs consistent loan portfolio reviews and if any doubts on the collectability of the loans arise, the related loans are classified in accordance with legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions ("Communiqué")" published in the Official Gazette numbered 26333 and dated 1 November 2006. The Bank does not limit the provision amount for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. The 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.

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.

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

In the consequence of the ratio of consumer loans to total loans has been below 25% as of the second quarter in 2015, the Bank has begun to allocate 1% and 2% rate of general allowances for all consumer loans except for real estate loans instead of 4% and 8%. In accordance with the communiqué "The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 8 October 2013 No: 28789 Official Gazette, as of the recent month end prior to the effective date of the Communiqué, the Bank cancelled the differences in general allowances for all consumer loans except for real estate loans in both groups with the rates stated in the second paragraph of Article 7 of the Communiqué as of the second quarter in 2015.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**VIII. OFFSETTING FINANCIAL ASSETS AND LIABILITIES**

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

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

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

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

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

**X. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

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

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

**XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS**

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

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

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT**

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

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

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

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

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

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

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

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

**XIII. EXPLANATIONS ON LEASING TRANSACTIONS**

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

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

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

**XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES**

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

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

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**XV. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES**

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

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

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

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.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**XVI. EXPLANATIONS ON TAXATION**

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

**Tax practices in the countries that foreign branches operate:**

Turkish Republic of Northern Cyprus (TRNC)

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

Bahrain

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

**XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS**

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

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

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

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**XVIII. EXPLANATIONS ON SHARES AND SHARE ISSUE**

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

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

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

**XIX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES**

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

**XX. EXPLANATIONS ON GOVERNMENT INCENTIVES**

There are no government incentives utilized by the Bank.

**XXI. EXPLANATIONS ON SEGMENT REPORTING**

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

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

**XXII. EXPLANATIONS ON OTHER MATTERS**

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

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

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

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

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**SECTION IV: INFORMATION ON FINANCIAL STRUCTURE**

**I. EXPLANATIONS RELATED TO THE CAPITAL ADEQUACY RATIO**

The capital adequacy ratio calculations are made in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” published in Official Journal No 29111 of 6 September 201, “Regulation on Equities of Banks” published in the Official Gazette numbered 28756 dated 5 September 2013 and the “Communiqué on Credit Risk Mitigation Techniques” published in the Official Gazette numbered 29111 on 6 September 2014. The unconsolidated basis capital adequacy ratio of the Bank is 12,99 % as of 30 September 2015 (31 December 2014: 13,62%).

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 Bank 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 5<sup>th</sup> article of “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”. Besides, the provisions which are defined in “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to Be Set Aside” and taken place at the liability side of the balance sheet are also taken into consideration.

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



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

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

1. Information on the unconsolidated capital adequacy ratio:

Current period	Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
<b>Surplus credit risk weighted</b>	-	-	1.354.151	18.820.880	28.951.319	69.571.590	3.431.304	9.659.962	631.720
<b>Risk classifications:</b>									
Claims on sovereigns and Central Banks	43.565.649	-	4.230	4.216.654	-	-	-	-	-
Claims on regional governments or local authorities	16.753	-	947.829	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	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	-	-	-
Claims on corporates	2.338.478	-	698.692	977.979	-	61.881.025	-	-	-
Claims included in the regulatory retail portfolios	1.519.118	-	180.045	-	38.272.752	668.988	-	-	-
Claims secured by residential property	23.421	-	4.011	30.776.734	30.303	-	-	-	-
Overdue loans	13.742	-	-	116.227	-	783.380	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	2.287.536	4.829.981	819
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
<b>Risk Weights</b>									
<b>Prior period</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>
<b>Surplus credit risk weighted</b>	-	-	810.058	14.076.567	22.962.208	54.730.042	3.613.293	16.572.334	912.638
<b>Risk classifications:</b>									
Claims on sovereigns and Central Banks	40.918.786	-	2.856	3.385.027	-	-	-	-	-
Claims on regional governments or local authorities	18.263	-	554.619	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	28.273	-	199	-	-	527.130	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	2.427.237	-	2.575.808	1.787.700	-	47.249	-	-	-
Claims on corporates	768.725	-	242.822	-	-	48.277.479	-	-	-
Claims included in the regulatory retail portfolios	1.497.528	-	159.191	-	30.426.898	656.661	-	-	-
Claims secured by residential property	23.228	-	3.302	22.857.026	66.067	-	-	-	-
Overdue loans	-	-	-	123.381	-	1.162.077	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	2.408.862	8.286.167	40.553
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other receivables	3.242.822	-	511.492	-	123.312	4.059.446	-	-	324.502

2. Capital adequacy ratio summary:

	Current Period	Prior Period
A Capital to be employed for credit risk (Amount subject to credit risk*0,08) (I)	10.593.674	9.094.171
B Capital to be employed for market risk (II)	384.338	257.412
C Capital to be employed for operational risk (III)	878.258	810.323
Shareholders' equity	19.245.406	17.301.950
<b>Shareholders' equity /((I+II+III) *12,5*100)</b>	<b>12,99</b>	<b>13,62</b>
<b>Core capital /(( I+II+III)*12,5*100)</b>	<b>12,19</b>	<b>12,92</b>
<b>Tier I Capital/(( I+II+III)*12,5*100)</b>	<b>12,22</b>	<b>12,96</b>

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

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

3. Information on equity items:

	Current period	Prior period
<b>TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	2.470.451
Share premium	-	-
Share Cancellation Profits	-	-
Reserves	12.524.844	10.551.550
Other Comprehensive Income according to TAS	1.520.400	1.299.384
Profit	1.667.362	2.205.768
Net Current Period Profit	1.667.362	2.205.768
Prior Period Profit	-	-
Provisions for Possible Losses	162.509	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	8.711	8.769
<b>Tier I Capital Before Deductions</b>	<b>18.354.277</b>	<b>16.535.922</b>
<b>Deductions from Tier I Capital</b>		
Current and Prior Period's Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	-
Leasehold Improvements on Operational Leases (-)	64.104	64.951
Goodwill and Other Intangible Assets and Related Deferred Tax Liabilities (-)	28.636	11.789
Net Deferred Tax / Liability(-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier Capital (-)	-	-
Mortgage Servicing Rights not Deducted (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Core Capital (-)	-	-
Total Deductions from Tier I Capital	92.740	76.740
<b>Total Tier I Capital</b>	<b>18.261.537</b>	<b>16.459.182</b>
<b>ADDITIONAL CORE CAPITAL</b>		
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-	-
<b>Additional Core Capital before Deductions</b>	-	-
<b>Deductions from Additional Core Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks of Financial Institutions where the Bank Owns more than 10% of Issued Share Capital(-)	-	-
Other Items to be Defined by the BRSA (-)	-	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-	-

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

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

3. Information on equity items: (continued)

	Current period	Prior period
<b>Total Deductions from Additional Core Capital</b>	-	-
<b>Total Additional Core Capital</b>	-	-
<b>Deductions from Core Capital</b>	<b>42.955</b>	<b>47.154</b>
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	42.955	47.154
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
<b>Total Core Capital</b>	<b>18.218.582</b>	<b>16.412.028</b>
<b>TIER II CAPITAL</b>		
Debt Instruments and Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-	-
Debt Instruments and Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-	-
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-	-
General Provisions	1.124.643	1.268.847
<b>Tier II Capital before Deductions</b>	<b>1.124.643</b>	<b>1.268.847</b>
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be Defined by the BRSA(-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>1.124.643</b>	<b>1.268.847</b>
<b>CAPITAL</b>	<b>19.343.225</b>	<b>17.680.875</b>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10	10
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	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 BRSA (-)	35.182	329.670
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in equity Items of Unconsolidated Banks and Financial Institutions where the Banks Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
<b>EQUITY</b>	<b>19.245.406</b>	<b>17.301.950</b>
<b>Amounts Below the Thresholds for Deduction</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	15.635	15.113
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	251.869	86.234
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	294.510	321.890

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

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

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

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

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

**II. EXPLANATIONS RELATED TO THE CREDIT RISK**

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

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

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

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

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

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

As of 30 September 2015, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 22,38% and 27,98% of its total cash loans.

As of 30 September 2015, receivables of the Bank from its top 100 and 200 non-cash loan customers are respectively 52,66% and 63,26% 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 17,53% and 22,54% 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 Bank in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 1.124.643 (31 December 2014: TRY 1.268.847).

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

**III. EXPLANATIONS RELATED TO THE MARKET RISK**

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

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

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

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

a) Information related to market risk:

	<b>Current Period</b>	<b>Prior Period</b>
(I) Capital requirement to be employed for general market risk	275.605	193.908
(II) Capital requirement to be employed for specific risk	58.308	41.103
(III) Capital requirement to be employed for specific risk in securitization positions- Standard Method	-	-
(IV)Capital requirement to be employed for currency risk	30.353	12.508
(V)Capital requirement to be employed for commodity risk	-	-
(VI)Capital requirement to be employed for clearing risk	-	-
(VII)Total capital requirement to be employed for counterparty credit risk–Standard method	614	576
(VIII)Capital requirement to be employed for general market risk.	19.458	9.317
<b>(IX) Total capital requirement to be employed for market risk</b>	<b>-</b>	<b>-</b>
<b>(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)</b>	<b>384.338</b>	<b>257.412</b>
<b>(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)</b>	<b>4.804.225</b>	<b>3.217.650</b>

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

**III. EXPLANATIONS RELATED TO THE MARKET RISK (continued)**

b) Information about counterparty risk:

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

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

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

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

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

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

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

**III. EXPLANATIONS RELATED TO THE MARKET RISK (continued)**

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

	<b>Amount <sup>(1)</sup></b>
Contracts based on interest rate	102.848
Contracts based on currency	192.654
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	295.502
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	44.610
The net position of derivatives	295.502

<sup>(1)</sup> Counterparty risk related to the trading accounts is included.

**IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK**

In the calculation of the Bank's operational risk, the "Basic Indicator Method" is used. The amount subject to operational risk is calculated once a year in accordance with the Regulation on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 29111 on 6 September 2014. In the Basic Indicator Method, the amount subject to operational risk is calculated by multiplying 15% of the Bank's average gross revenue over the previous three years with 12,5. Amount subject to operational risk is TRY 10.978.221 for the current period (31 December 2014: TRY 10.129.038).

**V. EXPLANATIONS RELATED TO THE CURRENCY RISK**

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

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



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

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

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

	<b>21.09.2015</b>	<b>22.09.2015</b>	<b>23.09.2015</b>	<b>28.09.2015</b>	<b>29.09.2015</b>	<b>30.09.2015</b>
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 Bank for the thirty days before 30 September 2015 are as follows:

	<b>Monthly average</b>
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 CURRENCY RISK (continued)**

Information related to currency risk:

<b>Current Period</b>	<b>EURO</b>	<b>USD</b>	<b>OTHER FC</b>	<b>TOTAL</b>
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	3.003.839	14.114.393	3.053.375	20.171.607
Banks	2.886.329	1.325.261	318.059	4.529.649
Financial assets at fair value through profit and loss <sup>(3)</sup>	69.895	248.656	490	319.041
Money market placements	-	-	-	-
Financial assets available-for-sale <sup>(5)</sup>	871.696	2.786.508	-	3.658.204
Loans <sup>(2)</sup>	16.619.615	24.064.377	455.127	41.139.119
Subsidiaries, associates and entities under common control <sup>(5)</sup>	239.106	-	241.354	480.460
Held-to-maturity investments	-	1.986.551	-	1.986.551
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	111	111
Intangible assets	-	-	-	-
Other assets <sup>(3)</sup>	9.817	173.604	94	183.515
<b>Total assets</b>	<b>23.700.297</b>	<b>44.699.350</b>	<b>4.068.610</b>	<b>72.468.257</b>
<b>Liabilities</b>				
Bank deposits	3.910.551	4.110.071	871.596	8.892.218
Foreign currency deposits	14.788.281	21.440.452	1.179.259	37.407.992
Money market balances	-	152.188	-	152.188
Funds provided from other financial institutions	7.397.748	12.814.701	3.708	20.216.157
Bonds issued	-	7.541.708	-	7.541.708
Sundry creditors	16.734	21.634	18	38.386
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities <sup>(3)</sup>	164.616	306.296	47.381	518.293
<b>Total liabilities</b>	<b>26.277.930</b>	<b>46.387.050</b>	<b>2.101.962</b>	<b>74.766.942</b>
<b>Net balance sheet position</b>	<b>(2.577.633)</b>	<b>(1.687.700)</b>	<b>1.966.648</b>	<b>(2.298.685)</b>
<b>Net off-balance sheet position</b>				
<b>Financial derivative assets <sup>(4)</sup></b>	<b>2.389.625</b>	<b>1.848.447</b>	<b>(1.732.858)</b>	<b>2.505.214</b>
Financial derivative assets <sup>(4)</sup>	3.101.576	3.818.579	759.811	7.679.966
Financial derivative liabilities <sup>(4)</sup>	711.951	1.970.132	2.492.669	5.174.752
Non-cash loans <sup>(1)</sup>	6.513.598	16.258.339	700.711	23.472.648
<b>Prior period</b>				
Total assets	14.383.239	32.911.679	2.797.996	50.092.914
Total liabilities	23.367.178	24.897.330	2.261.136	50.525.644
<b>Net balance sheet position</b>	<b>(8.983.939)</b>	<b>8.014.349</b>	<b>536.860</b>	<b>(432.730)</b>
<b>Net off-balance sheet position</b>				
<b>Financial derivative assets</b>	<b>8.713.970</b>	<b>(7.936.471)</b>	<b>(536.866)</b>	<b>240.633</b>
Financial derivative assets	9.429.686	2.802.071	682.173	12.913.930
Financial derivative liabilities	715.716	10.738.542	1.219.039	12.673.297
Non-cash loans <sup>(1)</sup>	4.384.199	12.730.976	598.070	17.713.245

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

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

<sup>(3)</sup> In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 25.529), prepaid expenses (TRY 296) in assets; and derivative financial instruments foreign currency expense accruals (TRY 78.488) and shareholders' equity (TRY 186.366) in liabilities are not taken into consideration in the currency risk measurement.

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

<sup>(5)</sup> Foreign currency subsidiaries Cacanska Bank (TRY 33.015) and Halk Banka AD Skopje (TRY 208.339), and foreign currency associate Demir-Halk Bank NV (TRY 239.106) are included.

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

**VI. EXPLANATIONS RELATED TO THE INTEREST RATE RISK**

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

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

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

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

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

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

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

<b>Current period</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 Months</b>	<b>1-5 years</b>	<b>5 years and over</b>	<b>Non-interest bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	16.655.035	-	-	-	-	6.850.799	23.505.834
Banks and financial institutions	2.237.326	-	-	-	-	2.353.423	4.590.749
Financial assets at fair value through profit and loss	349.510	554	21.852	3	-	-	371.919
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	2.099.484	996.881	1.208.042	2.400.144	3.970.622	64.772	10.739.945
Loans	46.280.255	14.547.593	35.130.301	22.639.882	4.829.934	2.095.922	125.523.887
Held-to-maturity investments	7.505.753	1.443.842	1.112.943	2.142.770	4.911.332	-	17.116.640
Other assets <sup>(2)</sup>	935.803	4.942	19.442	61.432	21.417	6.793.517	7.836.553
<b>Total assets</b>	<b>76.063.166</b>	<b>16.993.812</b>	<b>37.492.580</b>	<b>27.244.231</b>	<b>13.733.305</b>	<b>18.158.433</b>	<b>189.685.527</b>
<b>Liabilities</b>							
Bank deposits	9.081.882	2.559.402	681.547	-	-	4.583.227	16.906.058
Other deposits	61.637.345	20.352.075	6.722.270	334.233	-	16.951.180	105.997.103
Money market balances	9.583.166	32.177	152.187	-	-	-	9.767.530
Sundry creditors	845.595	2.434	988.423	-	-	133.854	1.970.306
Bonds issued	-	878.024	755.029	5.979.455	1.494.128	-	9.106.636
Funds provided from other financial institutions <sup>(4)</sup>	762.759	1.347.379	12.889.046	1.765.679	4.280.828	30.729	21.076.420
Other liabilities <sup>(1)(3)</sup>	2.102.537	157.953	135.306	-	-	22.465.678	24.861.474
<b>Total liabilities</b>	<b>84.013.284</b>	<b>25.329.444</b>	<b>22.323.808</b>	<b>8.079.367</b>	<b>5.774.956</b>	<b>44.164.668</b>	<b>189.685.527</b>
Balance sheet long position	-	-	15.168.772	19.164.864	7.958.349	-	42.291.985
Balance sheet short position	(7.950.118)	(8.335.632)	-	-	-	(26.006.235)	(42.291.985)
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)
<b>Total position</b>	<b>(7.950.118)</b>	<b>(8.187.930)</b>	<b>15.162.195</b>	<b>19.062.821</b>	<b>7.985.842</b>	<b>(26.006.235)</b>	<b>66.575</b>

<sup>(1)</sup> TRY 25.827 of deferred tax liability is disclosed under the non-interest bearing column in other assets.

<sup>(2)</sup> TRY 925.634 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

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

<sup>(4)</sup> Funds provided from other financial institutions include borrowings.

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

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

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	3.414.419	-	-	-	-	16.861.685	20.276.104
Banks and financial institutions	957.596	6.397	14.542	-	-	305.125	1.283.660
Financial assets at fair value through profit and loss	30.078	1.719	8.949	11.776	16	103.032	155.570
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	2.070.654	647.593	1.705.033	1.533.212	2.901.823	66.866	8.925.181
Loans	35.240.762	14.588.259	21.412.684	22.675.206	3.630.004	2.934.371	100.481.286
Held-to-maturity investments	8.388.086	517.854	2.158.620	2.188.377	4.510.728	-	17.763.665
Other assets <sup>(1),(2)</sup>	6.240	6.150	27.606	63.473	24.077	6.410.007	6.537.553
<b>Total assets</b>	<b>50.107.835</b>	<b>15.767.972</b>	<b>25.327.434</b>	<b>26.472.044</b>	<b>11.066.648</b>	<b>26.681.086</b>	<b>155.423.019</b>
<b>Liabilities</b>							
Bank deposits	9.288.383	2.277.003	201.442	-	-	5.414.639	17.181.467
Other deposits	43.133.568	19.402.541	7.729.699	122.419	-	16.138.660	86.526.887
Money market balances	8.181.354	231.402	-	-	-	-	8.412.756
Sundry creditors	915.879	5.041	952.187	-	-	150.815	2.023.922
Bonds issued	68.912	502.447	1.019.793	2.865.352	1.715.353	-	6.171.857
Funds provided from other financial institutions <sup>(4)</sup>	1.129.197	4.488.241	4.783.718	1.708.354	513.249	7.598	12.630.357
Other liabilities <sup>(3)</sup>	1.925.178	165.495	1.018.885	-	-	19.366.215	22.475.773
<b>Total liabilities</b>	<b>64.642.471</b>	<b>27.072.170</b>	<b>15.705.724</b>	<b>4.696.125</b>	<b>2.228.602</b>	<b>41.077.927</b>	<b>155.423.019</b>
Balance sheet long position	-	-	9.621.710	21.775.919	8.838.046	-	40.235.675
Balance sheet short position	(14.534.636)	(11.304.198)	-	-	-	(14.396.841)	(40.235.675)
Off-balance sheet long position	115.011	840.031	33.634	426.575	-	-	1.415.251
Off-balance sheet short position	(1.456)	(561.724)	(29.256)	(426.167)	-	-	(1.018.603)
<b>Total position</b>	<b>(14.421.081)</b>	<b>(11.025.891)</b>	<b>9.626.088</b>	<b>21.776.327</b>	<b>8.838.046</b>	<b>(14.396.841)</b>	<b>396.648</b>

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

<sup>(2)</sup> TRY 1.285.638 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

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

<sup>(4)</sup> Funds provided from other financial institutions include borrowings.

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

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

1. Average interest rates applied to financial instruments:

<b>Current period</b>	<b>EURO</b>	<b>USD</b>	<b>JPY</b>	<b>TRY</b>
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey <sup>(5)</sup>	-	0,18	-	1,58
Due from other banks and financial institutions <sup>(1)</sup>	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 <sup>(2)</sup>	4,26	5,01	-	12,11
Held-to-maturity investments	-	5,91	-	10,97
<b>Liabilities</b>				
Bank deposits	0,68	0,33	-	13,08
Other deposits <sup>(4)</sup>	1,56	1,98	0,25	10,46
Money market borrowings	-	1,39	-	8,80
Sundry creditors <sup>(3)</sup>	-	-	-	4,75
Bonds issued	-	4,53	-	10,52
Funds provided from other financial institutions	0,87	1,76	-	7,19
<b>Prior Period</b>				
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	0,50	-	-	3,50
Due from other banks and financial institutions	0,71	0,16	-	10,07
Financial assets at fair value through profit and loss	-	1,71	-	8,68
Money market placements	-	-	-	-
Available-for-sale financial assets	5,29	5,63	-	9,03
Loans	4,55	4,78	-	11,64
Held-to-maturity investments	-	5,80	-	8,86
<b>Liabilities</b>				
Bank deposits	0,40	0,80	-	9,59
Other deposits	1,87	2,13	0,25	9,03
Money market borrowings	-	0,95	-	9,18
Sundry creditors	-	-	-	3,56
Bonds issued	-	4,47	-	8,84
Funds provided from other financial institutions	0,50	1,57	-	7,33

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

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

<sup>(3)</sup> Interest rate equals to the declared deposits interest rate with a maturity of nine months as of balance sheet date.

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

<sup>(5)</sup> Required reserve ratio of the Central Bank of TRNC as of balance sheet date.

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

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

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

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

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

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

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

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

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

**VII. EXPLANATIONS RELATED TO THE POSITION RISK OF SHARES**

Information about position risk of shares:

Equities	Balance Sheet Value	Comparison	
		Fair Value	Market Value
<b>1. Associates</b>	<b>258.189</b>	<b>239.106<sup>(4)</sup></b>	-
<i>Quoted in a stock exchange</i>	-	-	-
<i>Unquoted in a stock exchange</i>	258.189	239.106	-
<b>2. Subsidiaries</b>	<b>2.599.790</b>	<b>2.566.774</b>	<b>534.738</b>
<i>Quoted in a stock exchange</i>	879.972	879.972	534.738
<i>Traded on Free Trading Platform<sup>(1)</sup></i>	345.234	345.234	-
<i>Investments securities for Group A<sup>(2),(3)</sup></i>	534.738	534.738	534.738
<i>Unquoted in a stock exchange</i>	1.719.818	1.686.802 <sup>(5)</sup>	-

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

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

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

<sup>(4)</sup> Bank's associates which are shown with their cost values in the accompanying financial statements, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ. (TRY 11.518), Bankalararası Kart Merkezi AŞ. (TRY 3.804), Kredi Kayıt Bürosu AŞ. (TRY 2.516) and Türk Pvl Sigorta AŞ. (TRY 1.245) are not included in the table.

<sup>(5)</sup> Bank's subsidiary Cacanska Banka AD (TRY 33.016) is 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 supplementary capital	Total	Included to supplementary capital
1. Private equity investments	-	-	-	-	-
2. Share Certificates quoted in a stock exchange <sup>(1) (2)</sup>	-	264.781	264.781	-	-
3. Other share certificates	-	854.018	854.018	-	-
<b>Total</b>	-	<b>1.118.799</b>	<b>1.118.799</b>	-	-

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

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



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

**VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK**

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

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

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

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

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

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

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Undistributed	Total
<b>Assets</b>								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	5.613.990	5.850.877	7.484.236	4.262.125	294.313	293	-	23.505.834
Banks	2.453.822	2.136.927	-	-	-	-	-	4.590.749
Financial assets at fair value through profit and loss	-	111.823	37.037	31.622	106.794	84.643	-	371.919
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	155.866	108.806	643.646	3.615.803	6.151.052	64.772	10.739.945
Loans <sup>(2)</sup>	1.105.388	7.831.108	9.102.338	41.301.991	53.134.160	13.048.902	-	125.523.887
Held-to-maturity investments	-	836.060	597.674	1.932.600	3.471.318	10.278.988	-	17.116.640
Other assets <sup>(3)</sup>	1.643.207	9.001	41.974	17.094	27.917	21.417	6.075.943	7.836.553
<b>Total assets</b>	<b>10.816.407</b>	<b>16.931.662</b>	<b>17.372.065</b>	<b>48.189.078</b>	<b>60.650.305</b>	<b>29.585.295</b>	<b>6.140.715</b>	<b>189.685.527</b>
<b>Liabilities</b>								
Bank deposits	4.583.227	9.081.882	2.559.402	681.547	-	-	-	16.906.058
Other deposits	16.951.180	61.629.321	20.342.102	6.648.199	421.900	4.401	-	105.997.103
Funds provided from other financial institutions <sup>(4)</sup>	-	762.759	1.361.982	12.905.172	1.765.679	4.280.828	-	21.076.420
Money market balances	-	9.583.166	32.177	152.187	-	-	-	9.767.530
Bonds issued	-	-	878.024	755.029	5.979.455	1.494.128	-	9.106.636
Sundry creditors	141.592	871.018	63.715	253.323	640.557	101	-	1.970.306
Other liabilities <sup>(1)</sup>	4.348.849	347.820	359.750	662.167	507.931	443.189	18.191.768	24.861.474
<b>Total liabilities</b>	<b>26.024.848</b>	<b>82.275.966</b>	<b>25.597.152</b>	<b>22.057.624</b>	<b>9.315.522</b>	<b>6.222.647</b>	<b>18.191.768</b>	<b>189.685.527</b>
<b>Liquidity gap</b>	<b>(15.208.441)</b>	<b>(65.344.304)</b>	<b>(8.225.087)</b>	<b>26.131.454</b>	<b>51.334.783</b>	<b>23.362.648</b>	<b>(12.051.053)</b>	<b>-</b>
<b>Previous period</b>								
Total assets	7.759.410	13.166.334	16.587.726	38.808.915	50.323.949	22.709.150	6.067.535	155.423.019
Total liabilities	25.054.152	63.143.078	23.676.811	14.306.478	8.487.450	4.139.853	16.615.197	155.423.019
<b>Liquidity gap</b>	<b>(17.294.742)</b>	<b>(49.976.744)</b>	<b>(7.089.085)</b>	<b>24.502.437</b>	<b>41.836.499</b>	<b>18.569.297</b>	<b>(10.547.662)</b>	<b>-</b>

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

<sup>(2)</sup> TRY 925.634 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

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

<sup>(4)</sup> Funds provided from other financial institutions include borrowings.

**IX. EXPLANATIONS RELATED TO THE SECURITIZATION POSITIONS:**

Securitization positions:

None.

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

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

Credit risk mitigation techniques:

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

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

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

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

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

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

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

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

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

Information about guaranties according to risk classifications:

<b>Risk Classifications</b>	<b>Amount</b>	<b>Financial guaranties</b>	<b>Other/Physical Guaranties</b>	<b>Guarantees and credit derivatives</b>
Claims on sovereigns and Central Banks	47.786.533	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	6.196.345	184.219	-	-
Claims on corporate	65.896.174	2.343.188	-	29.686
Claims included in the regulatory retail portfolios	40.640.903	1.814.362	-	39.780
Claims secured by residential property	30.834.469	27.439	-	-
Overdue loans	913.349	-	116.227	-
Higher risk categories decided by the Board	7.118.336	-	-	-
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	9.523.158	-	-	-

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

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

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

**Credit Risk:**

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

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

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

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

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

**Foreign Exchange Risk:**

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

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

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

**Interest Rate Risk:**

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

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

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

**Liquidity Risk:**

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

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

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

**XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION**

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

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

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

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

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

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

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

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

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

**XIII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)**

- 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 FINANCIAL STRUCTURE (continued)**

**XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)**

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

<b>Current Period</b>	<b>Corporate</b>	<b>Commercial</b>	<b>SME/ Integrated</b>	<b>Treasury / Investment<sup>(1)</sup></b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>					
Interest income	939.685	1.128.639	5.681.119	2.115.867	9.865.310
<i>Interest on loans</i>	939.668	1.128.533	5.677.221	420.345	8.165.767
<i>Interest income on marketable securities</i>	-	-	-	1.664.830	1.664.830
<i>Interest received from banks</i>	-	-	-	21.581	21.581
<i>Other interest income</i>	17	106	3.898	9.111	13.132
Interest expense	629.682	210.037	3.357.170	1.487.050	5.683.939
<i>Interest on deposits</i>	618.971	201.814	3.305.702	428.095	4.554.582
<i>Interest on borrowings</i>	1.147	7.634	13.084	209.516	231.381
<i>Interest on money market borrowings</i>	-	-	-	503.879	503.879
<i>Interest on marketable bonds issued</i>	-	-	-	340.725	340.725
<i>Other interest expense<sup>(2)</sup></i>	9.564	589	38.384	4.835	53.372
Net interest income	310.003	918.602	2.323.949	628.817	4.181.371
Net fees and commissions income	131.648	171.098	460.227	123.136	886.109
Net trading profit / (loss)	-	-	-	(170.627)	(170.627)
Dividend income	-	-	-	188.677	188.677
Other income	4.571	43.739	207.142	513.786	769.238
Loans and other receivables' impairment loss	371.007	46.591	304.381	491.742	1.213.721
Other expenses	15.076	48.448	1.247.040	1.273.820	2.584.384
<b>Income before taxes</b>	<b>60.139</b>	<b>1.038.400</b>	<b>1.439.897</b>	<b>(481.773)</b>	<b>2.056.663</b>
Income tax provision	-	-	-	(389.301)	(389.301)
<b>Net profit for the period</b>	<b>60.139</b>	<b>1.038.400</b>	<b>1.439.897</b>	<b>(871.074)</b>	<b>1.667.362</b>
<b>SEGMENT ASSETS</b>					
Marketable securities	-	-	-	27.899.799	27.899.799
Derivative financial assets held for trading	-	-	-	328.705	328.705
Banks and money market receivables	-	-	-	4.590.749	4.590.749
Associates and subsidiaries (net)	-	-	-	2.857.979	2.857.979
Loans	20.695.069	24.309.202	72.419.308	9.025.942	126.449.521
Other assets <sup>(1)</sup>	388	14.128	926.263	26.617.995	27.558.774
<b>TOTAL ASSETS</b>	<b>20.695.457</b>	<b>24.323.330</b>	<b>73.345.571</b>	<b>71.321.169</b>	<b>189.685.527</b>
<b>SEGMENT LIABILITIES</b>					
Deposits	17.801.950	7.646.970	81.032.296	16.421.945	122.903.161
Derivative financial liabilities held for trading	-	-	-	247.657	247.657
Money market balances	-	-	-	9.767.530	9.767.530
Borrowing funding loans	1.005	195.265	441.614	20.438.536	21.076.420
Bonds issued	-	-	-	9.106.636	9.106.636
Other liabilities	182.956	236.387	3.670.155	1.910.019	5.999.517
Provisions and tax payable	40.862	36.037	157.114	2.158.825	2.392.838
Shareholders' equity	-	-	-	18.191.768	18.191.768
<b>TOTAL LIABILITIES</b>	<b>18.026.773</b>	<b>8.114.659</b>	<b>85.301.179</b>	<b>78.242.916</b>	<b>189.685.527</b>
<b>OFF BALANCE SHEET ITEMS</b>					
Guarantees and surety ships	11.470.016	9.889.343	9.118.421	8.769.234	39.247.014
Commitments	49.810	719.527	8.370.690	11.678.902	20.818.929
Derivative financial instruments	-	-	-	24.273.610	24.273.610

<sup>(1)</sup> Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 2.261.173 (net) in other assets and deferred tax liability amounting TRY 25.827 in other liabilities are presented under the Treasury / Investment column.

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

**XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)**

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

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment <sup>(1)</sup>	Total
<b>OPERATING INCOME / EXPENSES</b>					
<b>(30 September 2014)</b>					
Interest income	774.551	803.570	4.528.141	2.360.830	8.467.092
<i>Interest on loans</i>	774.513	803.508	4.524.475	315.405	6.417.901
<i>Interest income on marketable securities</i>	-	-	-	2.037.252	2.037.252
<i>Interest received from banks</i>	-	-	-	7.699	7.699
<i>Other interest income<sup>(2)</sup></i>	38	62	3.666	474	4.240
Interest expense	536.291	130.763	3.067.881	1.034.980	4.769.915
<i>Interest on deposits</i>	502.139	113.723	3.016.616	283.714	3.916.192
<i>Interest on borrowings</i>	2.036	10.153	12.595	166.425	191.209
<i>Interest on money market borrowings</i>	-	-	-	392.183	392.183
<i>Interest on marketable securities issued</i>	-	-	-	190.901	190.901
<i>Other interest expense<sup>(2)</sup></i>	32.116	6.887	38.670	1.757	79.430
Net interest income	238.260	672.807	1.460.260	1.325.850	3.697.177
Net fees and commissions income	126.699	76.771	419.714	96.579	719.763
Net trading profit / (loss)	-	-	-	40.915	40.915
Dividend income	-	-	-	146.023	146.023
Other income	3.070	58.605	208.476	162.199	432.350
Loans and other receivables' impairment loss	201.042	111.255	281.806	90.316	684.419
Other expenses	14.434	45.413	983.373	1.151.017	2.194.237
<b>Income before taxes</b>	<b>152.553</b>	<b>651.515</b>	<b>823.271</b>	<b>530.233</b>	<b>2.157.572</b>
Income tax provision	-	-	-	(393.491)	(393.491)
<b>Net profit for the period</b>	<b>152.553</b>	<b>651.515</b>	<b>823.271</b>	<b>136.742</b>	<b>1.764.081</b>
<b>SEGMENT ASSETS (31 December 2014)</b>					
Marketable securities	-	-	-	26.741.384	26.741.384
Derivative financial assets held for trading	-	-	-	103.032	103.032
Banks and money market receivables	-	-	-	1.283.660	1.283.660
Associates and subsidiaries (net)	-	-	-	2.669.369	2.669.369
Loans	15.628.968	16.297.820	62.060.930	7.779.206	101.766.924
Other assets <sup>(1)</sup>	601	11.029	812.486	22.034.534	22.858.650
<b>TOTAL ASSETS</b>	<b>15.629.569</b>	<b>16.308.849</b>	<b>62.873.416</b>	<b>60.611.185</b>	<b>155.423.019</b>
<b>SEGMENT LIABILITIES (31 December 2014)</b>					
Deposits	13.230.859	5.830.939	67.860.260	16.786.296	103.708.354
Derivative financial liabilities held for trading	-	-	-	176.454	176.454
Money market balances	-	-	-	8.412.756	8.412.756
Borrowing funding loans	13.976	213.542	318.214	12.084.625	12.630.357
Bonds issued	-	-	-	6.171.857	6.171.857
Other liabilities	266.765	222.978	3.460.307	1.193.035	5.143.085
Provisions and tax payable	34.336	30.294	129.752	2.449.852	2.644.234
Shareholders' equity	-	-	-	16.535.922	16.535.922
<b>TOTAL LIABILITIES</b>	<b>13.545.936</b>	<b>6.297.753</b>	<b>71.768.533</b>	<b>63.810.797</b>	<b>155.423.019</b>
<b>OFF BALANCE SHEET ITEMS</b>					
Guarantees and surety ships	10.644.543	8.156.253	8.067.904	5.909.892	32.778.592
Commitments	46.133	653.733	7.553.718	11.198.578	19.452.162
Derivative financial instruments	-	-	-	29.385.583	29.385.583

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

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

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

The Bank does not engage in transaction based on trust.



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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS**

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	780.804	268.016	755.292	219.098
Central Bank of Turkey	2.553.423	19.903.141	3.404.093	15.897.276
Other	-	450	-	345
<b>Total</b>	<b>3.334.227</b>	<b>20.171.607</b>	<b>4.159.385</b>	<b>16.116.719</b>

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

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

<sup>(1)</sup> Reserve deposits kept in Central Bank of Turkey.

<sup>(2)</sup> Blocked reserve deposits kept in Central Bank of Turkey and Central Bank of Cyprus.

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of Turkey (CBT), banks keep reserve deposits at the CBT for their TRY and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 5%-11,5% for TRY deposits and other liabilities (31 December 2014: between 5% and 11,5% according to their maturities), between 6%-20% for FC deposits and between 6%-13% for other FC liabilities (31 December 2014: between 6% and 13% according to their maturities). Reserves are calculated and set aside every two weeks on Friday for 14-day periods. In accordance with the related communiqué, Central Bank of Turkey pays interests to TRY and FC reserves.

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

As per the change at 21 October 2014, CBT started to pay interests at November 2014 on TRY 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 TRY raised 50 basis points.

With the change in press release dated 23 January 2015, it has been decided to apply a 20 basis point annual commission, to be charged on daily account balances and collected on a monthly basis, on required reserves and two days notice account denominated in Euro held by banks and these are going to be collected as of 1 February 2015. According to the press release dated 30 June 2015, the balances denominated in Euro in required reserves and notice accounts held with the Central Bank is reduced temporally 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 UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

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

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

None.

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

None.

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	200.304	-	58.068
Swap transactions	-	128.376	-	44.193
Futures transactions	-	-	-	-
Options	25	-	8	763
<b>Total</b>	<b>25</b>	<b>328.680</b>	<b>8</b>	<b>103.024</b>

(3) Information on banks and other financial institutions:

Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	10.358	1.208.991	20.953	564.938
Foreign banks	50.742	3.320.658	45.910	651.859
Branches and offices abroad	-	-	-	-
<b>Total</b>	<b>61.100</b>	<b>4.529.649</b>	<b>66.863</b>	<b>1.216.797</b>

(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	-	826.809	-	848.984
<b>Total</b>	<b>-</b>	<b>826.809</b>	<b>-</b>	<b>848.984</b>

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	-
<b>Total</b>	<b>3.443.784</b>	<b>-</b>	<b>1.286.912</b>	<b>-</b>

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Debt securities	11.064.395	-	8.858.989	-
<i>Quoted on a stock exchange</i>	11.064.395	-	8.858.989	-
<i>Not quoted</i>	-	-	-	-
Share certificates	91.365	-	85.748	-
<i>Quoted on a stock exchange</i>	56.665	-	51.571	-
<i>Not quoted</i>	34.700	-	34.177	-
Impairment provision(-)	415.815	-	19.556	-
<b>Total</b>	<b>10.739.945</b>	<b>-</b>	<b>8.925.181</b>	<b>-</b>

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

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

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	184.849	-	171.422	-
<b>Total</b>	<b>184.849</b>	<b>-</b>	<b>171.422</b>	<b>-</b>

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	Payment plan extensions Other	Loans and other receivables (Total)	Agreement conditions modified	Payment plan extensions Other
<b>Cash loans</b>						
Non-specialized loans	98.993.126	918.389	-	2.260.966	1.110.116	-
<i>Corporation loans</i>	62.061.649	766.816	-	1.914.988	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>	3.581.651	16.737	-	-	-	-
<i>Consumer loans<sup>(1)</sup></i>	24.195.042	50.326	-	218.891	4.322	-
<i>Credit cards<sup>(2)</sup></i>	2.963.817	-	-	74.058	-	-
<i>Other</i>	1.487.617	1.219	-	31.741	-	-
Specialized lending	22.330.145	132.628	-	193.131	2.120	-
Other receivables	-	-	-	-	-	-
Accruals	1.711.891	14.857	-	34.628	15.694	-
<b>Total</b>	<b>123.035.162</b>	<b>1.065.874</b>	<b>-</b>	<b>2.488.725</b>	<b>1.127.930</b>	<b>-</b>

<sup>(1)</sup> Includes TRY 139.048 of personnel loans.

<sup>(2)</sup> Includes TRY 45.801 of personnel credit cards.

Number of modifications made to extend payment plan	Standard Loans and Other Receivables <sup>(1)</sup>	Loans and Other Receivables Under Close Monitoring <sup>(2)</sup>
Extended by 1 or 2 times	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

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

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

Extended period of time	Standard Loans and Other Receivables <sup>(1)</sup>	Loans and Other Receivables Under Close Monitoring <sup>(2)</sup>
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

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

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

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

(5) Information on loans: (continued)

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

	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
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	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
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	157	-	157
<i>Installment</i>	-	-	-
<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	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
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	105	-	105
<i>Installment</i>	-	-	-
<i>Non-installment</i>	105	-	105
Overdraft accounts-TRY (Retail customer)	421.520	-	421.520
Overdraft accounts-FC (Retail customer)	-	-	-
<b>Total</b>	<b>2.968.571</b>	<b>23.682.406</b>	<b>26.650.977</b>

<sup>(1)</sup> Interest income accruals are not included in the table above.

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

(5) Information on loans: (continued)

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

	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
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	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
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	-	-	-
<i>Installment</i>	-	-	-
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY(Commercial customer)	733.699	-	733.699
Overdraft accounts-FC (Commercial customer)	-	-	-
<b>Total</b>	<b>1.539.167</b>	<b>1.048.616</b>	<b>2.587.783</b>

<sup>(1)</sup> Interest and income accruals are not included in table above.

e) Domestic and foreign loans:

	<b>Current period</b>	<b>Prior period</b>
Domestic loans	124.282.915	100.025.174
Foreign loans	1.240.972	456.112
<b>Total</b>	<b>125.523.887</b>	<b>100.481.286</b>

f) Loans granted to subsidiaries and associates:

	<b>Current period</b>	<b>Prior period</b>
Direct loans granted to subsidiaries and associates	1.020.222	675.395
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>1.020.222</b>	<b>675.395</b>

g) Specific provisions provided against loans:

	<b>Current period</b>	<b>Prior period</b>
Specific provisions		
Loans and receivables with limited collectability	204.566	213.407
Loans and receivables with doubtful collectability	160.680	578.268
Uncollectible loans and receivables	2.580.431	1.622.348
<b>Total</b>	<b>2.945.677</b>	<b>2.414.023</b>

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**I. EXPLANATIONS AND NOTES RELATED TO THE 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:

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period</b>	<b>23.778</b>	<b>15.523</b>	<b>146.488</b>
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	23.778	15.523	146.488
<b>Prior period</b>	<b>45.487</b>	<b>14.610</b>	<b>42.346</b>
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	45.487	14.610	42.346

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
Prior period end balance	332.312	1.452.844	1.914.505
Additions (+)	459.079	16.468	63.536
Transfers from other categories of loans under follow-up (+)	-	371.105	1.603.852
Transfers to other categories of loans under follow-up (-)	396.358	1.578.599	-
Collections (-)	107.600	54.482	205.351
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
<b>Current period end balance</b>	<b>287.433</b>	<b>207.336</b>	<b>3.376.542</b>
Specific provision (-)	204.566	160.680	2.580.431
<b>Net balance on balance sheet</b>	<b>82.867</b>	<b>46.656</b>	<b>796.111</b>

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

(5) Information on loans: (continued)

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period</b>			
Balance at the end of the period	30.254	6.426	1.445.851
Specific provisions (-)	23.929	6.051	922.418
<b>Net balance on balance sheet</b>	<b>6.325</b>	<b>375</b>	<b>523.433</b>
<b>Prior period</b>			
Balance at the end of the period	16.630	1.238.761	168.987
Specific provisions (-)	10.849	430.564	106.439
<b>Net balance on balance sheet</b>	<b>5.781</b>	<b>808.197</b>	<b>62.548</b>

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period (Net)</b>			
Loans to granted real persons and legal entities (Gross)	287.138	206.723	3.322.872
Specific provisions (-)	204.271	160.067	2.526.761
<b>Loans to granted real persons and legal entities (Net)</b>	<b>82.867</b>	<b>46.656</b>	<b>796.111</b>
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	295	613	53.670
Specific provisions (-)	295	613	53.670
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior period (Net)</b>			
Loans to granted real persons and legal entities (Gross)	331.603	1.451.665	1.862.005
Specific provisions (-)	212.698	577.089	1.569.848
<b>Loans to granted real persons and legal entities (Net)</b>	<b>118.905</b>	<b>874.576</b>	<b>292.157</b>
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	709	1.179	52.500
Specific provisions (-)	709	1.179	52.500
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

(5) Information on loans: (continued)

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

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

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

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.



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

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds and similar securities	3.325.298	794.351	3.348.402	416.619
<b>Total</b>	<b>3.325.298</b>	<b>794.351</b>	<b>3.348.402</b>	<b>416.619</b>

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	6.598.493	168.085	6.744.155	248.221
<b>Total</b>	<b>6.598.493</b>	<b>168.085</b>	<b>6.744.155</b>	<b>248.221</b>

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

	Current period	Prior period
Government bonds	17.116.640	17.763.665
Treasury bills	-	-
Other public sector debt securities	-	-
<b>Total</b>	<b>17.116.640</b>	<b>17.763.665</b>

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	17.116.640	17.763.665
<i>Quoted on a stock exchange</i>	<i>16.499.423</i>	<i>17.149.074</i>
<i>Not quoted</i>	<i>617.217</i>	<i>614.591</i>
Impairment provision (-)	-	-
<b>Total</b>	<b>17.116.640</b>	<b>17.763.665</b>

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

	Current period	Prior period
Beginning balance	17.763.665	18.854.586
Foreign currency differences on monetary assets	451.027	89.777
Purchases during the year <sup>(1)</sup>	741.152	3.011.096
Disposals through sales and redemptions	(1.839.204)	(4.191.794)
Impairment provision (-) / provision reversal (+)	-	-
<b>Balance at the of the period</b>	<b>17.116.640</b>	<b>17.763.665</b>

<sup>(1)</sup> Interest income accrual difference between 30 September 2015 amounting to TRY 1.456.738 and 31 December 2014 amounting to TRY 1.541.077 has been included in purchases row.

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

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

(7) Information on associates (Net):

a) Information on associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demirhalkbank NV	Rotterdam/The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara/Turkey	31,47	33,12
3. Kredi Kayıt Bürosu AŞ	İstanbul/Turkey	18,18	18,18
4. Bankalararası Kart Merkezi AŞ	Istanbul/Turkey	18,95	18,95
5. Türk P ve I Sigorta AŞ	İstanbul	16,67	16,67

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

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1. 5.852.777	778.850	28.897	103.013	11.306	27.616	24.324	239.106 <sup>(2)</sup>
2. 47.116	46.708	172	1.858	-	494	252	-
3. 121.443	92.637	49.289	3.569	-	25.246	17.378	-
4. 66.897	35.309	40.725	776	-	9.605	7.882	-
5. 12.778	3.910	547	191	46	(417)	-	-

<sup>(1)</sup> The financial data is obtained from 30 September 2015 financial statements.

<sup>(2)</sup> The fair value of Demirhalkbank NV is obtained from revaluation report prepared as of 30 September 2015.

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	92.553	92.553
Movements during the period	165.636	-
Purchase <sup>(1)</sup>	1.245	-
Bonus shares obtained profit from current year's share	-	-
Dividends from current year income	-	-
Sales	-	-
Transfers	-	-
Revaluation decrease (-) / increase	164.391	-
Provision for impairment (-) / reversals (+)	-	-
<b>Balance at the end of the period</b>	<b>258.189</b>	<b>92.553</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

d) Sectorial information and related carrying amounts of associates:

	Current period	Prior period
Banks	239.106	74.716
Insurance companies	1.245	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	11.518	11.518

e) Associates quoted to a stock exchange:

None.

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

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

(8) Information on subsidiaries (Net):

(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
<b>CORE CAPITAL</b>								
Paid in Capital	82.000	94.000	183.000	743.000	272.250	8.000	109.685	46.500
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share premium	-	-	-	49.945	-	-	11.633	-
Share Cancellation Profits	-	-	-	(20.947)	-	-	-	-
Reserves	9.517	44.572	30.859	50.023	8.429	412	61.810	1.216
Other Comprehensive Income according to TAS	(455)	(446)	(12.254)	(20)	(9)	(12)	239	-
<b>Profit / Loss</b>	<b>3.057</b>	<b>18.757</b>	<b>90.001</b>	<b>35.176</b>	<b>33.121</b>	<b>3.171</b>	<b>28.500</b>	<b>6.858</b>
<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>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>
Leasehold Improvements (-)	-	-	249	-	-	-	3.285	323
Intangible Assets (-)	810	3.613	1.464	583	728	31	1.766	243
Direct and Indirect Investments on its own Tier I Capital (-)	-	-	-	-	-	-	-	-
<b>Total Core Capital</b>	<b>93.309</b>	<b>153.270</b>	<b>289.893</b>	<b>856.594</b>	<b>313.063</b>	<b>11.540</b>	<b>206.816</b>	<b>54.008</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12.838</b>	<b>-</b>
<b>CAPITAL</b>	<b>93.309</b>	<b>153.270</b>	<b>289.893</b>	<b>856.594</b>	<b>313.063</b>	<b>11.540</b>	<b>219.654</b>	<b>54.008</b>
<b>NET AVAILABLE CAPITAL</b>	<b>93.309</b>	<b>153.270</b>	<b>289.893</b>	<b>856.594</b>	<b>313.063</b>	<b>11.540</b>	<b>219.654</b>	<b>54.008</b>

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

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

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

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

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

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

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

(8) Information on subsidiaries (continued)

b) Information on subsidiaries: (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	İstanbul	99,96	99,96
2. Halk Sigorta AŞ	İstanbul	89,18	93,59
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. Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri AŞ	İstanbul	100,00	100,00
10. Cacanska Banka AD	Serbia	76,76	76,76

c) Information related to the subsidiaries as sorted in (b) <sup>(1)(3)</sup>

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value <sup>(2)</sup>
1.	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.	31.890	19.950	4.476	359	802	1.861	3.234	37.859
10.	858.188	131.110	17.033	28.949	363	(605)	-	33.015

<sup>(1)</sup> The financial data is obtained from 30 September 2015 limited reviewed financial statements.

<sup>(2)</sup> The information of Halk Banka AD, Skopje and Cacanska Banka 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.

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

d) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period	2.576.816	2.334.263
Movements during the period	22.974	242.553
Purchases <sup>(1)</sup>	28.907	44.296
Bonus shares obtained profit from current year's share	61.035	140.007
Dividends from current year income	-	-
Sales	-	-
Transfer	-	-
Revaluation increase	(66.968)	58.250
Reversal of provision for impairment (-)	-	-
<b>Balance at the end of the period</b>	<b>2.599.790</b>	<b>2.576.816</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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

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

	<b>Current period</b>	<b>Prior period</b>
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
Other non-financial subsidiaries	37.859	37.859

f) Subsidiaries quoted in the stock exchange:

	<b>Current period</b>	<b>Prior period</b>
Quoted to domestic stock <sup>(1)(2)</sup>	879.972	952.993
Quoted foreign stock exchange	-	-

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

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

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

None.

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

None.

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

None.

(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:

None.

(15) Information on deferred tax assets:

Please refer to Section 5, explanations related to the 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 1.718.739 and does not exceed 10% of the balance sheet total (31 December 2014: TRY 1.099.705).

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

**II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES**

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	<b>Demand</b>	<b>7 day call accounts</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6 months year</b>	<b>1 year and over</b>	<b>Cumulative deposits</b>	<b>Total</b>
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	5.454.928	-	3.760.177	18.623.321	3.958.024	1.243.981	3.484.491	11.697	36.536.619
<i>Residents in Turkey</i>	4.122.085	-	3.699.434	18.143.717	2.792.838	951.441	2.293.706	11.527	32.014.748
<i>Residents abroad</i>	1.332.843	-	60.743	479.604	1.165.186	292.540	1.190.785	170	4.521.871
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	3.077.830	-	3.971.291	12.421.999	1.512.171	37.580	175.186	-	21.196.057
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	4.583.227	-	6.280.988	4.064.833	422.890	924.885	629.235	-	16.906.058
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	11.420	-	6.141.875	2.687.936	206.817	534.748	145	-	9.582.941
<i>Foreign banks</i>	3.972.482	-	139.113	1.376.897	216.073	390.137	629.090	-	6.723.792
<i>Participation banks</i>	599.325	-	-	-	-	-	-	-	599.325
<b>Total</b>	<b>21.534.549</b>	<b>-</b>	<b>18.311.553</b>	<b>65.710.208</b>	<b>7.599.729</b>	<b>4.749.270</b>	<b>4.884.530</b>	<b>113.322</b>	<b>122.903.161</b>

a.2. Prior period:

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

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current period	Prior period	Current period	Prior period
Saving deposits	20.768.005	19.038.326	13.683.977	11.249.274
Foreign currency saving deposits	5.819.223	5.947.571	12.177.978	8.112.662
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	4.395	5.141
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	114.902	-	39.927
Swap transactions	-	132.636	-	135.749
Future transactions	-	-	-	-
Options	41	78	15	763
Other	-	-	-	-
<b>Total</b>	<b>41</b>	<b>247.616</b>	<b>15</b>	<b>176.439</b>

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	289.834	1.238.774	301.378	258.695
Foreign banks, institutions and funds	570.429	18.977.383	639.700	11.430.584
<b>Total</b>	<b>860.263</b>	<b>20.216.157</b>	<b>941.078</b>	<b>11.689.279</b>

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	281.249	8.407.580	289.295	6.552.045
Medium and long-term	579.014	11.808.577	651.783	5.137.234
<b>Total</b>	<b>860.263</b>	<b>20.216.157</b>	<b>941.078</b>	<b>11.689.279</b>

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

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

Main liability of the Bank is deposit, which is composed of 28% of saving deposits and 30% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Bank's 53% of banks deposits and 35% of other deposits consist of foreign currency deposits.



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

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills <sup>(1)</sup>	1.564.928	-	1.522.240	-
Bonds <sup>(2)</sup>	-	7.541.708	-	4.649.617
<b>Total</b>	<b>1.564.928</b>	<b>7.541.708</b>	<b>1.522.240</b>	<b>4.649.617</b>

<sup>(1)</sup> 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 Bank.

<sup>(2)</sup> As of 19 July 2012, the treasury bills amounting to USD 750.000 with maturity of 5 years and as of 5 February 2013 the treasury bills amounting to USD 750.000 with maturity of 7 years, as of 4 June 2014 the treasury bills amounting to USD 500.000 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 Bank.

(5) Explanations to the funds:

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

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 2.148.925 and does not exceed 10% of the balance sheet total (31 December 2014: TRY 1.349.147).

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

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

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

b) Explanation on finance lease payables:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	18	4	-	-
Between 1-4 years <sup>(1)</sup>	164	84	610	562
More than 4 years	172	171	246	163
<b>Total</b>	<b>354</b>	<b>259</b>	<b>856</b>	<b>725</b>

<sup>(1)</sup> Finance lease payables are presented with respect to original maturity.

c) Explanations regarding operational leases:

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

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

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

	<b>Current period</b>	<b>Prior period</b>
<b>General provision</b>	<b>1.124.643</b>	<b>1.268.847</b>
Provisions for first group loans and receivables	950.225	1.134.564
<i>Additional provisions for the loans with extended payment plan</i>	27.393	18.719
Provisions for second group loans and receivables	73.864	46.989
<i>Additional provisions for the loans with extended payment plan</i>	55.612	22.942
Provisions for non-cash loans	100.554	87.294
Other	-	-

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

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

As of 30 September 2015, the Bank's Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables balance is TRY 312 (31 December 2014: TRY 2.997).

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

As of 30 September 2015, the 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 400.779 (31 December 2014: TRY 243.292) consists of TRY 100.999 (31 December 2014: TRY 94.271) for specific provisions for unindemnified non cash loans, TRY 38.531 (31 December 2014: TRY 81.135) for legal cases filed against the Bank, TRY 98.740 (31 December 2014: TRY 67.886) of other provisions.

The 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. 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.

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 Türkiye Halk Bankası AŞ Emekli Sandığı, T.C. Ziraat Bankası and Türkiye Halk Bankası Çalışanları Emekli Sandığı Vakfı was reported.

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

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 30 September 2015, the Bank's corporate tax payable is amounting to TRY 2.495.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	2.495	331.165
Income on securities tax	121.252	107.811
Property income tax	1.257	965
Banking and insurance transactions tax (BITT)	45.232	46.288
Foreign exchange transactions tax	20	11
Value added tax payable	-	-
Other	11.409	22.803
<b>Total</b>	<b>181.665</b>	<b>509.043</b>

a) Information on current tax liability (continued):

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	20	17
Social insurance premiums-employer	25	21
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	-	-
Unemployment insurance-employer	-	-
Other	2.879	1.522
<b>Total</b>	<b>33.208</b>	<b>18.546</b>

b) Information on deferred tax liabilities:

	Current period	Prior period
<b>Deferred Tax Liability</b>		
Provisions <sup>(1)</sup>	158.138	156.021
Revaluation of Financial Assets	(316.122)	86.095
Other	132.157	(3.848)
<b>Deferred Tax Liability:</b>	<b>(25.827)</b>	<b>238.268</b>
<b>Deferred tax accounted in shareholders' equity</b>	<b>897</b>	<b>(121.814)</b>
Fair value differences for available for sale financial assets	49.121	(81.604)
Actuarial Gain/Loss	3.179	3.269
Subsidiary Valuation	-	(43.479)
Revaluation differences of land and buildings	(51.403)	-

<sup>(1)</sup> Provisions are comprised of the employee termination benefits and other provisions.

<sup>(2)</sup> The deferred tax asset due to financial loss with the amount of TRY 132.808 which is owing to the realization of the financial loss as of the balance sheet date, is located in the "other" line.

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

None.

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

None.

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

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

	<b>Current period</b>	<b>Prior period</b>
Common stock	1.250.000	1.250.000
Preferred stock	-	-

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

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

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

None.

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

None.

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

None.

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

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

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	<b>Current period</b>		<b>Prior period</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.019.641	99.158	1.110.219	-
<i>Valuation difference</i>	<i>1.019.641</i>	<i>99.158</i>	<i>1.110.219</i>	-
<i>Exchange rate difference</i>	-	-	-	-
Revaluation difference	(276.811)	(285.524)	169.787	19.378
<i>Valuation difference</i>	<i>(276.811)</i>	<i>(285.524)</i>	<i>144.098</i>	<i>19.378</i>
<i>Exchange rate difference</i>	-	-	25.689	-
<b>Total</b>	<b>742.830</b>	<b>(186.366)</b>	<b>1.280.006</b>	<b>19.378</b>

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

<b>Types of irrevocable commitments</b>	<b>Current period</b>	<b>Prior period</b>
Commitments for credit card expenditure limits	10.849.993	10.312.329
Payment commitments for cheques	5.421.712	5.073.145
Loan granting commitments	2.366.853	2.045.738
Other irrevocable commitments	1.680.413	1.407.592
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
<b>Total</b>	<b>20.818.929</b>	<b>19.452.162</b>

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

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

	<b>Current period</b>	<b>Prior period</b>
Bank acceptance loans	4.827.652	3.899.063
Letters of credit	3.086.853	3.068.156
Other guarantees	872.459	905.190
<b>Total</b>	<b>8.786.964</b>	<b>7.872.409</b>

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

	<b>Current period</b>	<b>Prior period</b>
Letters of certain guarantees	14.258.979	12.623.491
Letters of advance guarantees	3.102.834	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	11.028.846	8.320.617
<b>Total</b>	<b>30.460.050</b>	<b>24.906.183</b>

c) Total non-cash loans:

	<b>Current period</b>	<b>Prior period</b>
Non-cash loans for providing cash loans	903.350	514.563
<i>Within one year or less original maturity</i>	<i>61.289</i>	<i>140.976</i>
<i>Within more than one year maturity</i>	<i>842.061</i>	<i>373.587</i>
Other non-cash loans	38.343.664	32.264.029
<b>Total</b>	<b>39.247.014</b>	<b>32.778.592</b>

d) Information on contingent liabilities and assets:

The Bank has provided TRY 38.531 (31 December 2014: TRY 81.135) of provision for the disputed legal cases filed by various persons and institutions.

e) Services supplied on behalf of others:

None.

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT**

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
<b>Interest on loans <sup>(1)</sup></b>				
Short term loans	1.979.265	101.345	1.652.798	85.221
Medium and long term loans	4.823.279	1.215.128	3.749.542	882.174
Interest on non-performing loans	46.750	-	48.166	-
Premiums from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>6.849.294</b>	<b>1.316.473</b>	<b>5.450.506</b>	<b>967.395</b>

<sup>(1)</sup> Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	15.083	1.388	-	-
Domestic banks	930	526	939	2.230
Overseas banks	2.304	1.350	2.887	1.643
Head office and branches	-	-	-	-
<b>Total</b>	<b>18.317</b>	<b>3.264</b>	<b>3.826</b>	<b>3.873</b>

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	2.055	665	529	517
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	433.818	133.072	542.296	92.736
Held-to-Maturity Investments	1.019.320	75.900	1.349.046	52.128
<b>Total</b>	<b>1.455.193</b>	<b>209.637</b>	<b>1.891.871</b>	<b>145.381</b>

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries and associates	30.334	20.215

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

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	47.391	183.971	38.022	149.030
<i>Domestic banks</i>	15.463	9.775	15.462	8.158
<i>Overseas banks</i>	31.928	174.196	22.560	140.872
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	19	-	4.143	14
<b>Total</b>	<b>47.410</b>	<b>183.971</b>	<b>42.165</b>	<b>149.044</b>

b) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses to subsidiaries and associates	52.539	52.287

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	102.570	238.155	60.645	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			
<b>TRY</b>									
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	226.351	763.574	57.497	19.102	11.725	-	1.078.641	
Other deposits	-	43.242	91.114	16.031	162.079	180	-	312.646	
7 days call accounts	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>568</b>	<b>747.063</b>	<b>2.858.483</b>	<b>172.594</b>	<b>259.066</b>	<b>42.473</b>	<b>5.548</b>	<b>4.085.795</b>	
<b>Foreign currency</b>									
Deposits	68	60.627	248.354	47.082	15.184	51.852	-	423.167	
Bank deposits	-	45.620	-	-	-	-	-	45.620	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>68</b>	<b>106.247</b>	<b>248.354</b>	<b>47.082</b>	<b>15.184</b>	<b>51.852</b>	<b>-</b>	<b>468.787</b>	
<b>Grand total</b>	<b>636</b>	<b>853.310</b>	<b>3.106.837</b>	<b>219.676</b>	<b>274.250</b>	<b>94.325</b>	<b>5.548</b>	<b>4.554.582</b>	

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

(3) Information on dividend income:

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	4.340	3.106
Other	184.337	142.917
<b>Total</b>	<b>188.677</b>	<b>146.023</b>

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

	Current period	Prior period
<b>Profit</b>	<b>15.433.415</b>	<b>12.348.022</b>
Profit from the capital market operations	29.212	236.033
Profit on derivative financial instruments	3.413.531	2.721.134
Foreign exchange gains	11.990.672	9.390.855
<b>Loss (-)</b>	<b>15.604.042</b>	<b>12.307.107</b>
Loss from the capital market operations	938	897
Loss on derivative financial instruments	3.230.978	3.710.680
Foreign exchange losses	12.372.126	8.595.530

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses (*)	687.849	352.235
Receivable from the asset sale on credit terms	50.374	46.094
Provision for communication expenses	6.288	5.723
Rent income	4.938	3.274
Other income	19.789	25.024
<b>Total</b>	<b>769.238</b>	<b>432.350</b>

(\*)The related explanation has been made on page 69.

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	716.765	569.263
<i>Group - III loans and receivables</i>	206.964	406.490
<i>Group - IV loans and receivables</i>	99.092	110.400
<i>Group - V loans and receivables</i>	410.709	52.373
General loan provision expenses	286.130	60.445
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	48.317	54.711
<b>Total</b>	<b>1.213.721</b>	<b>684.419</b>

(\*)The related explanation has been made on page 69.



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

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

(7) Information on other operating expenses:

	<b>Current period</b>	<b>Prior period</b>
Personnel expenses	1.128.493	923.884
Reserve for employee termination benefits	72.889	62.116
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	79.899	74.842
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	11.125	4.694
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	1.050	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	785.640	745.086
<i>Operational leasing expenses</i>	123.532	109.992
<i>Maintenance expenses</i>	19.873	12.834
<i>Advertisement expenses</i>	75.624	82.282
<i>Other expenses</i>	566.611	539.978
Loss on sales of assets	2.697	5.147
Other	487.911	374.438
<b>Total</b>	<b>2.584.384</b>	<b>2.194.237</b>

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

The Bank's income before tax is due from continuing activities. TRY 4.181.371 of the income before tax consists of net interest income, TRY 886.109 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Bank is amounting to TRY 2.056.663.

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

For the nine-month period ended 30 September 2015, the Bank's tax provision amounting to TRY 389.301 consists of TRY 2.495 of current tax charge and TRY 386.806 of deferred tax charge.

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

For the nine-month period ended 30 September 2015; the Bank's net operating income after tax is amounting to TRY 1.667.362.

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

- a) Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Bank's performance for the period between 1 January 2015 and 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 UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

(1) Explanations on inflation adjustments for equity items:

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

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

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

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

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

The “net increase/(decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 2.131.968 (30 September 2014: TRY 7.509.565, increase) thousands increase for the third quarter of the current year. The “others” item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TRY 6.029.142 (30 September 2014: TRY 4.416.174, decrease) thousands decrease third quarter of the current year.

The 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 1.151.406 increase (30 September 2014: TRY 192.952, increase). The average exchange rate of last five weekday has been taken in consideration as of the balance sheet date when calculating the change in the exchange rate.

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

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

<sup>(1)</sup> Others items include cheques received.

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

	<b>Current Period</b>	<b>Prior Period</b>
Cash	23.505.834	19.253.434
<i>Cash in TRY and foreign currency</i>	1.048.820	813.272
<i>Central Bank and others <sup>(1)</sup></i>	22.457.014	18.440.162
Cash Equivalents	4.586.749	1.442.961
<i>Demand and Time Deposits Up to 3 Months</i>	4.586.749	1.442.961
<i>Money Market Placements</i>	-	-
<b>Cash and Banks</b>	<b>28.092.583</b>	<b>20.696.395</b>
Reserve deposits in Central Bank of Turkey	(17.876.758)	(14.832.691)
Accruals on reserve deposits in Central Bank of Turkey	(14.635)	(266)
Accruals on banks	(513)	(565)
<b>Total Cash and Cash Equivalents</b>	<b>10.200.677</b>	<b>5.862.873</b>

<sup>(1)</sup> Others items include cheques received.

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

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

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

a) Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	675.395	309.393	-	-	-	-
Closing balance	1.020.222	237.777	-	-	-	-
Interest and commissions income	30.334	925	-	-	-	-

b) Prior period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	501.111	354.400	-	-	-	-
Closing balance	675.395	309.393	-	-	-	-
Interest and commissions income	20.215	1.401	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
<b>Deposits</b>						
Beginning balance	803.623	961.604	-	-	-	-
Closing Balance	877.385	803.623	-	-	-	-
Interest expense on deposits	50.837	52.287	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
<b>Financial Assets At Fv Through Profit And Loss</b>						
Beginning balance	430	1.305	-	-	-	-
Closing Balance	39.019	430	-	-	-	-
Total Profit/Loss	(57)	(19)	-	-	-	-

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

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

(2) Disclosures for risk group:

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

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

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

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

	<b>Amount</b>	<b>% compared to the amounts in the financial statements</b>
Cash loans	1.020.222	0,82%
Non-cash loans	237.777	0,61%
Deposits	877.385	0,72%
Forward and option contracts	39.019	0,16%
Banks and financial institutions	-	-

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

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

d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 8.729 as of 30 September 2015 (30 September 2014: TRY 6.881).

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

The trade name of the 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 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 BANK'S OPERATIONS**

- II. The 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 unconsolidated 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.