

*(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 2014
With Independent Auditors' Review Report Thereon**
*(Convenience Translation of Unconsolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

30 October 2014

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

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

**INDEPENDENT AUDITORS' REVIEW REPORT
AS OF AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2014**

To the Board of Directors of Türkiye Halk Bankası AŞ;

We have reviewed the unconsolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") as of 30 September 2014 and the unconsolidated statements of income, cash flows and changes in shareholders' equity for the nine-month period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility as independent auditors is to issue a review report on these financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ as of 30 September 2014 and the result of its operations and cash flows for the nine-month period then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 of the ("Turkish") Banking Law No. 5411 and other regulations, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

İstanbul,
30 October 2014

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Partner

TÜRKİYE HALK BANKASI AŞ
THE UNCONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2014

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

The 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** : INDEPENDENT AUDITORS' REVIEW REPORT

Unless otherwise indicated, these unconsolidated financial statements and explanatory footnotes and disclosures as of 30 September 2014 are prepared in thousand Turkish Lira and they have been independently reviewed and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

İstanbul, 30 October 2014

| | | | | | |
|---|--|--|--|---|--|
| Hasan Cebeci | Süleyman Kalkan | Sadık Tiltak | 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 Ayık / Senior Specialist
Tel No : 0312 289 30 29
Fax No : 0312 289 30 50

SECTION ONE

General Information about the Bank

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TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2014

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

SECTION I: GENERAL INFORMATION ABOUT THE 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 2014 the shareholders’ structure and their respective ownerships are summarized as follows:

| Shareholders | 30 September 2014 | % | 31 December 2013 | % |
|--|--------------------------|---------------|-------------------------|---------------|
| Prime Ministry Privatization Administration ^(1,2) | 638.276 | 51,06 | 638.276 | 51,06 |
| Public shares ⁽²⁾ | 611.277 | 48,90 | 611.272 | 48,90 |
| Other shareholders | 447 | 0,04 | 452 | 0,04 |
| Total | 1.250.000 | 100,00 | 1.250.000 | 100,00 |

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

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

⁽³⁾ According to Turkish Commercial Code, 3rd Sub-article added to Article 2 of the Law No: 6327 and 4603 dated 13 June 2012, The Privatization High Council public shares 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 2014
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

| Name | Title | Assignment date | Educational background | Experience in banking and business administration |
|-------------------------|--|-----------------|--|---|
| Hasan CEBECİ | Chairman of the Board of Directors | 13.4.2005 | Ankara Eco. and Com. Science (ECS) Academy - Economy Finance | 35 |
| Süleyman KALKAN | Vice Chairman of the Board of Directors | 1.4.2013 | Ankara University, Faculty of Political Science – International Relations Department. | 31 |
| Ali Fuat TAŞKESENLIOĞLU | Member of the Board of Directors and Chief Executive Officer | 7.2.2014 | Master's Degree: Beykent University Social Science Ins. Business Administration Bachelor Degree: Atatürk University, Faculty of Economic and Administrative Sciences-Business Administration. Doctor's Degree: Washington International University- Doctor of Philosophy in Business Administration. | 26 |
| Emin Süha ÇAYKÖYLÜ | Member of the Board of Directors | 28.3.2003 | Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU – Faculty of Engineering - Mechanical Engineering. Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree: Marmara Uni. Banking and Insurance Ins. – International Banking. | 31 |
| Dr. Nurzahit KESKİN | Member of the Board of Directors | 13.4.2005 | Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance. Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department, 2005-At The Stage of Thesis. | 23 |
| Dr. Ahmet YARIZ | Member of the Board of Directors | 9.4.2008 | Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department. Bachelor Degree: Istanbul Uni. - Business Administration. | 21 |
| İsmail Erol İŞBİLEN | Member of the Board of Directors | 1.4.2013 | Bachelor Degree: Ankara University, Faculty of Political Sciences – Economy and Public Finance Department | 29 |
| Sadık TILTAK | Member of the Board of Directors | 1.4.2014 | Ankara University, Faculty of Political Science-Finance | 26 |
| Yunus KARAN | Member of the Board of Directors | 1.4.2014 | İstanbul Uni. Eco. and Com. Science Academy-FinanceAccounting | 45 |
| Faruk ÖZÇELİK | Member of the Audit Committee | 29.3.2013(**) | Master's Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration. | 4 |
| Ali ARSLAN | Member of the Audit Committee | 29.3.2013(**) | Master's Degree: Cleveland State University Business School(MBA) Bachelor Degree: Çukurova University, Faculty of Economic and Administrative Sciences-Business Administration | 21 |
| Mustafa SAVAŞ | Executive Vice President | 12.8.2002 | Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department. | 23 |
| Erol GÖNCÜ | Executive Vice President | 14.6.2005 | METU Faculty of Arts and Sciences-Mathematics Department. Doctor's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. | 25 |
| Dr. Şahap KAVCIOĞLU | Executive Vice President | 17.6.2005 | Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration. | 23 |
| Selahattin SÜLEYMANOĞLU | Executive Vice President | 1.7.2007 | Master Degree: Selcuk University Social Sciences Ins.- International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration. | 24 |
| Mehmet Akif AYDEMİR | Executive Vice President | 4.3.2010 | Ankara University, Faculty of Political Sciences –Economics. | 27 |
| Mehmet Hakan ATİLLA | Executive Vice President | 11.11.2011 | Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics. Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department | 19 |
| Murat UYSAL | Executive Vice President | 11.11.2011 | Bachelor Degree: Istanbul Uni. - Faculty of Economic and Administrative Sciences- Department of Economics | 16 |
| Erdal ERDEM | Executive Vice President | 27.3.2014 | Bachelor Degree: Afyon Kocatepe Uni. Faculty of Economic and Administrative Sciences-Finance. | 19 |
| Salim KÖSE | Executive Vice President | 10.07.2014 | İstanbul University, Faculty of Law | 24 |
| Ömer Faruk ŞENEL | Executive Vice President | 10.07.2014 | Master Degree: Fatih University, Social Sciences Ins. Master of Business Administration 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 | 20 |
| Mehmet Sebahattin BULUT | Executive Vice President | 10.07.2014 | Bursa Uludağ University, Faculty of Economic and Administrative Sciences - Econometrics | 20 |
| Hasan ÜNAL | Executive Vice President | 10.07.2014 | İstanbul Technical University, Faculty of Business Administration – Business Engineering | 24 |
| Mustafa AYDIN | Executive Vice President | 10.07.2014 | METU Faculty of Economic and Administrative Sciences- Public Administration | 23 |

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

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

(**) Assigned date for Audit Committee.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2014

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

| Name | Title | Assignment Date |
|-------------------------|--|-----------------|
| Ali Fuat TAŞKESENLİOĞLU | Member of the Board of Directors and Chief Executive Officer | 6 February 2014 |
| Sadık TILTAK | Member of the Independent Board of Directors | 31 March 2014 |
| Yunus KARAN | Member of the Board of Directors | 31 March 2014 |
| Erdal ERDEM | Executive Vice President | 25 March 2014 |
| Salim KÖSE | Executive Vice President | 10 July 2014 |
| Ömer Faruk ŞENEL | Executive Vice President | 10 July 2014 |
| Murat OKTAY | Executive Vice President | 10 July 2014 |
| Mehmet Sebahattin BULUT | Executive Vice President | 10 July 2014 |
| Hasan ÜNAL | Executive Vice President | 10 July 2014 |
| Mustafa AYDIN | Executive Vice President | 10 July 2014 |

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2014

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

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

a) General information about the Bank:

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2014

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

SECTION I: GENERAL INFORMATION ABOUT THE 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 2014, the Bank operates with a total of 891 branches consisting of 886 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 35 satellite branches and 1 financial services branches. The 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 2014
(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 2014

(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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

IV. INTEREST INCOME AND EXPENSES

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

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

V. FEES AND COMMISSION INCOME AND EXPENSES

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

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

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

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

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

1. Cash and banks

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

2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

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

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

2.2. Financial assets at fair value through profit and loss

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

The Bank has not any financial assets at fair value through profit and loss as of 30 September 2014 and 31 December 2013.

3. Investments held to maturity

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

4. Financial assets available for sale

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

5. Loans and receivables

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

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

6. Associates and subsidiaries:

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

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

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

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

For loans and receivables; the Bank's management performs consistent loan portfolio reviews and if any doubts on the collectability of the loans arise, the related loans are classified in accordance with legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions ("Communiqué")" published in the Official Gazette numbered 26333 and dated 1 November 2006. The Bank does not limit the provision amount for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount excluding the surety ship type of collaterals defined in the Article 9 of the related legislation. 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 is providing 1% general allowance for cash loans and other receivables; 0.2% general allowances for non-cash loans. In accordance with the communiqué "The change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 28 May 2011 No: 27947 Official Gazette, banks are able to change the terms of the payment plans of their loans and other receivables monitored under standard and other receivables group given that those loans and receivables qualify for the prerequisites. However, if the changes made extend the initial payment plan, a general provision allocated accordingly with the related loans and other receivables given that it is no less than the 5 times of the predetermined ratio and for loans and other receivables followed under close monitoring provision cannot fall below 2,5 times of the designated ratio.

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

XIII. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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

XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XV. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

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

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

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9,8%. Moreover, after the transfer to SII, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2013, no technical deficit has been reported.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVI. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 31 December 2013 has been paid in February 2014, accrued advance tax as of 30 September 2014 will be paid in November 2014.

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

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

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

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. 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 July and November, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporations. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is are higher than the corporate tax payable, the difference is deducted from income tax payable.

Bahrain

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

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 A.Ş. as of 10 May 2007.

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

XIX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXI. EXPLANATIONS ON SEGMENT REPORTING

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

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

XXII. EXPLANATION ON OTHER MATTERS

None.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CAPITAL ADEQUACY RATIO

The capital adequacy ratio calculations are made in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” published in Official Journal No 28337 of 28 June 2012 and “Regulation on Equity of Banks” published in Official Journal No 28756 of 5 September 2013. The solo basis capital adequacy ratio of the Bank is 13,56% as of 30 September 2014. (31 December 2013: 13,91%)

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

1. Information on the unconsolidated capital adequacy ratio:

| Current period | Risk Weights | | | | | | | | |
|--|--------------|-----|-----------|------------|------------|------------|-----------|------------|---------|
| | 0% | 10% | 20% | 50% | 75% | 100% | 150% | 200% | 250% |
| Surplus credit risk weighted | - | - | 698.273 | 13.049.934 | 21.083.804 | 46.426.455 | 3.033.714 | 15.497.240 | 753.668 |
| Risk classifications: | | | | | | | | | |
| Claims on sovereigns and Central Banks | 41.442.642 | - | 2.006 | 3.442.392 | - | - | - | - | - |
| Claims on regional governments or local authorities | 22.046 | - | 201.029 | - | - | - | - | - | - |
| Claims on administrative bodies and other non-commercial undertakings | 18.450 | - | 96.447 | - | - | 423.425 | - | - | - |
| Claims on multilateral development banks | - | - | - | - | - | - | - | - | - |
| Claims on international organizations | - | - | - | - | - | - | - | - | - |
| Claims on banks and intermediary institutions | 1.033.386 | - | 2.205.205 | 2.231.795 | - | 103.651 | - | - | - |
| Claims on corporates | 379.637 | - | 180.390 | - | - | 45.728.715 | - | - | - |
| Claims included in the regulatory retail portfolios | 1.404.991 | - | 125.265 | - | 28.152.842 | 707.471 | - | - | - |
| Claims secured by residential property | 23.366 | - | 3.470 | 21.968.379 | 67.783 | - | - | - | - |
| Overdue loans | - | - | - | 154.297 | - | 1.339.181 | - | - | - |
| Higher risk categories decided by the Board | - | - | - | - | - | - | 2.260.623 | 8.005.325 | 32.445 |
| Secured by mortgages | - | - | - | - | - | - | - | - | - |
| Securitization positions | - | - | - | - | - | - | - | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - | - | - | - | - | - |
| Undertakings for collective investments in mutual funds | - | - | - | - | - | - | - | - | - |
| Other receivables | 3.173.222 | - | 801.803 | - | 204.282 | 3.471.212 | - | - | 240.663 |
| Risk Weights | | | | | | | | | |
| Prior period | 0% | 10% | 20% | 50% | 75% | 100% | 150% | 200% | 250% |
| Surplus credit risk weighted | - | - | 769.511 | 12.410.776 | 18.463.130 | 42.695.656 | 2.831.976 | 16.252.590 | 55.233 |
| Risk classifications: | | | | | | | | | |
| Claims on sovereigns and Central Banks | 37.852.013 | - | 3.019 | 2.962.044 | - | - | - | - | - |
| Claims on regional governments or local authorities | 12.789 | - | 146.101 | - | - | - | - | - | - |
| Claims on administrative bodies and other non-commercial undertakings | 5.994 | - | 90.171 | - | - | 198.700 | - | - | - |
| Claims on multilateral development banks | - | - | - | - | - | - | - | - | - |
| Claims on international organizations | - | - | - | - | - | - | - | - | - |
| Claims on banks and intermediary institutions | 905.334 | - | 2.847.484 | 1.249.649 | - | 77.716 | - | - | - |
| Claims on corporates | 352.281 | - | 196.735 | 116.148 | - | 38.105.789 | - | - | - |
| Claims included in the regulatory retail portfolios | 1.360.345 | - | 121.908 | - | 24.348.943 | 581.744 | - | - | - |
| Claims secured by residential property | 24.109 | - | 5.046 | 20.362.629 | - | - | - | - | - |
| Overdue loans | - | - | - | 131.082 | - | 303.767 | - | - | - |
| Higher risk categories decided by the Board | - | - | - | - | - | - | 1.887.984 | 8.126.295 | 22.093 |
| Secured by mortgages | - | - | - | - | - | - | - | - | - |
| Securitization positions | - | - | - | - | - | - | - | - | - |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | - | - | - | - | - | - | - | - | - |
| Undertakings for collective investments in mutual funds | - | - | - | - | - | - | - | - | - |
| Other receivables | 2.831.355 | - | 437.091 | - | 268.563 | 3.427.940 | - | - | - |

2. Capital adequacy ratio summary:

| | Current Period | Prior Period |
|---|----------------|--------------|
| Capital to be employed for credit risk (Amount subject to credit risk*0,08) (I) | 8.623.860 | 7.478.310 |
| Capital to be employed for market risk (II) | 377.683 | 243.150 |
| Capital to be employed for operational risk (III) | 810.323 | 712.998 |
| Shareholders' equity | 16.632.249 | 14.663.982 |
| Shareholders' equity /((I+II+III) *12,5*100) | 13,56 | 13,91 |
| Core capital /((I+II+III)*12,5*100) | 12,67 | |
| Tier I Capital/((I+II+III)*12,5*100) | 12,70 | |

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

3. Information on equity items:

| | Current period |
|---|-----------------------|
| TIER I CAPITAL | |
| Paid-in Capital to be Entitled for Compensation after All Creditors | 2.470.451 |
| Share premium | - |
| Share Cancellation Profits | - |
| Reserves | 10.579.771 |
| Other Comprehensive Income according to TAS | 825.169 |
| Profit | 1.764.081 |
| Net Current Period Profit | 1.764.081 |
| Prior Period Profit | - |
| Provisions for Possible Losses | - |
| Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit | 8.769 |
| Tier I Capital Before Deductions | 15.648.241 |
| Deductions from Tier I Capital | |
| Current and Prior Period's Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-) | - |
| Leasehold Improvements on Operational Leases (-) | 59.881 |
| Goodwill and Other Intangible Assets and Related Deferred Tax Liabilities (-) | 10.875 |
| 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 | 70.756 |
| Total Tier I Capital | 15.577.485 |
| ADDITIONAL CORE CAPITAL | |
| Preferred Stock not Included in Tier I Capital and the Related Share Premiums | - |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) | - |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) | - |
| Additional Core Capital before Deductions | - |
| Deductions from Additional Core Capital | |
| Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | - |
| Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks of Financial Institutions where the Bank Owns more than 10% of Issued Share Capital (-) | - |
| Other Items to be Defined by the BRSA (-) | - |
| Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) | - |

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

3. Information on equity items: (continued)

| | Current period |
|---|-------------------|
| Total Deductions from Additional Core Capital | - |
| Total Additional Core Capital | - |
| Deductions from Core Capital | 43.501 |
| 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 (-) | 43.501 |
| Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - |
| Total Core Capital | 15.533.984 |
| TIER II CAPITAL | |
| Debt Instruments and Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) | - |
| Debt Instruments and Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) | - |
| Pledged Assets of the Shareholders to be used for the Bank's Capital Increases | - |
| General Provisions | 1.195.132 |
| Tier II Capital before Deductions | 1.195.132 |
| Deductions from Tier II Capital | |
| Direct and Indirect Investments of the Bank on its own Tier II Capital (-) | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | - |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-) | - |
| Other items to be Defined by the BRSA (-) | - |
| Total Deductions from Tier II Capital | - |
| Total Tier II Capital | 1.195.132 |
| CAPITAL | 16.729.116 |
| Loans Granted against the Articles 50 and 51 of the Banking Law (-) | - |
| Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-) | 45.025 |
| Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) | - |
| Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | |
| Other items to be Defined by BRSA (-) | 51.842 |
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) | |
| The Portion of Total of Net Long Positions of the Investments in equity Items of Unconsolidated Banks and Financial Institutions where the Banks Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) | |
| The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) | |
| EQUITY | 16.632.249 |
| Amounts Below the Thresholds for Deduction | |
| Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital | 15.113 |
| Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital | - |
| Remaining Mortgage Servicing Rights | - |
| Net Deferred Tax Assets arising from Temporary Differences | 191.155 |

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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)

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK

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

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

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

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

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

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

As of 30 September 2014, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 19,61% and 24,73% of its total cash loans.

As of 30 September 2014, receivables of the Bank from its top 100 and 200 non-cash loan customers are respectively 52,33% and 63,40% of its total non-cash loans.

As of 30 September 2014, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 15,68% and 20,21% of its total balance sheet and off-balance sheet assets.

As of 30 September 2014, general loan loss provision related to the credit risk incurred by the 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 1.195.132 (31 December 2013: TRY 1.134.717).

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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 28337 of 28 June 2012 by .

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

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

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

a) Information related to market risk:

| | Current Period | Prior Period |
|---|---------------------------|-------------------------|
| (I) Capital requirement to be employed for general market risk | 214.354 | 179.935 |
| (II) Capital requirement to be employed for specific risk | 39.863 | 32.966 |
| (III) Capital requirement to be employed for specific risk in securitization positions- Standard Method | - | - |
| (IV)Capital requirement to be employed for currency risk | 118.583 | 25.735 |
| (V)Capital requirement to be employed for commodity risk | - | - |
| (VI)Capital requirement to be employed for clearing risk | - | - |
| (VII)Total capital requirement to be employed for counterparty credit risk-Standard method | 509 | 96 |
| (VIII)Capital requirement to be employed for general market risk. | 4.374 | 4.418 |
| (IX) Total capital requirement to be employed for market risk | - | - |
| (X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII) | 377.683 | 243.150 |
| (XI) Market Value at Risk (12,5 x IX) or (12,5 x X) | 4.721.038 | 3.039.375 |

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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.

| | Amount* |
|----------------------------------|----------------|
| Contracts based on Interest rate | 5.782 |
| Contracts based on currency | 90.297 |
| Contracts based on commodity | - |
| Contracts based on stocks | - |
| Other | - |
| Gross Positive Fair Value | 96.079 |
| Benefits of clarification | - |
| Clarified current risk amount | - |
| The securities which are held | 115.604 |
| The net position of derivatives | 96.079 |

(*) 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 28337 on 28 June 2012. In the Basic Indicator Method, the amount subject to operational risk is calculated by multiplying 15% of the Bank's average gross revenue over the previous three years with 12,5. Amount subject to operational risk is TRY 10.129.038 for the current period. (31 December 2013: TRY 8.912.469)

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

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

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

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

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V. EXPLANATIONS RELATED TO THE CURRENCY RISK (continued)

Information related to currency risk:

| Current Period | EURO | USD | OTHER FC | TOTAL |
|--|---------------------|-------------------|------------------|--------------------|
| Assets | | | | |
| Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey | 3.182.956 | 10.736.271 | 2.498.221 | 16.417.448 |
| Banks | 1.110.579 | 203.068 | 81.865 | 1.395.512 |
| Financial assets at fair value through profit and loss ⁽³⁾ | 16.066 | 72.424 | 475 | 88.965 |
| Money market placements | - | - | - | - |
| Financial assets available-for-sale ⁽⁵⁾ | 755.272 | 1.656.401 | - | 2.411.673 |
| Loans ⁽²⁾ | 9.059.123 | 16.775.431 | 228.213 | 26.062.767 |
| Subsidiaries, associates and entities under common control ⁽⁵⁾ | - | - | - | - |
| Held-to-maturity investments | - | 1.466.961 | - | 1.466.961 |
| Derivative financial assets held for risk management | - | - | - | - |
| Tangible assets | - | - | 96 | 96 |
| Intangible assets | - | - | - | - |
| Other assets ⁽³⁾ | 57.562 | 84.214 | 55 | 141.831 |
| Total assets | 14.181.558 | 30.994.770 | 2.808.925 | 47.985.253 |
| Liabilities | | | | |
| Bank deposits | 5.985.207 | 2.212.017 | 503.926 | 8.701.150 |
| Foreign currency deposits | 13.871.520 | 11.102.449 | 1.799.520 | 26.773.489 |
| Money market balances | - | - | - | - |
| Funds provided from other financial institutions | 5.174.053 | 5.534.327 | 420 | 10.708.800 |
| Bonds issued | - | 4.523.687 | - | 4.523.687 |
| Sundry creditors | 3.157 | 43.092 | 85 | 46.334 |
| Derivative financial liabilities held for risk management | - | - | - | - |
| Other liabilities ⁽³⁾ | 108.922 | 157.583 | 27.884 | 294.389 |
| Total liabilities | 25.142.859 | 23.573.155 | 2.331.835 | 51.047.849 |
| Net balance sheet position | (10.961.301) | 7.421.615 | 477.090 | (3.062.596) |
| Net off-balance sheet position | | | | |
| Financial derivative assets ⁽⁴⁾ | 11.254.638 | 2.568.505 | 826.049 | 14.649.192 |
| Financial derivative liabilities ⁽⁴⁾ | 586.497 | 11.114.193 | 1.295.454 | 12.996.144 |
| Non-cash loans ⁽¹⁾ | 4.418.073 | 10.747.155 | 552.350 | 15.717.578 |
| Prior period | | | | |
| Total assets | 19.134.339 | 26.143.739 | 2.528.749 | 47.806.827 |
| Total liabilities | 26.019.911 | 23.308.328 | 2.608.820 | 51.937.059 |
| Net balance sheet position | (6.885.572) | 2.835.411 | (80.071) | (4.130.232) |
| Net off-balance sheet position | | | | |
| Financial derivative assets | 7.538.178 | 1.528.531 | 521.062 | 9.587.771 |
| Financial derivative liabilities | 934.551 | 4.354.082 | 436.731 | 5.725.364 |
| Non-cash loans ⁽¹⁾ | 3.975.105 | 9.852.417 | 398.172 | 14.225.694 |

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

⁽²⁾ Includes TRY 937.906 of foreign currency indexed loans and their accruals. (31 December 2013: TRY 861.262)

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 40.341), prepaid expenses (TRY 75) in assets; and derivative financial instruments foreign currency expense accruals (TRY 248.538) and shareholders' equity (TRY 74.691) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounted to TRY 59.907. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 821.249. Besides forward asset purchase commitments are included.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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.

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

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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 repricing dates:

| Current period | Up to 1 month | 1-3 months | 3-12 Months | 1-5 years | 5 years and over | Non-interest bearing | Total |
|--|----------------------|--------------------|--------------------|-------------------|-------------------------|-----------------------------|--------------------|
| Assets | | | | | | | |
| Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey | 17.803 | - | - | - | - | 19.235.631 | 19.253.434 |
| Banks and financial institutions | 1.168.397 | 2.035 | 16.791 | - | - | 269.738 | 1.456.961 |
| Financial assets at fair value through profit and loss | 116.964 | 905 | 9.128 | 11.552 | 65 | - | 138.614 |
| Money market placements | - | - | - | - | - | - | - |
| Financial assets available-for-sale | 1.821.845 | 987.280 | 1.389.959 | 2.015.770 | 2.992.267 | 62.604 | 9.269.725 |
| Loans | 34.558.693 | 9.216.236 | 24.748.893 | 20.246.452 | 3.455.754 | 2.391.805 | 94.617.833 |
| Held-to-maturity investments | 8.930.715 | 1.258.258 | 1.495.661 | 2.184.855 | 4.450.329 | - | 18.319.818 |
| Other assets ^{(1), (2)} | 4.777 | 8.581 | 26.254 | 66.197 | 23.279 | 6.623.130 | 6.752.218 |
| Total assets | 46.619.194 | 11.473.295 | 27.686.686 | 24.524.826 | 10.921.694 | 28.582.908 | 149.808.603 |
| Liabilities | | | | | | | |
| Bank deposits | 10.157.301 | 2.326.719 | 52.924 | - | - | 5.320.597 | 17.857.541 |
| Other deposits | 46.666.099 | 15.935.201 | 5.804.999 | 186.802 | - | 15.011.700 | 83.604.801 |
| Money market balances | 7.550.177 | 118 | - | - | - | - | 7.550.295 |
| Sundry creditors | 750.746 | - | 918.343 | - | - | 123.473 | 1.792.562 |
| Bonds issued | - | 609.922 | 43.735 | 2.802.475 | 1.677.477 | 953.671 | 6.087.280 |
| Funds provided from other financial institutions ⁽⁴⁾ | 818.614 | 1.784.764 | 5.658.933 | 1.124.518 | 396.285 | 1.711.402 | 11.494.516 |
| Other liabilities ⁽³⁾ | 1.742.816 | 66.686 | 665.476 | - | - | 18.946.630 | 21.421.608 |
| Total liabilities | 67.685.753 | 20.723.410 | 13.144.410 | 4.113.795 | 2.073.762 | 42.067.473 | 149.808.603 |
| Balance sheet long position | - | - | 14.542.276 | 20.411.031 | 8.847.932 | - | 43.801.239 |
| Balance sheet short position | (21.066.559) | (9.250.115) | - | - | - | (13.484.565) | (43.801.239) |
| Off-balance sheet long position | - | 570.862 | 2.493 | 29.875 | 410.728 | - | 1.013.958 |
| Off-balance sheet short position | - | (460.109) | (90.934) | (34.362) | (411.392) | - | (996.797) |
| Total position | (21.066.559) | (9.139.362) | 14.453.835 | 20.406.544 | 8.847.268 | (13.484.565) | 17.161 |

⁽¹⁾ TRY 159.429 of deferred tax assets is disclosed under the non-interest bearing column in other assets.

⁽²⁾ TRY 1.493.478 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

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

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

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

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

1. Average interest rates applied to financial instruments:

| Current period | EURO | USD | JPY | TRY |
|--|-------------|------------|------------|------------|
| Assets | | | | |
| Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾ | 0,50 | - | - | 3,50 |
| Due from other banks and financial institutions ⁽¹⁾ | 0,50 | 0,35 | - | 10,10 |
| Financial assets at fair value through profit and loss | - | 2,04 | - | 9,45 |
| Money market placements | - | - | - | - |
| Available-for-sale financial assets | 5,32 | 5,70 | - | 9,29 |
| Loans ⁽²⁾ | 4,75 | 4,83 | - | 11,61 |
| Held-to-maturity investments | - | 5,91 | - | 9,09 |
| Liabilities | | | | |
| Bank deposits | 0,24 | 1,06 | - | 8,35 |
| Other deposits ⁽⁴⁾ | 2,06 | 1,99 | 0,25 | 8,45 |
| Money market borrowings | - | - | - | 8,29 |
| Sundry creditors ⁽³⁾ | - | - | - | 3,56 |
| Bonds issued | - | 4,47 | - | 9,11 |
| Funds provided from other financial institutions | 1,14 | 1,64 | - | 7,30 |
| Prior Period | | | | |
| Assets | | | | |
| Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey | 0,50 | - | - | 3,50 |
| Due from other banks and financial institutions | 0,28 | 0,41 | - | 8,48 |
| Financial assets at fair value through profit and loss | - | 3,20 | - | 9,80 |
| Money market placements | - | - | - | - |
| Available-for-sale financial assets | 5,41 | 6,00 | - | 8,47 |
| Loans | 4,26 | 4,15 | - | 11,04 |
| Held-to-maturity investments | - | 5,89 | - | 8,95 |
| Liabilities | | | | |
| Bank deposits | 0,53 | 1,29 | - | 8,83 |
| Other deposits | 2,82 | 2,64 | 0,25 | 8,19 |
| Money market borrowings | 0,55 | 1,09 | - | 6,00 |
| Sundry creditors | - | - | - | 3,56 |
| Bonds issued | - | 4,38 | - | 9,13 |
| Funds provided from other financial institutions | 1,15 | 1,68 | - | 7,95 |

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

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

⁽³⁾ 75% of the declared maximum deposits interest rate with a maturity of nine months as of 30 September 2014.

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

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

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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.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO THE POSITION RISK OF SHARES

Information about position risk of shares:

| Equities | Comparison | | |
|---|---------------------|-------------------|----------------|
| | Balance Sheet Value | Fair Value Change | Market Value |
| 1. Associates | 92.553 | - | - |
| Quoted in a stock exchange | - | - | - |
| 2. Subsidiaries | 2.345.302 | 2.199.943 | 557.536 |
| Quoted in a stock exchange⁽¹⁾ | 881.354 | 881.354 | 557.536 |
| Traded on Free Trading Platform ⁽¹⁾ | 323.818 | 323.818 | - |
| Investments securities for Group A ^{(2),(3)} | 557.536 | 557.536 | 557.536 |
| Unquoted in a stock exchange | 1.463.948 | 1.318.589 | - |

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

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

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

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

| Portfolio | Revaluated appreciation in the fair value | | | Unrealized gains and losses | | |
|---|---|----------------|-----------------------------------|-----------------------------|--------------------------------|-----------------------------------|
| | Realized gains (losses) in the current period | Total | Included to supplementary capital | Total | Included to total core capital | Included to supplementary capital |
| 1. Private equity investments | - | - | - | - | - | - |
| 2. Share Certificates quoted in a stock exchange ^{(1) (2)} | - | 243.364 | 243.364 | 55.253 | 55.253 | - |
| 3. Other share certificates | - | 623.566 | 623.566 | - | - | - |
| Total | - | 866.930 | 866.930 | 55.253 | 55.253 | - |

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK

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

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK (continued)

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

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

| Current period | Demand | Up to 1 month | 1-3 months | 3-12 Months | 1-5 years | 5 years and over | Undistributed | Total |
|--|---------------------|----------------------|--------------------|--------------------|-------------------|-------------------------|----------------------|--------------------|
| Assets | | | | | | | | |
| Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey | 4.420.468 | 4.869.003 | 5.827.210 | 3.927.724 | 208.678 | 351 | - | 19.253.434 |
| Banks | 269.738 | 1.168.397 | 2.035 | 16.791 | - | - | - | 1.456.961 |
| Financial assets at fair value through profit and loss | - | 87.855 | 12.639 | 26.503 | 11.552 | 65 | - | 138.614 |
| Money market placements | - | - | - | - | - | - | - | - |
| Financial assets available-for-sale | - | 114.991 | 275.724 | 995.844 | 2.997.279 | 4.823.283 | 62.604 | 9.269.725 |
| Loans ⁽²⁾ | 1.057.211 | 7.187.207 | 7.349.753 | 31.897.024 | 40.133.036 | 6.993.602 | - | 94.617.833 |
| Held-to-maturity investments | - | 1.088.072 | 439.307 | 2.586.618 | 4.165.208 | 10.040.613 | - | 18.319.818 |
| Other assets ⁽³⁾ | 799.777 | 19.805 | 2.721 | 17.086 | 66.197 | 23.279 | 5.823.353 | 6.752.218 |
| Total assets | 6.547.194 | 14.535.330 | 13.909.389 | 39.467.590 | 47.581.950 | 21.881.193 | 5.885.957 | 149.808.603 |
| Liabilities | | | | | | | | |
| Bank deposits | 5.320.597 | 10.157.301 | 2.326.719 | 52.924 | - | - | - | 17.857.541 |
| Other deposits | 15.011.700 | 46.659.636 | 15.923.758 | 5.727.594 | 277.102 | 5.011 | - | 83.604.801 |
| Funds provided from other financial institutions ⁽⁴⁾ | 1.723.217 | 603.054 | 1.369.356 | 3.378.187 | 2.890.896 | 1.529.806 | - | 11.494.516 |
| Money market balances | - | 7.550.177 | 118 | - | - | - | - | 7.550.295 |
| Bonds issued | 953.671 | - | 609.922 | 43.735 | 2.802.475 | 1.677.477 | - | 6.087.280 |
| Sundry creditors | 130.735 | 775.499 | 60.796 | 247.850 | 577.532 | 150 | - | 1.792.562 |
| Other liabilities ⁽¹⁾ | 3.309.225 | 410.946 | 267.246 | 1.305.988 | 252.831 | 193.123 | 15.682.249 | 21.421.608 |
| Total liabilities | 26.449.145 | 66.156.613 | 20.557.915 | 10.756.278 | 6.800.836 | 3.405.567 | 15.682.249 | 149.808.603 |
| Liquidity gap | (19.901.951) | (51.621.283) | (6.648.526) | 28.711.312 | 40.781.114 | 18.475.626 | (9.796.292) | - |
| Previous period | | | | | | | | |
| Total assets | 6.755.597 | 12.526.335 | 14.239.625 | 37.206.041 | 45.793.673 | 19.225.222 | 4.197.014 | 139.943.507 |
| Total liabilities | 22.147.002 | 55.119.127 | 20.925.873 | 18.098.215 | 5.779.298 | 3.480.824 | 14.393.168 | 139.943.507 |
| Liquidity gap | (15.391.405) | (42.592.792) | (6.686.248) | 19.107.826 | 40.014.375 | 15.744.398 | (10.196.154) | - |

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

⁽²⁾ TRY 1.493.478 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

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

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

IX. EXPLANATIONS RELATED TO THE SECURITIZATION POSITIONS:

Securitization positions:

None.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

X. EXPLANATIONS RELATED TO THE CREDIT RISK MITIGATION TECHNIQUES:

Credit risk mitigation techniques:

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

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

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

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

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

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

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

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

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

Information about guaranties according to risk classifications:

| Risk Classifications | Amount | Financial guaranties | Other/Physical guaranties | Guarantees and credit derivatives |
|--|---------------|-----------------------------|----------------------------------|--|
| Claims on sovereigns and Central Banks | 44.887.040 | 5.863.694 | - | - |
| Claims on regional governments or local authorities | 223.075 | 24.437 | - | - |
| Claims on administrative bodies and other non-commercial undertakings | 538.322 | 24.038 | - | 100 |
| Claims on multilateral development banks | - | - | - | - |
| Claims on international organizations | - | - | - | - |
| Claims on banks and intermediary institutions | 5.574.037 | 102.634 | - | - |
| Claims on corporate | 46.288.742 | 654.119 | - | 225.340 |
| Claims included in the regulatory retail portfolios | 30.390.569 | 1.622.004 | - | 142.676 |
| Claims secured by residential property | 22.062.998 | 26.940 | - | - |
| Overdue loans | 1.493.478 | - | 154.297 | - |
| Higher risk categories decided by the Board | 10.298.393 | - | - | - |
| 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 | 7.891.182 | - | - | - |

(*)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.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

Liquidity Risk:

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 30 September 2014 are presented in the table below.

| Current Period | Corporate | Commercial | SME/ Integrated | Treasury / Investment⁽¹⁾ | Elimination⁽²⁾ | Total |
|---|-------------------|-------------------|----------------------------|--|----------------------------------|--------------------|
| OPERATING INCOME / EXPENSES | | | | | | |
| Interest income | 1.306.761 | 935.562 | 8.322.714 | 6.647.433 | (8.745.378) | 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⁽²⁾</i> | 532.248 | 132.054 | 3.798.239 | 4.287.077 | (8.745.378) | 4.240 |
| Interest expense | 896.936 | 523.766 | 6.603.079 | 5.491.512 | (8.745.378) | 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 bonds issued</i> | - | - | - | 190.901 | - | 190.901 |
| <i>Other interest expense⁽²⁾</i> | 392.761 | 399.890 | 3.573.868 | 4.458.289 | (8.745.378) | 79.430 |
| Net interest income | 409.825 | 411.796 | 1.719.635 | 1.155.921 | - | 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 |
| Income before taxes | 324.118 | 390.504 | 1.082.646 | 360.304 | - | 2.157.572 |
| Income tax provision | - | - | - | (393.491) | - | (393.491) |
| Net profit for the period | 324.118 | 390.504 | 1.082.646 | (33.187) | - | 1.764.081 |
| SEGMENT ASSETS | | | | | | |
| Marketable securities | - | - | - | 27.611.333 | - | 27.611.333 |
| Derivative financial assets held for trading | - | - | - | 116.824 | - | 116.824 |
| Banks and money market receivables | - | - | - | 1.456.961 | - | 1.456.961 |
| Associates and subsidiaries (net) | - | - | - | 2.437.855 | - | 2.437.855 |
| Loans | 15.656.169 | 14.638.946 | 58.166.788 | 7.649.408 | - | 96.111.311 |
| Other assets ⁽¹⁾ | 1.211 | 12.707 | 792.830 | 21.267.571 | - | 22.074.319 |
| TOTAL ASSETS | 15.657.380 | 14.651.653 | 58.959.618 | 60.539.952 | - | 149.808.603 |
| SEGMENT LIABILITIES | | | | | | |
| Deposits | 11.933.188 | 4.206.611 | 66.235.136 | 19.087.407 | - | 101.462.342 |
| Derivative financial liabilities held for trading | - | - | - | 275.372 | - | 275.372 |
| Money market balances | - | - | - | 7.550.295 | - | 7.550.295 |
| Borrowing funding loans | 19.355 | 236.106 | 348.512 | 10.890.543 | - | 11.494.516 |
| Bonds issued | - | - | - | 6.087.280 | - | 6.087.280 |
| Other liabilities | 171.140 | 197.371 | 3.198.540 | 1.566.593 | - | 5.133.644 |
| Provisions and tax payable | 34.248 | 27.330 | 119.758 | 1.975.577 | - | 2.156.913 |
| Shareholders' equity | - | - | - | 15.648.241 | - | 15.648.241 |
| TOTAL LIABILITIES | 12.157.931 | 4.667.418 | 69.901.946 | 63.081.308 | - | 149.808.603 |
| OFF BALANCE SHEET ITEMS | | | | | | |
| Guarantees and surety ships | 9.735.468 | 6.799.997 | 7.926.916 | 5.555.645 | - | 30.018.026 |
| Commitments | 46.995 | 600.054 | 7.390.034 | 11.290.042 | - | 19.327.125 |
| Derivative financial instruments | - | - | - | 31.580.615 | - | 31.580.615 |

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.122.790 (net) and deferred tax assets amounting TRY 154.429 in other assets are presented under the Treasury / Investment column.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

| Prior Period (30 September 2013) | Corporate | Commercial | SME/ Integrated | Treasury / Investment⁽¹⁾ | Elimination⁽²⁾ | Total |
|---|-------------------|-------------------|----------------------------|--|----------------------------------|--------------------|
| OPERATING INCOME / EXPENSES | | | | | | |
| Interest income | 872.141 | 676.800 | 6.418.540 | 4.968.987 | (6.283.380) | 6.653.088 |
| <i>Interest on loans</i> | 566.751 | 562.663 | 3.831.352 | 270.755 | - | 5.231.521 |
| <i>Interest income on marketable securities</i> | - | - | - | 1.408.626 | - | 1.408.626 |
| <i>Interest received from banks</i> | - | - | - | 7.827 | - | 7.827 |
| <i>Other interest income⁽²⁾</i> | 305.390 | 114.137 | 2.587.188 | 3.281.779 | (6.283.380) | 5.114 |
| Interest expense | 502.907 | 370.236 | 5.008.618 | 3.454.243 | (6.283.380) | 3.052.624 |
| <i>Interest on deposits</i> | 296.462 | 105.857 | 2.136.481 | 124.648 | - | 2.663.448 |
| <i>Interest on borrowings</i> | 2.081 | 11.038 | 10.409 | 132.392 | - | 155.920 |
| <i>Interest on money market borrowings</i> | - | - | - | 66.394 | - | 66.394 |
| <i>Interest on marketable securities issued</i> | - | - | - | 126.791 | - | 126.791 |
| <i>Other interest expense⁽²⁾</i> | 204.364 | 253.341 | 2.861.728 | 3.004.018 | (6.283.380) | 40.071 |
| Net interest income | 369.234 | 306.564 | 1.409.922 | 1.514.744 | - | 3.600.464 |
| Net fees and commissions income | 121.064 | 75.578 | 425.788 | 62.797 | - | 685.227 |
| Net trading profit / (loss) | - | - | - | 324.559 | - | 324.559 |
| Dividend income | - | - | - | 88.291 | - | 88.291 |
| Other income | 37.856 | 33.878 | 245.281 | 95.163 | - | 412.178 |
| Loans and other receivables' impairment loss | 15.284 | 68.708 | 290.365 | 290.924 | - | 665.281 |
| Other expenses | 19.825 | 48.273 | 899.252 | 990.873 | - | 1.958.223 |
| Income before taxes | 493.045 | 299.039 | 891.374 | 803.757 | - | 2.487.215 |
| Income tax provision | - | - | - | (476.914) | - | (476.914) |
| Net profit for the period | 493.045 | 299.039 | 891.374 | 326.843 | - | 2.010.301 |
| SEGMENT ASSETS (31 December 2013) | | | | | | |
| Marketable securities | - | - | - | 28.419.180 | - | 28.419.180 |
| Derivative financial assets held for trading | - | - | - | 139.687 | - | 139.687 |
| Banks and money market receivables | - | - | - | 1.848.776 | - | 1.848.776 |
| Associates and subsidiaries (net) | - | - | - | 2.426.816 | - | 2.426.816 |
| Loans | 13.631.524 | 12.780.356 | 51.364.586 | 7.071.824 | - | 84.848.290 |
| Other assets ⁽¹⁾ | 1.582 | 11.057 | 883.741 | 21.364.378 | - | 22.260.758 |
| TOTAL ASSETS | 13.633.106 | 12.791.413 | 52.248.327 | 61.270.661 | - | 139.943.507 |
| SEGMENT LIABILITIES (31 December 2013) | | | | | | |
| Deposits | 13.683.623 | 4.518.277 | 67.171.161 | 15.383.136 | - | 100.756.197 |
| Derivative financial liabilities held for trading | - | - | - | 43.848 | - | 43.848 |
| Money market balances | - | - | - | 771.416 | - | 771.416 |
| Borrowing funding loans | 20.257 | 315.600 | 417.038 | 12.862.260 | - | 13.615.155 |
| Bonds issued | - | - | - | 4.164.684 | - | 4.164.684 |
| Other liabilities | 111.541 | 201.343 | 2.939.419 | 1.096.278 | - | 4.348.581 |
| Provisions and tax payable | 21.488 | 21.027 | 120.307 | 1.935.031 | - | 2.097.853 |
| Shareholders' equity | - | - | - | 14.145.773 | - | 14.145.773 |
| TOTAL LIABILITIES | 13.836.909 | 5.056.247 | 70.647.925 | 50.402.426 | - | 139.943.507 |
| OFF BALANCE SHEET ITEMS | | | | | | |
| Guarantees and surety ships | 13.710.270 | 6.326.256 | 6.746.366 | 255.285 | - | 27.038.177 |
| Commitments | 36.854 | 500.440 | 6.763.240 | 11.685.045 | - | 18.985.579 |
| Derivative financial instruments | - | - | - | 20.905.639 | - | 20.905.639 |

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.067.725 (net) and deferred tax assets amounting TRY 8.303 in other assets are presented under the Treasury / Investment column.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

| | Current period | | Prior period | |
|---------------------------|------------------|-------------------|------------------|-------------------|
| | TRY | FC | TRY | FC |
| Cash and foreign currency | 617.018 | 196.254 | 627.715 | 167.691 |
| Central Bank of Turkey | 2.218.968 | 16.221.185 | 2.173.404 | 17.006.682 |
| Other | - | 9 | - | 292 |
| Total | 2.835.986 | 16.417.448 | 2.801.119 | 17.174.665 |

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

| | Current period | | Prior period | |
|---|------------------|-------------------|------------------|-------------------|
| | TRY | FC | TRY | FC |
| Demand unrestricted amount ⁽¹⁾ | 2.210.148 | 1.397.048 | 2.164.297 | 1.570.064 |
| Time unrestricted amount | - | - | - | - |
| Time restricted amount | - | - | - | - |
| Reserve deposits ⁽²⁾ | 8.820 | 14.824.137 | 9.107 | 15.436.618 |
| Total | 2.218.968 | 16.221.185 | 2.173.404 | 17.006.682 |

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

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

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

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

Reserve deposits required by the Central Bank of Turkey are not interest bearing except Cyprus branches.

(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 | - | 70.225 | - | 26.493 |
| Swap transactions | - | 46.123 | - | 112.900 |
| Futures transactions | - | - | - | - |
| Options | - | 476 | 3 | 291 |
| Other | - | - | - | - |
| Total | - | 116.824 | 3 | 139.684 |

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

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

(3) Information on banks and other financial institutions:

Information on banks:

| | Current period | | Prior period | |
|-----------------------------|----------------|------------------|----------------|------------------|
| | TRY | FC | TRY | FC |
| Banks | | | | |
| Domestic banks | 28.557 | 851.630 | 9.249 | 578.432 |
| Foreign banks | 32.892 | 543.882 | 100.491 | 1.160.604 |
| Branches and offices abroad | - | - | - | - |
| Total | 61.449 | 1.395.512 | 109.740 | 1.739.036 |

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

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

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

| | Current period | | Prior period | |
|---|----------------|----------------|--------------|----------------|
| | TRY | FC | TRY | FC |
| Treasury bills, government bonds and similar securities | - | 848.645 | - | 857.722 |
| Total | - | 848.645 | - | 857.722 |

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

None.

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

| | Current period | Prior period |
|-----------------------------------|------------------|------------------|
| Debt securities | 9.280.345 | 9.659.732 |
| <i>Quoted on a stock exchange</i> | 9.280.345 | 9.659.732 |
| <i>Not quoted</i> | - | - |
| Share certificates | 84.567 | 83.035 |
| <i>Quoted on a stock exchange</i> | 50.390 | 50.189 |
| <i>Not quoted</i> | 34.177 | 32.846 |
| Impairment provision(-) | 95.187 | 202.019 |
| Total | 9.269.725 | 9.540.748 |

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

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

(5) Information on loans:

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

| | Current period | | Prior period | |
|--|----------------|----------------|----------------|----------------|
| | Cash loans | Non-cash loans | Cash loans | Non-cash loans |
| Direct loans granted to shareholders | - | - | - | - |
| <i>Corporate shareholders</i> | - | - | - | - |
| <i>Real person shareholders</i> | - | - | - | - |
| Indirect loans granted to shareholders | - | - | - | - |
| Loans granted to employees | 171.965 | - | 163.316 | - |
| Total | 171.965 | - | 163.316 | - |

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

| | Standard loans and other receivables | | | Loans and other receivables under close monitoring | | |
|--|--------------------------------------|-------------------------------|----------------------------------|--|-------------------------------|----------------------------------|
| | Loans and other receivables (Total) | Agreement conditions modified | Payment plan extensions Other | Loans and other receivables (Total) | Agreement conditions modified | Payment plan extensions Other |
| | | | | | | |
| Cash loans | | | | | | |
| Non-specialized loans | 74.872.524 | 660.720 | - | 1.334.637 | 402.082 | - |
| <i>Corporation loans</i> | 44.137.569 | 533.971 | - | 1.038.633 | 395.303 | - |
| <i>Export loans</i> | 2.569.899 | 74.000 | - | 11.419 | 3.149 | - |
| <i>Import loans</i> | - | - | - | - | - | - |
| <i>Loans given to financial sector</i> | 2.791.300 | - | - | - | - | - |
| <i>Consumer loans⁽¹⁾</i> | 21.491.369 | 49.501 | - | 197.722 | 3.630 | - |
| <i>Credit cards⁽²⁾</i> | 2.739.661 | - | - | 71.037 | - | - |
| <i>Other</i> | 1.142.726 | 3.248 | - | 15.826 | - | - |
| Specialized lending | 16.953.414 | 74.581 | - | 211.107 | 11.530 | - |
| Other receivables | - | - | - | - | - | - |
| Accruals | 1.225.521 | 9.813 | - | 20.630 | 5.520 | - |
| Total | 93.051.459 | 745.114 | - | 1.566.374 | 419.132 | - |

⁽¹⁾ Includes TRY 124.235 of personnel loans.

⁽²⁾ Includes TRY 47.730 of personnel credit cards.

| Number of modifications made to extend payment plan | Standard Loans and Other Receivables ^(*) | Loans and Other Receivables Under Close Monitoring ^(**) |
|---|---|--|
| | Extended by 1 or 2 times | 630.212 |
| Extended by 3,4 or 5 times | 89.577 | 16.163 |
| Extended by more than 5 times | 15.512 | 3.714 |

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

^(**) Accruals amounting to TRY 5.520 are not included in the table above.

| Extended period of time | Standard Loans and Other Receivables ^(*) | Loans and Other Receivables Under Close Monitoring ^(**) |
|-------------------------|---|--|
| | 0-6 Months | 283.856 |
| 6 Months - 12 Months | 244.888 | 18.084 |
| 1-2 Years | 59.254 | 49.656 |
| 2-5 Years | 135.030 | 235.255 |
| 5 Years and over | 12.273 | 81.315 |

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

^(**) Accruals amounting to TRY 5.520 are not included in the table above.

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

(5) Information on loans: (continued)

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

| | Short-term | Medium and long-term | Total |
|--|------------------|----------------------|-------------------|
| Consumer loans-TRY | 314.081 | 20.897.283 | 21.211.364 |
| <i>Real estate loans</i> | 1.469 | 9.906.784 | 9.908.253 |
| <i>Automobile loans</i> | 1.736 | 124.886 | 126.622 |
| <i>Consumer loans</i> | 310.876 | 10.815.831 | 11.126.707 |
| <i>Other</i> | - | 49.782 | 49.782 |
| Consumer loans- Indexed to FC | - | - | - |
| <i>Real estate loans</i> | - | - | - |
| <i>Automobile loans</i> | - | - | - |
| <i>Consumer loans</i> | - | - | - |
| <i>Other</i> | - | - | - |
| Consumer loans- FC | - | - | - |
| <i>Real estate loans</i> | - | - | - |
| <i>Automobile loans</i> | - | - | - |
| <i>Consumer loans</i> | - | - | - |
| <i>Other</i> | - | - | - |
| Individual credit cards-TRY | 2.242.582 | 1.349 | 2.243.931 |
| <i>Installment</i> | 898.271 | - | 898.271 |
| <i>Non-installment</i> | 1.344.311 | 1.349 | 1.345.660 |
| Individual credit cards-FC | 120 | - | 120 |
| <i>Installment</i> | - | - | - |
| <i>Non-installment</i> | 120 | - | 120 |
| Personnel loans-TRY | 4.640 | 119.595 | 124.235 |
| <i>Real estate loans</i> | - | - | - |
| <i>Automobile loans</i> | - | - | - |
| <i>Consumer loans</i> | 4.640 | 119.595 | 124.235 |
| <i>Other</i> | - | - | - |
| Personnel loans-Indexed to FC | - | - | - |
| <i>Real estate loans</i> | - | - | - |
| <i>Automobile loans</i> | - | - | - |
| <i>Consumer loans</i> | - | - | - |
| <i>Other</i> | - | - | - |
| Personnel loans-FC | - | - | - |
| <i>Real estate loans</i> | - | - | - |
| <i>Automobile loans</i> | - | - | - |
| <i>Consumer loans</i> | - | - | - |
| <i>Other</i> | - | - | - |
| Personnel credit cards-TRY | 47.643 | - | 47.643 |
| <i>Installment</i> | 18.791 | - | 18.791 |
| <i>Non-installment</i> | 28.852 | - | 28.852 |
| Personnel credit cards-FC | 87 | - | 87 |
| <i>Installment</i> | - | - | - |
| <i>Non-installment</i> | 87 | - | 87 |
| Overdraft accounts-TRY (Retail customer) | 353.492 | - | 353.492 |
| Overdraft accounts-FC (Retail customer) | - | - | - |
| Total | 2.962.645 | 21.018.227 | 23.980.872 |

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

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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)

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

| | Short-term | Medium and long-term | Total |
|--|------------------|----------------------|------------------|
| Commercial installment loans-TRY | 6.292 | 801.640 | 807.932 |
| <i>Business residential loans</i> | 65 | 465.093 | 465.158 |
| <i>Automobile loans</i> | 6.227 | 245.749 | 251.976 |
| <i>Consumer loans</i> | - | - | - |
| <i>Other</i> | - | 90.798 | 90.798 |
| Commercial installment loans- Indexed to FC | - | - | - |
| <i>Business residential loans</i> | - | - | - |
| <i>Automobile loans</i> | - | - | - |
| <i>Consumer loans</i> | - | - | - |
| <i>Other</i> | - | - | - |
| Commercial installment loans - FC | - | - | - |
| <i>Business residential loans</i> | - | - | - |
| <i>Automobile loans</i> | - | - | - |
| <i>Consumer loans</i> | - | - | - |
| <i>Other</i> | - | - | - |
| Corporate credit cards-TRY | 518.892 | - | 518.892 |
| <i>Installment</i> | 270.057 | - | 270.057 |
| <i>Non-installment</i> | 248.835 | - | 248.835 |
| Corporate credit cards-FC | 25 | - | 25 |
| <i>Installment</i> | - | - | - |
| <i>Non-installment</i> | 25 | - | 25 |
| Overdraft accounts-TRY (Commercial customer) | 517.478 | - | 517.478 |
| Overdraft accounts-FC (Commercial customer) | - | - | - |
| Total | 1.042.687 | 801.640 | 1.844.327 |

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

e) Domestic and foreign loans:

| | Current period | Prior period |
|----------------|-------------------|-------------------|
| Domestic loans | 94.235.492 | 84.074.252 |
| Foreign loans | 382.341 | 339.189 |
| Total | 94.617.833 | 84.413.441 |

f) Loans granted to subsidiaries and associates:

| | Current period | Prior period |
|---|----------------|----------------|
| Direct loans granted to subsidiaries and associates | 592.060 | 501.111 |
| Indirect loans granted to subsidiaries and associates | - | - |
| Total | 592.060 | 501.111 |

g) Specific provisions provided against loans:

| | Current period | Prior period |
|--|------------------|------------------|
| Specific provisions | | |
| Loans and receivables with limited collectability | 380.466 | 245.140 |
| Loans and receivables with doubtful collectability | 187.653 | 130.511 |
| Uncollectible loans and receivables | 1.605.445 | 1.434.676 |
| Total | 2.173.564 | 1.810.327 |

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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)

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

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

| | III. Group | IV. Group | V. Group |
|--|--|---|--|
| | Loans and receivables with limited collectability | Loans and receivables with doubtful collectability | Uncollectible loans and receivables |
| Current period | 40.991 | 12.356 | 59.091 |
| (Gross amounts before the specific provisions) | | | |
| Loans and other receivables which are restructured | - | - | - |
| Rescheduled loans and other receivables | 40.991 | 12.356 | 59.091 |
| Prior period | 145.197 | 8.194 | 84.801 |
| (Gross amounts before the specific provisions) | | | |
| Loans and other receivables which are restructured | - | - | - |
| Rescheduled loans and other receivables | 145.197 | 8.194 | 84.801 |

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

| | III. Group | IV. Group | V. Group |
|--|--|---|--|
| | Loans and receivables with limited collectability | Loans and receivables with doubtful collectability | Uncollectible loans and receivables |
| Prior period end balance | 377.572 | 215.511 | 1.652.093 |
| Additions (+) | 1.795.410 | 14.641 | 34.726 |
| Transfers from other categories of loans under follow-up (+) | - | 440.217 | 399.522 |
| Transfers to other categories of loans under follow-up (-) | 565.737 | 274.002 | - |
| Collections (-) | 157.795 | 50.739 | 214.377 |
| Write-offs (-) | - | - | - |
| <i>Corporate and Commercial Loans</i> | - | - | - |
| <i>Consumer Loans</i> | - | - | - |
| <i>Credit Cards</i> | - | - | - |
| <i>Other</i> | - | - | - |
| Current period end balance | 1.449.450 | 345.628 | 1.871.964 |
| Specific provision (-) | 380.466 | 187.653 | 1.605.445 |
| Net balance on balance sheet | 1.068.984 | 157.975 | 266.519 |

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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)

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

| | III. Group | IV. Group | V. Group |
|-------------------------------------|--|---|--|
| | Loans and receivables with limited collectability | Loans and receivables with doubtful collectability | Uncollectible loans and receivables |
| Current period | | | |
| Balance at the end of the period | 1.134.034 | 139.496 | 167.962 |
| Specific provisions (-) | 196.759 | 46.717 | 99.069 |
| Net balance on balance sheet | 937.275 | 92.779 | 68.893 |
| Prior period | | | |
| Balance at the end of the period | 99.688 | 12.342 | 130.597 |
| Specific provisions (-) | 59.746 | 4.545 | 83.408 |
| Net balance on balance sheet | 39.942 | 7.797 | 47.189 |

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

| | III. Group | IV. Group | V. Group |
|---|--|---|--|
| | Loans and receivables with limited collectability | Loans and receivables with doubtful collectability | Uncollectible loans and receivables |
| Current period (Net) | | | |
| Loans to granted real persons and legal entities (Gross) | 1.447.989 | 345.574 | 1.819.855 |
| Specific provisions (-) | 379.005 | 187.599 | 1.553.336 |
| Loans to granted real persons and legal entities (Net) | 1.068.984 | 157.975 | 266.519 |
| Banks (Gross) | - | - | - |
| Specific provisions (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other loans and receivables (Gross) | 1.461 | 54 | 52.109 |
| Specific provisions (-) | 1.461 | 54 | 52.109 |
| Other loans and receivables (Net) | - | - | - |
| Prior period (Net) | | | |
| Loans to granted real persons and legal entities (Gross) | 377.430 | 213.345 | 1.601.606 |
| Specific provisions (-) | 244.998 | 128.345 | 1.384.189 |
| Loans to granted real persons and legal entities (Net) | 132.432 | 85.000 | 217.417 |
| Banks (Gross) | - | - | - |
| Specific provisions (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other loans and receivables (Gross) | 142 | 2.166 | 50.487 |
| Specific provisions (-) | 142 | 2.166 | 50.487 |
| Other loans and receivables (Net) | - | - | - |

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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 | 3.301.592 | 126.595 | 3.041.571 | 121.049 |
| Total | 3.301.592 | 126.595 | 3.041.571 | 121.049 |

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

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

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

| | Current period | | Prior period | |
|-------------------------------------|----------------|-------------------|--------------|-------------------|
| | TRY | FC | TRY | FC |
| Government bonds | | 18.319.818 | | 18.854.586 |
| Treasury bills | | - | | - |
| Other public sector debt securities | | - | | - |
| Total | | 18.319.818 | | 18.854.586 |

c) Information on held-to-maturity investments:

| | Current period | | Prior period | |
|-----------------------------------|----------------|-------------------|--------------|-------------------|
| | TRY | FC | TRY | FC |
| Debt securities | | 18.319.818 | | 18.854.586 |
| <i>Quoted on a stock exchange</i> | | 17.090.224 | | 17.626.787 |
| <i>Not quoted</i> | | 1.229.594 | | 1.227.799 |
| Impairment provision (-) | | - | | - |
| Total | | 18.319.818 | | 18.854.586 |

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

| | Current period | Prior period |
|--|-------------------|-------------------|
| Beginning balance | 18.854.586 | 13.455.515 |
| Foreign currency differences on monetary assets | 64.839 | (30) |
| Purchases during the year ⁽¹⁾⁽³⁾ | 2.736.316 | 9.116.697 |
| Disposals through sales and redemptions ⁽²⁾ | (3.335.923) | (3.717.596) |
| Impairment provision (-) / provision reversal (+) | - | - |
| Balance at the of the period | 18.319.818 | 18.854.586 |

⁽¹⁾ Interest income accrual difference between 30 September 2014 amounting to TRY 1.449.396 and 31 December 2013 amounting to TRY 1.129.103 has been included in purchases row.

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

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

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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 A.Ş. | Ankara/Turkey | 31,47 | 32,26 |
| 3. Kredi Kayıt Bürosu A.Ş. | İstanbul/Turkey | 18,18 | 18,18 |
| 4. Bankalararası Kart Merkezi A.Ş. | Istanbul/Turkey | 18,95 | 18,95 |

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

| | Total assets | Shareholders' equity | Total fixed assets | Interest income | Income from marketable securities portfolio | Current period profit/loss | Prior period profit/loss | Fair value |
|----|--------------|-------------------------|-----------------------|--------------------|---|----------------------------------|--------------------------------|---------------|
| 1. | 5.126.456 | 678.284 | 34.817 | 74.908 | 23 | 14.706 | 25.905 | - |
| 2. | 46.270 | 45.908 | 21.762 | 1.248 | - | 201 | 15 | - |
| 3. | 92.728 | 78.246 | 44.547 | 2.182 | - | 15.164 | 18.271 | - |
| 4. | 52.068 | 26.332 | 32.934 | 364 | - | 3.980 | 1.116 | - |

⁽¹⁾ The information is presented from financial statements as 30 June 2014.

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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) (continued):

c) Movement of associates:

| | Current period | Prior period |
|---|-----------------------|---------------------|
| Balance at the beginning of the period | 92.553 | 92.888 |
| Movements during the period | - | (335) |
| <i>Purchases</i> | - | - |
| <i>Bonus shares obtained profit from current year's share</i> | - | - |
| <i>Dividends from current year income</i> | - | - |
| <i>Sales</i> | - | - |
| <i>Transfers⁽¹⁾</i> | - | (335) |
| <i>Revaluation decrease (-) / increase</i> | - | - |
| <i>Provision for impairment (-) / reversals (+)</i> | - | - |
| Balance at the end of the period | 92.553 | 92.553 |
| Capital commitments | - | - |
| Share percentage at the end of the period (%) | - | - |

d) Sectoral information and related carrying amounts of associates:

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

e) Associates quoted to a stock exchange:

None.

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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 |
|--|---------------------------------|-----------------|----------------------------|---------------------------------------|---------------------------|--------------------------|-----------------------|-------------------|
| CORE CAPITAL | | | | | | | | |
| Paid in Capital | 64.000 | 94.000 | 183.000 | 697.900 | 272.250 | 5.000 | 109.685 | 40.000 |
| Effect of Inflation Adjustment on Paid in Capital | - | - | - | - | - | - | - | - |
| Share premium | - | - | - | 49.945 | - | - | 11.633 | - |
| Share Cancellation Profits | - | - | - | (18.991) | - | - | - | - |
| Reserves | 6.475 | 38.264 | 19.599 | 28.364 | 8.173 | 1.198 | 30.990 | - |
| Other Comprehensive Income according to TAS | 3.674 | 31.684 | (668) | 173 | - | - | 209 | - |
| Profit / Loss | 6.461 | 15.791 | 51.726 | 27.881 | 26.879 | 1.029 | 10.918 | 5.535 |
| <i>Net Profit</i> | 6.554 | 15.791 | 43.371 | 18.716 | 14.279 | 905 | 4.804 | 4.776 |
| <i>Prior Period Profit/Loss</i> | (93) | - | 8.355 | 9.165 | 12.600 | 124 | 6.114 | 759 |
| Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit | - | - | 4 | - | - | - | - | - |
| Leasehold Improvements (-) | - | - | 597 | 318 | 97 | - | 2.193 | 74 |
| Intangible Assets (-) | 82 | 666 | 333 | 109 | 140 | - | 313 | 30 |
| Total Core Capital | 80.528 | 179.073 | 252.731 | 784.845 | 307.065 | 7.227 | 160.929 | 45.431 |
| SUPPLEMENTARY CAPITAL | - | - | - | - | - | - | 8.137 | - |
| CAPITAL | 80.528 | 179.073 | 252.731 | 784.845 | 307.065 | 7.227 | 169.066 | 45.431 |
| DEDUCTIONS FROM CAPITAL | - | - | - | - | - | - | - | - |
| NET AVAILABLE CAPITAL⁽¹⁾ | 80.528 | 179.073 | 252.731 | 784.845 | 307.065 | 7.227 | 169.066 | 45.431 |

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

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

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

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

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

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

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

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

(8) Information on subsidiaries (continued)

b) Information on subsidiaries: (Net):

| Description | Address (City/ Country) | Bank's share percentage, if different-voting percentage (%) | Bank's risk group share percentage (%) |
|--|----------------------------|--|---|
| 1. Halk Yatırım Menkul Değerler AŞ | İstanbul | 99,96 | 99,96 |
| 2. Halk Sigorta AŞ | İstanbul | 89,18 | 93,49 |
| 3. Halk Hayat ve Emeklilik AŞ | İstanbul | 100,00 | 100,00 |
| 4. Halk Gayrimenkul Yatırım Ortaklığı AŞ | İstanbul | 78,07 | 78,11 |
| 5. Halk Finansal Kiralama AŞ | İstanbul | 100,00 | 100,00 |
| 6. Halk Portföy Yönetimi AŞ | İstanbul | 75,00 | 99,99 |
| 7. Halk Banka AD, Skopje | Macedonia | 98,78 | 100,00 |
| 8. Halk Faktoring AŞ | İstanbul | 97,50 | 99,91 |
| 9. Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. | İstanbul | 100,00 | 100,00 |

c) Information related to the subsidiaries as sorted in (b) ^{(1), (4)}:

| | Total assets | Shareholders ' equity | Total fixed assets | Interest income | Income from marketable securities portfolio | Current period profit / loss | Prior period profit / loss | Fair value ⁽²⁾ |
|----|--------------|--------------------------|-----------------------|--------------------|--|------------------------------------|----------------------------------|------------------------------|
| 1. | 559.971 | 80.528 | 2.156 | 14.238 | 1.544 | 6.554 | 4.969 | 92.169 |
| 2. | 618.703 | 179.073 | 5.962 | 16.431 | 2.656 | 15.791 | 14.465 | 323.818 |
| 3. | 565.231 | 252.731 | 3.869 | 28.020 | 16.608 | 43.371 | 33.062 | 738.971 |
| 4. | 914.837 | 784.845 | 611.813 | 8.981 | 4.768 | 18.716 | 9.304 | 557.536 |
| 5. | 1.964.417 | 307.065 | 1.146 | 64.853 | - | 14.279 | 13.160 | 406.645 |
| 6. | 7.737 | 7.227 | 218 | 363 | 22 | 905 | 552 | 7.061 |
| 7. | 995.457 | 169.066 | 32.293 | 29.206 | 2.908 | 4.804 | 1.475 | - |
| 8. | 584.546 | 45.431 | 562 | 28.408 | 1 | 4.776 | (768) | 43.139 |
| 9. | 31.543 | 19.518 | 4.233 | 419 | 201 | 3.446 | 3.653 | 30.604 |

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

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

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

⁽⁴⁾ The financial data of Bileşim Alternatif Dağ. Kan. A.Ş. is obtained from 30 June 2014 unreviewed financial statements.

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

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

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

d) Movement of the subsidiaries:

| | Current period | Prior period |
|---|------------------|------------------|
| Balance at the beginning of the period | 2.334.263 | 1.794.160 |
| Movements during the period | 11.039 | 540.103 |
| <i>Purchases^(*)</i> | 44.296 | 167.590 |
| <i>Bonus shares obtained profit from current year's share</i> | 140.007 | 85.867 |
| <i>Dividends from current year income</i> | - | - |
| <i>Sales</i> | - | - |
| <i>Transfer^(*)</i> | - | 335 |
| <i>Revaluation increase</i> | (173.264) | 286.311 |
| <i>Reversal of provision for impairment (-)</i> | - | - |
| Balance at the end of the period | 2.345.302 | 2.334.263 |

Capital commitments

Share percentage at the end of the period (%)

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

As of 31 December 2013, purchases amounting to TRY 13.540 of TRY 167.590 consist of payments to Ziraat Group due to purchase of 76% shares of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. which is the associate of the Bank, from Ziraat Group (the shares of T.C. Ziraat Bank A.Ş. are 61%, the shares of Ziraat Finansal Kiralama A.Ş. is 15%). The payment of TRY 19.000 was made for the increase in capital of the Halk Faktoring A.Ş. and the payment of TRY 135.050 was made for the increase in capital of the Halk Finansal Kiralama A.Ş.

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

| | Current period | Prior period |
|----------------------------------|----------------|--------------|
| Banks | 145.359 | 145.359 |
| Insurance companies | 1.062.789 | 1.021.407 |
| Factoring companies | 43.139 | 42.032 |
| Leasing companies | 406.645 | 406.645 |
| Financing companies | - | - |
| Other financial subsidiaries | 656.766 | 688.216 |
| Other non-financial subsidiaries | 30.604 | 30.604 |

f) Subsidiaries quoted in the stock exchange:

| | Current period | Prior period |
|--|----------------|--------------|
| Quoted to domestic stock ⁽¹⁾⁽²⁾ | 881.354 | 914.612 |
| Quoted foreign stock exchange | - | - |

⁽¹⁾In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta A.Ş. are traded on the Borsa İstanbul A.Ş. 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 A.Ş. does not have transaction depth on the Borsa İstanbul A.Ş.

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

(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.

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

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

(15) Information on deferred tax assets:

| | Current period | Prior period |
|--|-----------------|----------------|
| Deferred Tax (Asset) /Liability | | |
| Provisions ⁽¹⁾ | 132.060 | 118.704 |
| Revaluation of Financial Assets | 22.767 | (124.689) |
| Other | (398) | (2.318) |
| Deferred Tax (Asset) /Liability: | 154.429 | (8.303) |
| Deferred tax accounted in shareholders' equity | (22.902) | 15.670 |
| Fair value differences for available for sale financial assets | (19.116) | 19.456 |
| Actuarial Gain/Loss | (3.786) | (3.786) |

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

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

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

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 1.486.470 and does not exceed 10% of the balance sheet total (31 December 2013: TRY 1.167.901).

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

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

| | Demand | 7 day call accounts | Up to 1 month | 1-3 months | 3-6 months | 6 months year | 1 year and over | Cumulative deposits | Total |
|-------------------------------|-------------------|---------------------|-------------------|-------------------|------------------|------------------|------------------|---------------------|--------------------|
| Saving deposits | 4.044.894 | - | 355.428 | 23.129.893 | 1.268.244 | 392.411 | 594.636 | 106.136 | 29.891.642 |
| Foreign currency deposits | 4.026.248 | - | 2.143.921 | 10.507.373 | 3.670.342 | 1.765.595 | 3.098.106 | 11.481 | 25.223.066 |
| <i>Residents in Turkey</i> | 2.694.965 | - | 2.102.307 | 10.203.398 | 3.553.754 | 1.655.818 | 2.146.642 | 11.357 | 22.368.241 |
| <i>Residents abroad</i> | 1.331.283 | - | 41.614 | 303.975 | 116.588 | 109.777 | 951.464 | 124 | 2.854.825 |
| Public sector deposits | 1.881.562 | - | 2.238.727 | 2.638.230 | 306.241 | 1.732.982 | 81.967 | - | 8.879.709 |
| Commercial inst. deposits | 2.964.038 | - | 3.434.247 | 8.719.562 | 440.974 | 163.816 | 28.000 | - | 15.750.637 |
| Other inst. deposits | 544.535 | - | 92.640 | 947.781 | 121.256 | 518.745 | 84.367 | - | 2.309.324 |
| Precious metals | 1.550.423 | - | - | - | - | - | - | - | 1.550.423 |
| Interbank deposits | 5.320.597 | - | 8.007.805 | 3.644.799 | 653.358 | 65.903 | 165.079 | - | 17.857.541 |
| <i>Central Bank of Turkey</i> | - | - | - | - | - | - | - | - | - |
| <i>Domestic banks</i> | 18.051 | - | 4.689.011 | 528.581 | 37.602 | 40.337 | 4.232 | - | 5.317.814 |
| <i>Foreign banks</i> | 4.738.217 | - | 3.318.794 | 3.116.218 | 615.756 | 25.566 | 160.847 | - | 11.975.398 |
| <i>Participation banks</i> | 564.329 | - | - | - | - | - | - | - | 564.329 |
| Total | 20.332.297 | - | 16.272.768 | 49.587.638 | 6.460.415 | 4.639.452 | 4.052.155 | 117.617 | 101.462.342 |

a.2. Prior period:

| | Demand | 7 day call accounts | Up to 1 month | 1-3 months | 3-6 months | 6 months year | 1 year and over | Cumulative deposits | Total |
|-------------------------------|-------------------|---------------------|------------------|-------------------|------------------|------------------|------------------|---------------------|--------------------|
| Saving deposits | 3.284.266 | - | 341.488 | 23.669.564 | 1.353.617 | 395.438 | 633.612 | 122.789 | 29.800.774 |
| Foreign currency deposits | 3.473.557 | - | 1.629.520 | 12.212.789 | 4.930.815 | 2.229.731 | 3.039.160 | 13.049 | 27.528.621 |
| <i>Residents in Turkey</i> | 2.172.772 | - | 1.582.317 | 11.920.017 | 4.807.360 | 1.995.467 | 2.197.551 | 12.923 | 24.688.407 |
| <i>Residents abroad</i> | 1.300.785 | - | 47.203 | 292.772 | 123.455 | 234.264 | 841.609 | 126 | 2.840.214 |
| Public sector deposits | 2.524.920 | - | 724.063 | 4.901.027 | 496.489 | 197.956 | 81.705 | - | 8.926.160 |
| Commercial inst. deposits | 3.249.845 | - | 2.502.068 | 12.314.591 | 498.577 | 487.939 | 179.953 | - | 19.232.973 |
| Other inst. deposits | 560.173 | - | 65.145 | 1.859.320 | 256.623 | 378.779 | 113.618 | - | 3.233.658 |
| Precious metals | 2.016.818 | - | - | - | - | - | - | - | 2.016.818 |
| Interbank deposits | 3.585.229 | - | 3.727.183 | 1.816.514 | 343.376 | 68.108 | 476.783 | - | 10.017.193 |
| <i>Central Bank of Turkey</i> | - | - | - | - | - | - | - | - | - |
| <i>Domestic banks</i> | 22.831 | - | 2.425.179 | 972.335 | 80.184 | 4.209 | 115 | - | 3.504.853 |
| <i>Foreign banks</i> | 3.129.647 | - | 1.302.004 | 844.179 | 263.192 | 63.899 | 476.668 | - | 6.079.589 |
| <i>Participation banks</i> | 432.751 | - | - | - | - | - | - | - | 432.751 |
| Total | 18.694.808 | - | 8.989.467 | 56.773.805 | 7.879.497 | 3.757.951 | 4.524.831 | 135.838 | 100.756.197 |

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

| Saving deposits | Under the guarantee insurance | | Exceeding the insurance limit | |
|--|-------------------------------|--------------|-------------------------------|--------------|
| | Current period | Prior period | Current period | Prior period |
| Saving deposits | 19.226.081 | 18.203.362 | 10.590.302 | 11.528.066 |
| Foreign currency saving deposits | 5.859.802 | 5.668.891 | 8.017.202 | 7.225.458 |
| Other deposits in the form of saving deposits | - | - | - | - |
| Foreign branches' deposits under foreign authorities' insurance | 91.315 | 86.977 | - | - |
| Off-shore banking regions' deposits under foreign authorities' insurance | - | - | - | - |

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

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

| | Current period | Prior period |
|---|----------------|--------------|
| Foreign branches' saving deposits and other accounts | 135.506 | 144.674 |
| Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody | - | - |
| Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody | 4.706 | 4.426 |
| Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004 | - | - |
| Deposits in the banks to be engaged exclusively in offshore banking in Turkey | - | - |

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

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

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

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

| | Current period | | Prior period | |
|----------------------|----------------|----------------|--------------|---------------|
| | TRY | FC | TRY | FC |
| Forward transactions | - | 26.366 | - | 21.483 |
| Swap transactions | - | 248.537 | - | 22.024 |
| Future transactions | - | - | - | - |
| Options | 26 | 443 | 30 | 311 |
| Other | - | - | - | - |
| Total | 26 | 275.346 | 30 | 43.818 |

(3) a) Information on funds borrowed:

| | Current period | | Prior period | |
|--|----------------|-------------------|----------------|-------------------|
| | TRY | FC | TRY | FC |
| Funds borrowed from Central Bank of Turkey | - | - | - | - |
| Domestic banks and institutions | 299.900 | 324.027 | 352.531 | 419.097 |
| Foreign banks, institutions and funds | 485.816 | 10.384.773 | 485.457 | 12.358.070 |
| Total | 785.716 | 10.708.800 | 837.988 | 12.777.167 |

b) Maturity structure of funds borrowed:

| | Current period | | Prior period | |
|----------------------|----------------|-------------------|----------------|-------------------|
| | TRY | FC | TRY | FC |
| Short-term | 286.083 | 5.997.959 | 331.668 | 7.521.917 |
| Medium and long-term | 499.633 | 4.710.841 | 506.320 | 5.255.250 |
| Total | 785.716 | 10.708.800 | 837.988 | 12.777.167 |

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

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

Main liability of the Bank is deposit, which is composed of 29% of saving deposits and 25% 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 49% of banks deposits and 32% of other deposits consist of foreign currency deposits.

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

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

(4) Marketable securities issued:

| | Current period | | Prior period | |
|-------------------------------|------------------|------------------|----------------|------------------|
| | TRY | FC | TRY | FC |
| Treasury Bills ⁽¹⁾ | - | 4.523.687 | - | 3.218.387 |
| Bonds ⁽²⁾ | 1.563.593 | - | 946.297 | - |
| Total | 1.563.593 | 4.523.687 | 946.297 | 3.218.387 |

⁽¹⁾As of 19 July 2012, the treasury bills amounting to USD 750.000 with maturity of 5 years and as of 5 February 2013 the treasury bills amounting to USD 750.000 with maturity of 7 years and as of 4 June 2014 the treasury bills amounting to USD 500.000 with maturity of 5 years are issued by Bank.

⁽²⁾As of 20 June 2014, the bonds amounting to TRY 1.000.000 with maturity of 175 days and as of 26 September 2014, the bonds amounting to TRY 750.000 are issued by the 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 |
| | 28.680 | 1.550.096 | 17.957 | 1.470.585 |

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 1.761.462 and does not exceed 10% of the balance sheet total (31 December 2013: TRY 1.234.596).

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

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

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

b) Explanation on finance lease payables:

| | Current period | | Prior period | |
|----------------------------------|----------------|------------|--------------|--------------|
| | Gross | Net | Gross | Net |
| Less than 1 year | 90 | 88 | 410 | 381 |
| Between 1-4 years ⁽¹⁾ | 650 | 580 | 522 | 400 |
| More than 4 years | 274 | 176 | 819 | 609 |
| Total | 1.014 | 844 | 1.751 | 1.390 |

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

c) Explanations regarding operational leases:

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

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

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

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

| | Current period | Prior period |
|---|-----------------------|---------------------|
| General provision | 1.195.132 | 1.134.717 |
| Provisions for first group loans and receivables | 1.066.784 | 966.345 |
| <i>Additional provisions for the loans with extended payment plan</i> | <i>13.736</i> | <i>15.179</i> |
| Provisions for second group loans and receivables | 46.345 | 89.542 |
| <i>Additional provisions for the loans with extended payment plan</i> | <i>20.748</i> | <i>74.253</i> |
| Provisions for non-cash loans | 82.003 | 78.830 |
| Other | - | - |

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

None.

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

As of 30 September 2014, the Bank's specific provision for unindemnified non-cash loans balance is TRY 93.956 (31 December 2013: TRY 69.008). TRY 2.377 (31 December 2013: TRY 2.377) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

d) Information on other provisions:

Total other provision balance amounting to TRY 175.505 (31 December 2013: TRY 249.831) consists of TRY 93.956 (31 December 2013: TRY 69.008) for specific provisions for unindemnified non cash loans, TRY 31.839 (31 December 2013: TRY 23.073) for legal cases filed against the Bank and TRY 49.710 (31 December 2013: TRY 25.519) of other provisions.

e) Liabilities on pension rights

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

None.

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

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

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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)

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 30 September 2014, the Bank's corporate tax payable is amounting to TRY 90.022.

a.2. Information on taxes payable:

| | Current period | Prior period |
|---|----------------|----------------|
| Corporate tax payable | 90.022 | 48.839 |
| Income on securities tax | 73.719 | 72.009 |
| Property income tax | 1.023 | 773 |
| Banking and insurance transactions tax (BITT) | 36.574 | 34.231 |
| Foreign exchange transactions tax | 14 | 11 |
| Value added tax payable | - | - |
| Other | 19.249 | 19.856 |
| Total | 220.601 | 175.719 |

a) Information on current tax liability (continued):

a.3. Information on premiums:

| | Current period | Prior period |
|---|----------------|---------------|
| Social insurance premiums-employee | 17 | 17 |
| Social insurance premiums-employer | 21 | 20 |
| Bank social aid pension fund premium-employee | 6.203 | 5.205 |
| Bank social aid pension fund premium-employer | 8.487 | 7.205 |
| Pension fund membership fees-employee and provisions-employee | - | - |
| Pension fund membership fees-employer and provisions-employer | - | - |
| Unemployment insurance-employee | - | - |
| Unemployment insurance-employer | - | - |
| Other | 1.342 | 1.148 |
| Total | 16.070 | 13.595 |

b) Deferred tax liability

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

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

None.

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

None.

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

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

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

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

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

None.

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

None.

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

None.

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

None.

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

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

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

| | Current period | | Prior period | |
|--|-----------------------|-----------------|---------------------|------------------|
| | TRY | FC | TRY | FC |
| From subsidiaries, associates and jointly controlled entities (joint ventures) | 922.183 | - | 1.096.032 | - |
| Revaluation difference | (22.323) | (74.691) | (136.568) | (145.914) |
| Exchange rate difference | - | - | - | - |
| Total | 899.860 | (74.691) | 959.464 | (145.914) |

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

| Types of irrevocable commitments | Current period | Prior period |
|---|-----------------------|---------------------|
| Commitments for credit card expenditure limits | 10.063.847 | 9.883.048 |
| Payment commitments for cheques | 5.044.408 | 4.670.295 |
| Loan granting commitments | 1.888.606 | 1.572.258 |
| Two days forward foreign exchange buy/sell transactions | 891.443 | 1.461.853 |
| Commitments for credit cards and banking services promotions | 40.194 | 37.663 |
| Tax and fund liabilities from export commitments | 15.182 | 13.413 |
| Share capital commitments to associates and subsidiaries ⁽¹⁾ | - | - |
| Other irrevocable commitments | 1.383.445 | 1.347.049 |
| Total | 19.327.125 | 18.985.579 |

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

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

| | Current period | Prior period |
|-----------------------|-----------------------|---------------------|
| Bank acceptance loans | 3.773.208 | 3.789.406 |
| Letters of credit | 3.181.892 | 1.944.803 |
| Other guarantees | 892.556 | 956.431 |
| Total | 7.847.656 | 6.690.640 |

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

| | Current period | Prior period |
|---|-----------------------|---------------------|
| Letters of certain guarantees | 10.651.995 | 10.645.927 |
| Letters of advance guarantees | 2.030.670 | 1.697.143 |
| Letters of tentative guarantees | 635.167 | 747.085 |
| Letters of guarantee given to customs offices | 1.212.311 | 911.583 |
| Other letters of guarantee | 7.640.227 | 6.345.799 |
| Total | 22.170.370 | 20.347.537 |

c) Total non-cash loans:

| | Current period | Prior period |
|--|-----------------------|---------------------|
| Non-cash loans for providing cash loans | 508.394 | 341.162 |
| <i>Within one year or less original maturity</i> | <i>157.464</i> | <i>4.478</i> |
| <i>Within more than one year maturity</i> | <i>350.930</i> | <i>336.684</i> |
| Other non-cash loans | 29.509.632 | 26.697.015 |
| Total | 30.018.026 | 27.038.177 |

d) Information on contingent liabilities and assets:

The Bank has provided TRY 31.839 (31 December 2013: TRY 23.073) of provision for the disputed legal cases filed by various persons and institutions.

e) Services supplied on behalf of others:

None.

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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 |
| Interest on loans⁽¹⁾ | | | | |
| Short term loans | 1.652.798 | 85.221 | 1.244.798 | 89.825 |
| Medium and long term loans | 3.749.542 | 882.174 | 3.108.479 | 742.566 |
| Interest on non-performing loans | 48.166 | - | 45.853 | - |
| Premiums from resource utilization support fund | - | - | - | - |
| Total | 5.450.506 | 967.395 | 4.399.130 | 832.391 |

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

b) Interest received from banks:

| | Current period | | Prior period | |
|--------------------------|----------------|--------------|--------------|--------------|
| | TRY | FC | TRY | FC |
| Central Bank of Turkey | - | - | - | - |
| Domestic banks | 939 | 2.230 | 1.855 | 2.437 |
| Overseas banks | 2.887 | 1.643 | 1.938 | 1.597 |
| Head office and branches | - | - | - | - |
| Total | 3.826 | 3.873 | 3.793 | 4.034 |

c) Interest income on marketable securities:

| | Current Period | | Prior Period | |
|---|------------------|----------------|------------------|---------------|
| | TRY | FC | TRY | FC |
| Financial Assets Held for Trading | 529 | 517 | 1.642 | 448 |
| Financial Assets at Fair Value Through Profit or Loss | - | - | - | - |
| Available-for-Sale Financial Assets | 542.296 | 92.736 | 476.255 | 92.046 |
| Held-to-Maturity Investments | 1.349.046 | 52.128 | 838.235 | - |
| Total | 1.891.871 | 145.381 | 1.316.132 | 92.494 |

d) Interest income from subsidiaries and associates:

| | Current period | Prior period |
|--|----------------|--------------|
| Interest income from subsidiaries and associates | 20.215 | 19.340 |

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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)

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

| | Current period | | Prior period | |
|--|----------------|----------------|---------------|----------------|
| | TRY | FC | TRY | FC |
| Banks | 38.022 | 149.030 | 16.129 | 115.843 |
| <i>Central Bank of Turkey</i> | - | - | - | - |
| <i>Domestic banks</i> | 15.462 | 8.158 | 14.040 | 7.462 |
| <i>Overseas banks</i> | 22.560 | 140.872 | 2.089 | 108.381 |
| <i>Overseas head office and branches</i> | - | - | - | - |
| Other institutions | 4.143 | 14 | 23.948 | - |
| Total | 42.165 | 149.044 | 40.077 | 115.843 |

b) Interest expenses to subsidiaries and associates:

| | Current Period | Prior Period |
|--|----------------|--------------|
| Interest expenses to subsidiaries and associates | 52.287 | 36.690 |

c) Information on interest expenses to marketable securities issued:

| | Current period | | Prior period | |
|-------------------------------|----------------|----------------|---------------|---------------|
| | TRY | FC | TRY | FC |
| Interest on securities issued | 60.645 | 130.256 | 34.174 | 92.617 |
| Total | 60.645 | 130.256 | 34.174 | 92.617 |

d) Maturity structure of interest expenses on deposits:

| Account name | Time deposits | | | | | | Cumulative deposit | Total |
|-------------------------|-----------------|----------------|------------------|----------------|----------------|------------------|--------------------|------------------|
| | Demand deposits | Up to 1 month | Up to 3 months | Up to 6 months | Up to 1 Year | More than 1 year | | |
| TRY | | | | | | | | |
| Bank deposits | 81 | 143.569 | 32.272 | 9.925 | 940 | - | - | 186.787 |
| Saving deposits | 4 | 19.603 | 1.603.352 | 87.892 | 24.178 | 33.086 | 6.154 | 1.774.269 |
| Public deposits | 154 | 82.989 | 208.888 | 22.069 | 1.482 | 349 | - | 315.931 |
| Commercial deposits | 229 | 143.725 | 667.448 | 37.079 | 14.836 | 2.834 | - | 866.151 |
| Other deposits | - | 42.646 | 116.655 | 8.844 | 130.193 | 10.416 | - | 308.754 |
| 7 days call accounts | - | - | - | - | - | - | - | - |
| Total | 468 | 432.532 | 2.628.615 | 165.809 | 171.629 | 46.685 | 6.154 | 3.451.892 |
| Foreign currency | | | | | | | | |
| Deposits | 367 | 34.300 | 213.488 | 76.314 | 49.663 | 56.725 | - | 430.857 |
| Bank deposits | - | 33.443 | - | - | - | - | - | 33.443 |
| 7 days call accounts | - | - | - | - | - | - | - | - |
| Precious metal | - | - | - | - | - | - | - | - |
| Total | 367 | 67.743 | 213.488 | 76.314 | 49.663 | 56.725 | - | 464.300 |
| Grand total | 835 | 500.275 | 2.842.103 | 242.123 | 221.292 | 103.410 | 6.154 | 3.916.192 |

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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)

(3) Information on dividend income:

| | Current period | Prior period |
|--|----------------|---------------|
| Financial assets held for trading | - | - |
| Financial assets at fair value through profit and loss | - | - |
| Financial assets available-for-sale | 3.106 | 1.880 |
| Other | 142.917 | 79.724 |
| Total | 146.023 | 81.604 |

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

| | Current period | Prior period |
|--|-------------------|------------------|
| Profit | 12.348.022 | 9.291.136 |
| Profit from the capital market operations | 236.033 | 329.733 |
| Profit on derivative financial instruments | 2.721.134 | 1.759.948 |
| Foreign exchange gains | 9.390.855 | 7.201.455 |
| Loss (-) | 12.307.107 | 8.966.577 |
| Loss from the capital market operations | 897 | 9.476 |
| Loss on derivative financial instruments | 3.710.680 | 1.556.024 |
| Foreign exchange losses | 8.595.530 | 7.401.077 |

(5) Information on other operating income:

| | Current period | Prior period |
|--|----------------|----------------|
| Adjustments for Prior Period Expenses | 352.235 | 330.640 |
| Receivable from the asset sale on credit terms | 46.094 | 47.231 |
| Provision for communication expenses | 5.723 | 6.154 |
| Rent income | 3.274 | 3.103 |
| Other income | 25.024 | 25.050 |
| Total | 432.350 | 412.178 |

(6) Impairment losses on loans and other receivables:

| | Current period | Prior period |
|--|----------------|----------------|
| Specific provisions on loans and receivables | 569.263 | 303.762 |
| <i>Group - III loans and receivables</i> | 406.490 | 198.664 |
| <i>Group - IV loans and receivables</i> | 110.400 | 44.014 |
| <i>Group - V loans and receivables</i> | 52.373 | 61.084 |
| General loan provision expenses | 60.445 | 275.614 |
| Provision expenses for possible losses | - | - |
| Marketable securities impairment losses | - | - |
| <i>Financial assets at fair value through profit and loss</i> | - | - |
| <i>Financial assets available for sale</i> | - | - |
| Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity | - | - |
| <i>Associates</i> | - | - |
| <i>Subsidiaries</i> | - | - |
| <i>Jointly controlled entities (joint ventures)</i> | - | - |
| <i>Investments held-to-maturity</i> | - | - |
| Other | 54.711 | 85.905 |
| Total | 684.419 | 665.281 |

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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:

| | Current period | Prior period |
|--|------------------|------------------|
| Personnel expenses | 923.884 | 808.272 |
| Reserve for employee termination benefits | 62.116 | 56.376 |
| Bank social aid provision fund deficit provision | - | - |
| Fixed assets impairment expense | - | - |
| Depreciation expenses of fixed assets | 74.842 | 74.130 |
| Intangible assets impairment expense | - | - |
| <i>Goodwill impairment expense</i> | - | - |
| Amortization expenses of intangible assets | 4.694 | 2.344 |
| Impairment expense for equity shares subject to the equity method accounting | - | - |
| Impairment expense of assets that will be disposed of | 1.051 | 2.128 |
| Amortization expenses of assets that will be disposed of | 2.979 | 2.911 |
| Impairment expense for property and equipment held for sale | - | - |
| Other operating expenses | 745.086 | 744.504 |
| <i>Operational leasing expenses</i> | 109.992 | 92.091 |
| <i>Maintenance expenses</i> | 12.834 | 15.520 |
| <i>Advertisement expenses</i> | 82.282 | 120.655 |
| <i>Other expenses</i> | 539.978 | 516.238 |
| Loss on sales of assets | 5.147 | 754 |
| Other | 374.438 | 266.804 |
| Total | 2.194.237 | 1.958.223 |

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

The Bank's income before tax is due from continuing activities. TRY 3.697.177 of the income before tax consists of net interest income, TRY 719.763 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Bank is amounting to TRY 2.157.572

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

For the nine-month period ended 30 September 2014, the Bank's tax provision amounting to TRY 393.491 consists of TRY 594.795 of current tax charge and TRY 201.304 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 2014; the Bank's net operating income after tax is amounting to TRY 1.764.081.

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

- a) Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Bank's performance for the period between 1 January 2014 and 30 September 2014.
- b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.
- c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE 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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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 7.509.565 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 4.416.174 thousands increase third quarter of the current year.

For the year ended 30 September 2014, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 192.952 increase (30 September 2013: TRY 425.814, increase).

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

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

⁽¹⁾ Others items include cheques received.

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

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Cash | 19.253.434 | 17.333.147 |
| <i>Cash in TRY and foreign currency</i> | 813.272 | 668.128 |
| <i>Central Bank and others⁽¹⁾</i> | 18.440.162 | 16.665.019 |
| Cash Equivalents | 1.442.961 | 1.873.652 |
| <i>Demand and Time Deposits Up to 3 Months</i> | 1.442.961 | 1.873.652 |
| <i>Money Market Placements</i> | - | - |
| Cash and Banks | 20.696.395 | 19.206.799 |
| Reserve deposits in Central Bank of Turkey | (14.832.691) | (13.466.118) |
| Accruals on banks | (266) | (252) |
| Total Cash and Cash Equivalents | (565) | (528) |
| | 5.862.873 | 5.739.901 |

⁽¹⁾ Others items include cheques received.

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

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK

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

- a) Current period:

| Risk group | Subsidiaries, associates and jointly controlled entities (joint ventures) | | Direct or indirect shareholders of the Bank | | Other real and legal persons in the risk group | |
|---------------------------------|---|----------|---|----------|--|----------|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| | Loans and other receivables | | | | | |
| Beginning balance | 501.111 | 354.400 | - | - | - | - |
| Closing balance | 592.060 | 327.057 | - | - | - | - |
| Interest and commissions income | 20.215 | 1.401 | - | - | - | - |

- b) Prior period:

| Risk group | Subsidiaries, associates and jointly controlled entities (joint ventures) | | Direct or indirect shareholders of the Bank | | Other real and legal persons in the risk group | |
|---------------------------------|---|----------|---|----------|--|----------|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| | Loans and other receivables | | | | | |
| Beginning balance | 299.727 | 340.509 | - | - | - | - |
| Closing balance | 501.111 | 354.400 | - | - | - | - |
| Interest and commissions income | 19.340 | 1.152 | - | - | - | - |

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

| Risk group | Subsidiaries, associates and jointly controlled entities (joint ventures) | | Direct or indirect shareholders of the Bank | | Other real and legal persons in the risk group | |
|------------------------------|---|--------------|---|--------------|--|--------------|
| | Current period | Prior period | Current period | Prior period | Current period | Prior period |
| | Deposits | | | | | |
| Beginning balance | 961.604 | 579.099 | - | - | - | - |
| Closing Balance | 829.963 | 961.604 | - | - | - | - |
| Interest expense on deposits | 52.287 | 36.690 | - | - | - | - |

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

| Risk group | Subsidiaries, associates and jointly controlled entities (joint ventures) | | Direct or indirect shareholders of the Bank | | Other real and legal persons in the risk group | |
|-------------------|---|--------------|---|--------------|--|--------------|
| | Current period | Prior period | Current period | Prior period | Current period | Prior period |
| | Financial Assets At Fv Through Profit And Loss | | | | | |
| Beginning balance | 1.305 | 68.331 | - | - | - | - |
| Closing Balance | 2.446 | 1.305 | - | - | - | - |
| Total Profit/Loss | (19) | (60) | - | - | - | - |

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

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

(2) Disclosures for risk group:

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

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

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

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

| | Amount | % compared to the amounts in the financial statements |
|----------------------------------|---------------|--|
| Cash loans | 592.060 | %0,63 |
| Non-cash loans | 327.057 | %1,09 |
| Deposits | 829.963 | %0,82 |
| Forward and option contracts | 2.446 | %0,01 |
| 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 6.786 as of 30 September 2014 (30 September 2013: TRY 4.767).

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

VIII. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

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

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

SECTION VII: INDEPENDENT AUDITORS' REVIEW REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REVIEW REPORT

The unconsolidated financial statements as of and for the nine-month period ended 30 September 2014 were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Review Report dated 30 October 2014 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.