



**Türkiye Halk Bankası Anonim Şirketi
And Its Subsidiaries**

Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended
30 June 2015

With Independent Auditors' Report on Review of
Interim Financial Statements Thereon

6 August 2015

This report contains the "Independent Auditors' Report on Review of Interim Financial Statements" comprising 1 page and; the "Condensed consolidated interim financial statements and their explanatory notes" comprising 23 pages.

Türkiye Halk Bankası Anonim Şirketi and its subsidiaries

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**Independent Auditors' Report on Review of
Condensed Consolidated Interim Financial Information**

To the Board of Directors of
Türkiye Halk Bankası Anonim Şirketi:

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Türkiye Halk Bankası Anonim Şirketi ("the Bank") and its subsidiaries ("the Group") as at 30 June 2015, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Basis for Qualified Conclusion

The accompanying condensed consolidated statement of financial position as of 30 June 2015 includes a general reserve amounting to net TRY 272.508 thousands which were recorded in the prior periods provided by the Parent Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Alper Güvenc
Partner

6 August 2015
İstanbul, Türkiye

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of 30 JUNE 2015

(Currency - In thousands of Turkish Lira ("TRY"))

	<i>Notes</i>	30 June 2015	31 December 2014
Assets			
Cash on hand		1.034.830	1.000.480
Balances with Central Bank	<i>10</i>	4.474.669	4.749.973
Reserve deposits at Central Bank	<i>10</i>	16.194.901	14.581.483
Due from banks		2.648.420	1.760.640
Financial assets at fair value through profit or loss		239.718	227.812
- <i>Trading securities</i>		92.551	102.360
- <i>Derivative financial instruments</i>	<i>19</i>	147.167	125.452
Loans and advances	<i>11</i>	118.507.226	101.620.357
Insurance premium receivables		248.689	213.341
Investment securities:		27.537.270	27.065.941
- <i>Available-for-sale investment securities</i>	<i>12</i>	10.587.023	9.196.859
- <i>Held-to-maturity investment securities</i>	<i>12</i>	16.950.247	17.869.082
Investment in equity-accounted investees		238.572	219.799
Finance lease receivables		2.107.724	1.862.377
Property and equipment	<i>13</i>	3.262.497	1.671.737
Intangible assets		88.617	83.849
Non-current assets held for sale		2.960	8.519
Investment property		27.649	24.529
Deferred tax assets		65.217	439.959
Other assets		2.103.637	1.460.534
Total assets		178.782.596	156.991.330
Liabilities			
Deposits from banks		15.394.634	17.182.545
Deposits from customers		99.858.004	86.466.228
Obligations under repurchase agreements		9.220.113	8.427.354
Loan and advances from banks		20.698.828	15.951.065
Interbank money market borrowings		-	338.583
Derivative financial instruments	<i>19</i>	252.366	184.729
Debt securities issued		8.178.226	6.080.191
Subordinated liabilities		43.690	-
Insurance contract liabilities		1.003.821	831.394
Provisions		1.207.942	955.796
Income tax payables		12.784	352.743
Deferred tax liability		217.232	5.951
Other liabilities		4.206.960	3.688.138
Total liabilities		160.294.600	140.464.717
Equity			
Share capital	<i>15</i>	2.578.184	2.578.184
Share premium		39.009	39.009
Reserves	<i>16</i>	2.496.801	1.514.782
Retained earnings		13.165.812	12.215.657
Total equity attributable to equity holders of the Bank		18.279.806	16.347.632
Non-controlling interest		208.190	178.981
Total equity		18.487.996	16.526.613
Total liabilities and equity		178.782.596	156.991.330

The notes on pages 6 to 23 are an integral part of these condensed consolidated interim financial statements.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(Currency - In thousands of Turkish Lira ("TRY"))

	<i>Notes</i>	For the six-month period ended 30 June 2015	For the six-month period ended 30 June 2014
Interest income:			
-Interest income on loans		5.214.787	4.188.395
-Interest income on securities		1.208.827	1.492.503
-Interest income on finance leases		67.993	60.256
-Interest income on deposits at banks		22.995	15.689
-Interest income on other money market placements		565	238
-Other interest income		33.392	36.045
		6.548.559	5.793.126
Interest expense:			
-Interest expense on deposits		(2.870.548)	(2.700.909)
-Interest expense on other money market deposits		(316.757)	(271.445)
-Interest expense on borrowings		(176.698)	(168.650)
-Interest expense on debt securities issued		(210.575)	(116.085)
-Other interest expense		(39.846)	(34.936)
		(3.614.424)	(3.292.025)
Net interest income		2.934.135	2.501.101
Fees and commission income	20	808.136	666.324
Fees and commission expenses	20	(245.905)	(225.334)
Net fee and commission income		562.231	440.990
Net trading income from securities		27.630	165.037
Net trading income / (loss) from derivative financial instruments		(612.847)	(360.853)
Foreign exchange gain / (losses), net		475.968	223.944
Net impairment losses on financial assets		(237.693)	(273.670)
Income from insurance operations		405.478	262.559
Cost of insurance operations		(367.273)	(202.058)
Dividend income		4.169	3.969
Other operating income	21	209.601	100.433
Other operating expenses	22	(1.713.937)	(1.448.824)
Operating profit		1.687.462	1.412.628
Share of profit of equity-accounted investees		6.651	4.475
Profit before income tax		1.694.113	1.417.103
Income tax expense		(398.026)	(278.272)
Profit for the period		1.296.087	1.138.831
Other comprehensive income			
Items that will be never classified to profit or loss:			
Remeasurement of employee termination benefits		345	236
Related tax		(69)	(47)
Items that are or may be reclassified subsequently to profit or loss:			
Fair value reserve (available-for-sale financial assets):			
Change in fair value		(388.110)	674.381
Amount transferred to profit or loss		(32.786)	(170.497)
Foreign currency translation differences		28.104	(6.494)
Revaluation differences of property and equipment		1.503.559	-
Related tax		(247.444)	(70.487)
Other comprehensive income for the period, net of tax		863.599	427.092
Total comprehensive income for the period		2.159.686	1.565.923

The notes on pages 6 to 23 are an integral part of these condensed consolidated interim financial statements.

**TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015**

(Currency - In thousands of Turkish Lira ("TRY"))

	<i>Notes</i>	For the six- month period ended 30 June 2015	For the six- month period ended 30 June 2014
Profit attributable to:			
Equity holders of the Bank		1.291.655	1.133.440
Non-controlling interest		4.432	5.391
Profit for the period		1.296.087	1.138.831
Total comprehensive income attributable to:			
Equity holders of the Bank		2.130.477	1.560.432
Non-controlling interest		29.209	5.491
Total comprehensive income for the period		2.159.686	1.565.923
Basic and diluted earnings per share (full TRY per share)	<i>17</i>	1,0333	0,9068

The notes on pages 6 to 23 are an integral part of these condensed consolidated interim financial statements.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(Currency - In thousands of Turkish Lira ("TRY"))

	Total equity attributable to equity holders of the Bank						Non-controlling interest	Total equity	
	Notes	Share capital	Share premium	Fair value reserve	Other reserves	Retained earnings			Total
Balances at 1 January 2014		2.578.184	39.009	(301.399)	1.163.408	10.449.279	13.928.481	163.056	14.091.537
Total comprehensive income for the period									
Net profit of the period		-	-	-	-	1.133.440	1.133.440	5.391	1.138.831
Other comprehensive income, net of tax									
Remeasurements of defined benefit plans, net of tax		-	-	-	-	172	172	17	189
Fair value reserve (available-for-sale financial assets):									
Net change in fair value		-	-	603.770	-	-	603.770	124	603.894
Net amount transferred to profit or loss		-	-	(170.497)	-	-	(170.497)	-	(170.497)
Foreign currency translation differences		-	-	-	(6.453)	-	(6.453)	(41)	(6.494)
Total other comprehensive income		-	-	433.273	(6.453)	172	426.992	100	427.092
Total comprehensive income for the period		-	-	433.273	(6.453)	1.133.612	1.560.432	5.491	1.565.923
Transactions with the owners, recorded directly in equity									
Transfers to other reserves		-	-	-	177.198	(177.198)	-	-	-
Dividends to equity holders		-	-	-	-	(275.992)	(275.992)	-	(275.992)
Balances at 30 June 2014		2.578.184	39.009	131.874	1.334.153	11.129.701	15.212.921	168.547	15.381.468
Balances at 1 January 2015		2.578.184	39.009	191.055	1.323.727	12.215.657	16.347.632	178.981	16.526.613
Total comprehensive income for the period									
Net profit of the period		-	-	-	-	1.291.655	1.291.655	4.432	1.296.087
Other comprehensive income, net of tax									
Remeasurements of defined benefit plans, net of tax		-	-	-	-	276	276	-	276
Fair value reserve (available-for-sale financial assets):									
Net change in fair value		-	-	(336.310)	-	-	(336.310)	1.468	(334.842)
Net amount transferred to profit or loss		-	-	(32.786)	-	-	(32.786)	-	(32.786)
Revaluation differences of property and equipment		-	-	-	1.202.847	-	1.202.847	-	1.202.847
Foreign currency translation differences		-	-	-	27.969	-	27.969	135	28.104
Total other comprehensive income		-	-	(369.096)	1.230.816	276	861.996	1.603	863.599
Total comprehensive income for the period		-	-	(369.096)	1.230.816	1.291.931	2.153.651	6.035	2.159.686
Transactions with the owners, recorded directly in equity									
Transfers to other reserves		-	-	(20.708)	140.938	(118.224)	2.006	-	2.006
Dividends to equity holders	16	-	-	-	-	(223.552)	(223.552)	-	(223.552)
Changes in ownership interests in subsidiaries									
Change in shares without a change in control		-	-	-	69	-	69	23.174	23.243
Balances at 30 June 2015		2.578.184	39.009	(198.749)	2.695.550	13.165.812	18.279.806	208.190	18.487.996

The notes on pages 6 to 23 are an integral part of these condensed consolidated interim financial statements.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(Currency - In thousands of Turkish Lira ("TRY"))

	<i>Notes</i>	For the six-month period ended 30 June 2015	For the six-month period ended 30 June 2014
Cash flows from operating activities			
Profit for the period		1.296.087	1.138.831
Adjustments for:			
Depreciation and amortisation		72.643	59.627
Net impairment loss on loans and advances	<i>11</i>	262.933	324.627
Net interest income		(2.934.135)	(2.501.101)
Dividend income		(4.169)	(3.969)
Provision for employee termination benefits		46.535	40.270
Impairment losses on property and equipment		686	(861)
Net gain on sale of property and equipment	<i>13</i>	(44.048)	(35.313)
Share of profit of equity-accounted investees		(6.651)	(4.475)
Income tax expense		398.026	278.272
		(912.093)	(704.092)
Change in financial assets at fair value through profit or loss		9.685	(1.661)
Change in due from banks		14.000	3.137
Change in loans and advances		(16.486.659)	(7.140.195)
Change in other assets		(3.623.134)	(244.062)
Change in deposits from banks		(1.127.886)	2.588.877
Change in deposits from customers		12.557.055	(9.365.203)
Change in loans and advances from banks		4.714.411	(1.349.636)
Change in other liabilities		1.033.943	9.454.890
Interest received		6.407.641	5.664.705
Dividends received		4.169	3.969
Interest paid		(3.327.245)	(3.160.963)
Income tax paid		(496.862)	(262.934)
Employee termination benefits paid		(33.156)	(11.651)
Net cash used in operating activities		(1.266.131)	(4.524.819)
Cash flows from investing activities			
Cash paid for purchase of joint ventures, associates and subsidiaries		(28.907)	-
Acquisitions of available-for-sale investment securities		(2.124.141)	(2.726.909)
Proceeds from sale of available-for-sale investment securities		424.915	3.889.722
Acquisitions of held to maturity investment securities		(1.213.130)	(2.510.761)
Proceeds from sale of held to maturity investment securities		2.437.441	3.008.347
Acquisitions of property and equipment	<i>13</i>	(197.289)	(237.317)
Proceeds from sale of property and equipment	<i>13</i>	104.199	71.849
Acquisitions of intangible assets		(9.302)	(5.489)
Net cash (used in)/provided from investing activities		(606.214)	1.489.442
Cash flows from financing activities			
Proceeds from issue of debt securities		3.871.690	1.963.659
Cash used for repayment of debt securities		(1.750.000)	(1.000.000)
Dividends paid	<i>16</i>	(223.552)	(275.992)
Net cash provided from financing activities		1.898.138	687.667
Net increase/(decrease) in cash and cash equivalents		25.793	(2.347.710)
Cash and cash equivalents at 1 January		7.290.931	6.519.983
Effect of change in currency rate fluctuations on cash held		509.433	(28.748)
Cash and cash equivalents at 30 June		7.826.157	4.143.525

The notes on pages 6 to 23 are an integral part of these condensed consolidated interim financial statements.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(Currency - In thousands of Turkish Lira ("TRY"))

1. Activities of the Bank and the Group

Türkiye Halk Bankası AŞ (the "Bank") was incorporated in Turkey in 1933 as a state economic enterprise established under law no. 2284. As of 30 June 2015, the Parent Bank operates with a total of 912 branches consisting of 907 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 29 satellite branches and 1 financial services branches. The Parent Bank has also 2 representative offices in England and Iran. The operations of Türkiye Halk Bankası AŞ and subsidiaries (the "Group") consist of banking, securities, financial leasing, brokerage and insurance services provided primarily to local customers. The consolidated financial statements of the Group include the accounts of the Bank, Halk Sigorta AŞ, Halk Hayat ve Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Banka AD, Skopje, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Faktoring AŞ, Cacanska Bank AD, Cacak and Bileşim Alternatif Dağıtım Kanalları AŞ.

In 2000, the Turkish Parliament passed Statute 4603, pursuant to which state-owned banks were required to restructure its operations and prepare themselves to eventual privatization. According to the Decree number 2006/69, dated as 11 August 2006 issued by Privatization High Council, all outstanding shares of the Bank are transferred to the Privatization Administration and 99,9% of the Bank shares should be sold to general public.

The first phase of the privatization process of the Bank corresponding to 24,98% of the shares was completed in the first week of May 2007 and the Bank's shares have been traded on Istanbul Stock Exchange (Borsa İstanbul AŞ (BIST)) as of 10 May 2007.

The second phase of the privatization process of the Bank corresponding to 23,92% of the shares that were previously held by the Privatization Administration was completed on 21 November 2012 and after the second public offering and privatization, the 48,90% of the Bank shares have been traded on Istanbul Stock Exchange (Borsa İstanbul AŞ (BIST)).

In November 2004, the Bank merged with Pamukbank Türk Anonim Şirketi ("Pamukbank"), integrated its operations and IT systems. In 2006, the Bank acquired a controlling share ownership in three companies - Halk Sigorta AŞ, a property, health and casualty insurance company, Halk Hayat ve Emeklilik AŞ, a life insurance company, Halk Yatırım Menkul Değerler AŞ, an equity brokerage services company.

The Bank established Halk Gayrimenkul Yatırım Ortaklığı AŞ in 2010. Halk Gayrimenkul Yatırım Ortaklığı AŞ's main line of business is, to form and improve real estate portfolios and to invest in real estate based capital market instruments. Its main operative target is, based on the Capital Markets Board's ("CMB") regulation regarding the investment properties, to invest in capital market instruments based on real estates, real estate projects and rights based on real estates. 28% shares of Halk GYO started to be traded on Borsa İstanbul AŞ (BIST) at 22 February 2013.

Halk Finansal Kiralama AŞ ("Halk Leasing"), was an associate of the Bank with 47,75% of the shares and accounted according to the equity method until 27 May 2011. The Group obtained the control of Halk Leasing by acquiring 52,24% of the shares and voting interests in the company as of 27 May 2011. As a result, the Group's equity interest in Halk Leasing has increased from 47,75% to 99,99%. Halk Leasing was established in September 1991 in Turkey and operates under the provisions of the Turkish financial leasing law number 3226.

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

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(Currency - In thousands of Turkish Lira ("TRY"))

1. Activities of the Bank and the Group (continued)

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

Halk Faktoring AŞ ("Halk Faktoring"), a subsidiary of the Bank established in 2012, was registered on 6 June 2012. Halk Faktoring's main line of business is to provide factoring services that include legitimate commercial lending for all domestic and international trade operations.

Cacanska Bank AD, Cacak ("Cacanska Bank") a subsidiary of the Bank established in 1956, was registered on 28 May 2015. Its main activities include commercial lending, receiving of deposits, foreign exchange deals, and payment operation services in the country and abroad and retail banking services.

Bileşim Alternatif Dağıtım Kanalları AŞ ("Bileşim AŞ"), a subsidiary of the Bank established in 1998. As of 22 July 2013, the Bank purchased 76% shares of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. which was the associate of the Bank, from Ziraat Group (the shares of T.C. Ziraat Bank A.Ş. was 61%, the shares of Ziraat Finansal Kiralama A.Ş. was 15%) and thus the company became the Bank's subsidiary. Bileşim AŞ's main line of business is to provide atm operations, call center services, merchant operations and printing office operations to domestic and international customers.

2. Basis of accounting

These condensed consolidated interim financial statements as of 30 June 2015 have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all the information required for a complete set of IFRS financial statements, and should be read in conjunction with the financial statements of the Group as at and for the year ended 31 December 2014 except for the changes mentioned in note 4.

The accompanying condensed consolidated interim financial statements are authorised for issue by the management on 6 August 2015.

3. Use of judgements estimates

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2014.

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the management.

The team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(Currency - In thousands of Turkish Lira ("TRY"))

3. Use of judgements estimates (continued)

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 6 –financial instruments.

4. Changes in accounting policies

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

5. Basis of consolidation

Subsidiaries

The consolidated financial statements include the accounts of the Bank and the subsidiaries.

Subsidiaries are the entities controlled by the Parent Bank. The control exists if and only if; 1) when the Bank has the power over an affiliate which that power, directly or indirectly, give rights to govern the financial and operating policies of the entity so as to obtain benefits from its activities, 2) exposure, or rights, to variable returns from its involvement with the affiliate, 3) the ability to use its power over the affiliate to affect the amount of its returns.

The Parent Bank reassess its control power over its subsidiaries if there is an indication that there are changes to any of the three elements of control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Companies where the Parent Bank exercises significant influence, but do not have operating and financial control are accounted for using the equity method.

The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interest to have a deficit balance.

Intra-group balances, and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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5. Basis of consolidation (continued)

Subsidiaries (continued)

The subsidiaries included in consolidation and effective shareholding percentages of the Group as of 30 June 2015 and 31 December 2014 are as follows:

	Place of incorporation	Direct ownership		Indirect ownership	
		30 June 2015	31 December 2014	30 June 2015	31 December 2014
		Halk Sigorta AŞ	Istanbul	89,18%	89,18%
Halk Hayat ve Emeklilik AŞ	Istanbul	100,00%	100,00%	100,00%	100,00%
Halk Yatırım Menkul Değerler AŞ	Istanbul	99,96%	99,96%	99,96%	99,96%
Halk Gayrimenkul Yatırım Ortaklığı AŞ	Istanbul	78,07%	78,07%	78,11%	78,11%
Halk Finansal Kiralama AŞ	Istanbul	100,00%	100,00%	100,00%	100,00%
Halk Banka AD, Skopje	Macedonia	98,78%	98,78%	98,78%	98,78%
Cacanska Banka AD, Cacak	Serbia	76,76%	-	76,76%	-
Halk Portföy Yönetimi AŞ	Istanbul	75,00%	75,00%	99,99%	99,99%
Halk Faktoring AŞ	Istanbul	97,50%	97,50%	99,99%	99,99%
Bileşim Alternatif Dağıtım Kanalları AŞ	Istanbul	100,00%	100,00%	100,00%	100,00%

Business combinations

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

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

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Investments in associates (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence until the date that significant influence ceases.

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5. Basis of consolidation (continued)

Investments in associates (equity-accounted investees) (continued)

The equity-accounted associates of the Group as of 30 June 2015 and 31 December 2014 are as follows:

	Place of incorporation	Shareholding interest	
		30 June 2015	31 December 2014
Demir-Halk Bank NV	Holland	30,00%	30,00%
Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47%	31,47%
Türk P ve I Sigorta AŞ	İstanbul	16,67%	-

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those by the Group for similar transactions and events.

6. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at 31 December 2014.

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7. Financial instruments

Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets	Carrying amount			Fair value			Total
	Loans and receivables	Investments, including derivatives	Total	Level 1	Level 2	Level 3	
30 June 2015							
Due from banks (including central banks)	23.317.990	-	23.317.990	-	-	-	-
Financial assets at fair value through profit or loss:							
-Trading securities ⁽²⁾	-	92.551	92.551	86.348	-	-	86.348
-Derivative financial instruments	-	147.167	147.167	-	147.167	-	147.167
Loans and advances	118.507.226	-	118.507.226	-	-	-	-
Investment securities:							
-Available-for-sale investment securities ⁽¹⁾	-	10.587.023	10.587.023	10.560.366	-	-	10.560.366
-Held-to-maturity investment securities	-	16.950.247	16.950.247	18.566.030	-	-	18.566.030
Finance lease receivables	2.107.724	-	2.107.724	2.084.160	-	-	2.084.160
Insurance premium receivables	248.689	-	248.689	-	-	-	-
	144.181.629	27.776.988	171.958.617				
31 December 2014							
Due from banks (including central banks)	21.092.096	-	21.092.096	-	-	-	-
Financial assets at fair value through profit or loss:							
-Trading securities ⁽²⁾	-	102.360	102.360	98.561	-	-	98.561
-Derivative financial instruments	-	125.452	125.452	-	125.452	-	125.452
Loans and advances	101.620.357	-	101.620.357	-	-	-	-
Investment securities:							
-Available-for-sale investment securities ⁽¹⁾	-	9.196.859	9.196.859	9.168.734	-	-	9.168.734
-Held-to-maturity investment securities	-	17.869.082	17.869.082	19.079.880	-	-	19.079.880
Finance lease receivables	1.862.377	-	1.862.377	1.831.919	-	-	1.831.919
Insurance premium receivables	213.341	-	213.341	-	-	-	-
	124.788.171	27.293.753	152.081.924				

⁽¹⁾ As of 30 June 2015 share certificates amounting to TRY 26.657 (31 December 2014: TRY 28.125) in available for sale financial assets are not included in the above table, which are measured at cost.

⁽²⁾ As of 30 June 2015, marketable securities amounting to TRY 6.203 (31 December 2014: TRY 3.799) that are measured at cost, are not included in financial assets at fair value through profit or loss.

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7. Financial instrument (continued)

Carrying amounts and fair values (continued)

Financial liabilities	Carrying amount			Fair value			
	Loans and borrowings	Derivatives	Total	Level 1	Level 2	Level 3	Total
30 June 2015							
Deposits from banks	15.394.634	-	15.394.634	-	-	-	-
Deposits from customers	99.858.004	-	99.858.004	-	-	-	-
Obligations under repurchase agreements	9.220.113	-	9.220.113	-	-	-	-
Loans and advances from banks	20.698.828	-	20.698.828	-	-	-	-
Interbank money market borrowings	-	-	-	-	-	-	-
Derivative financial instruments	-	252.366	252.366	-	252.341	-	252.341
Debt securities issued	8.178.226	-	8.178.226	-	-	-	-
	153.349.805	252.366	153.602.171				
31 December 2014							
Deposits from banks	17.182.545	-	17.182.545	-	-	-	-
Deposits from customers	86.466.228	-	86.466.228	-	-	-	-
Obligations under repurchase agreements	8.427.354	-	8.427.354	-	-	-	-
Loans and advances from banks	15.951.065	-	15.951.065	-	-	-	-
Interbank money market borrowings	338.583	-	338.583	-	-	-	-
Derivative financial instruments	-	184.729	184.729	-	184.729	--	184.729
Debt securities issued	6.080.191	-	6.080.191	-	-	-	-
	134.445.966	184.729	134.630.695				

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8. Operating segments

The Group has five reportable segments, corporate, commercial, entrepreneur, treasury/investment and other which are the Group’s strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group’s management and internal reporting structure. For each of the strategic business units, the Board of Directors reviews internal management reports on at least a quarterly basis.

30 June 2015	Corporate	Commercial	Entrepreneur	Treasury /Investment ⁽²⁾	Other ⁽¹⁾	Eliminations	Group
Interest income	989.266	812.306	6.335.990	5.049.014	108.609	(6.746.626)	6.548.559
Interest expense	(637.664)	(465.869)	(5.039.243)	(4.183.748)	(34.526)	6.746.626	(3.614.424)
Net interest income	351.602	346.437	1.296.747	865.266	74.083	-	2.934.135
Net fee and commission income	89.322	126.924	317.705	104.918	(76.638)	-	562.231
Net trading income from securities	-	-	-	27.630	-	-	27.630
Net trading income from derivative transactions	-	-	-	(601.038)	(11.809)	-	(612.847)
Foreign exchange gain/(losses), net	-	-	-	459.895	16.073	-	475.968
Net impairment losses on loans and advances	(94.829)	(7.149)	(44.824)	(88.340)	(2.551)	-	(237.693)
Income from insurance operations	-	-	-	-	405.478	-	405.478
Cost of insurance operations	-	-	-	-	(367.273)	-	(367.273)
Dividend income	-	-	-	4.169	-	-	4.169
Other income	4.413	5.170	20.576	128.722	57.371	-	216.252
Other expenses	(9.564)	(27.040)	(632.013)	(828.129)	(217.191)	-	(1.713.937)
Profit before income tax	340.944	444.342	958.191	73.093	(122.457)	-	1.694.113
Income tax expense	-	-	-	(274.669)	(123.357)	-	(398.026)
Profit for the period	340.944	444.342	958.191	(201.576)	(245.814)	-	1.296.087

⁽¹⁾ Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ and Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Faktoring AŞ and Bileşim AŞ transactions are shown in other column.

⁽²⁾ Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Cancanska Bank AD, Cacak and Halk Banka AD, Skopje transactions are shown in “treasury/investment” column.

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8. Operating segments (continued)

30 June 2014	Corporate	Commercial	Entrepreneur	Treasury /Investment ⁽²⁾	Other ⁽¹⁾	Eliminations	Group
Interest income	882.157	619.983	5.588.796	4.508.179	110.518	(5.916.507)	5.793.126
Interest expense	(556.977)	(353.343)	(4.452.952)	(3.803.968)	(41.292)	5.916.507	(3.292.025)
Net interest income	325.180	266.640	1.135.844	704.211	69.226	-	2.501.101
Net fee and commission income	80.692	47.637	283.283	41.778	(12.400)	-	440.990
Net trading income from securities	-	-	-	164.852	185	-	165.037
Net trading loss from derivative transactions	-	-	-	(372.576)	11.723	-	(360.853)
Foreign exchange gain/(losses), net	-	-	-	228.246	(4.302)	-	223.944
Net impairment losses on loans and advances	(34.591)	(55.966)	(113.665)	(38.912)	(30.536)	-	(273.670)
Income from insurance operations	-	-	-	-	262.559	-	262.559
Cost of insurance operations	-	-	-	-	(202.058)	-	(202.058)
Dividend income	-	-	-	3.036	933	-	3.969
Other income	2.942	7.110	20.728	7.010	67.118	-	104.908
Other expenses	(7.490)	(27.256)	(570.893)	(690.579)	(152.606)	-	(1.448.824)
Profit before income tax	366.733	238.165	755.297	47.066	9.842	-	1.417.103
Income tax expense	-	-	-	(270.940)	(7.332)	-	(278.272)
Profit for the period	366.733	238.165	755.297	(223.874)	2.510	-	1.138.831

⁽¹⁾ Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ and Halk Faktoring AŞ transactions are shown in other column.

⁽²⁾ Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ and Halk Banka AD, Skopje transactions are shown in “treasury/investment” column.

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8. Operating segments (continued)

The segment assets and liabilities as at 30 June 2015 are as follows:

Assets and liabilities	Corporate	Commercial	Entrepreneur	Treasury /Investment ⁽¹⁾	Other	Group
Segment assets	17.443.463	21.388.635	70.438.938	65.969.296	3.303.692	178.544.024
Investment in equity- accounted investees	-	-	-	238.572	-	238.572
Total assets	17.443.463	21.388.635	70.438.938	66.207.868	3.303.692	178.782.596
Segment liabilities	78.737.991	36.212.559	17.215.330	24.753.880	3.374.840	160.294.600
Total liabilities	78.737.991	36.212.559	17.215.330	24.753.880	3.374.840	160.294.600

⁽¹⁾ Property and equipment, intangible assets, non-current assets held for sale and deferred tax assets of the Group are presented under “Treasury / Investment” column.

The segment assets and liabilities as at 31 December 2014 are as follows:

Assets and liabilities	Corporate	Commercial	Entrepreneur	Treasury /Investment ⁽¹⁾	Other	Group
Segment assets	14.891.438	16.240.430	62.906.645	59.917.951	2.815.067	156.771.531
Investment in equity- accounted investees	-	-	-	219.799	-	219.799
Total assets	14.891.438	16.240.430	62.906.645	60.137.750	2.815.067	156.991.330
Segment liabilities	12.717.430	6.203.245	71.404.187	48.183.710	1.956.145	140.464.717
Total liabilities	12.717.430	6.203.245	71.404.187	48.183.710	1.956.145	140.464.717

⁽¹⁾ Property and equipment, intangible assets, non-current assets held for sale and deferred tax assets of the Group are presented under “Treasury / Investment” column.

9. Acquisition of subsidiaries

Cacanska Banka AD, Cacak

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

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

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10. Balances with Central Bank

As at 30 June 2015, balances with Central Bank include restricted reserve deposits amounting to TRY 16.194.901 (31 December 2014: TRY 14.581.483) at the Central Bank of Turkey and unrestricted reserve deposits amounting to TRY 4.474.669 (31 December 2014: TRY 4.479.973).

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

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

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

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

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

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

11. Loans and advances to customers

As at 30 June 2015 and 31 December 2014, all the loans and advances to customers are at amortized cost.

	30 June 2015	31 December 2014
Performing loans	117.542.454	100.906.860
Non-performing loans	3.962.086	3.719.046
Gross amount	121.504.540	104.625.906
Specific allowance for impairment on loans	(2.618.946)	(2.576.590)
Portfolio allowance for impairment on loans	(378.368)	(428.959)
Carrying amount	118.507.226	101.620.357

Allowance for impairment including the portfolio basis allowances

	30 June 2015	30 June 2014
Balance on 1 January	(3.005.549)	(2.232.027)
Net impairment loss/reversals for the period:	8.235	(193.619)
- Charge for the period	(262.933)	(324.627)
- Recoveries and reversals	271.168	131.008
Balance at end of the period	(2.997.314)	(2.425.646)

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12. Securities portfolio

Available-for-sale investment securities

At 30 June 2015 and 31 December 2014, available for sale securities portfolio comprised the following:

	30 June 2015	31 December 2014
Treasury bills and government bonds	10.555.677	9.168.734
Equity shares	31.346	28.125
<i>Share certificates not quoted on a stock exchange</i>	50.253	47.032
<i>Allowance for impairment on equity shares</i>	(18.907)	(18.907)
Total of available for sale securities	10.587.023	9.196.859

Available-for-sale securities include securities given as collateral amounting to TRY 886.116 (31 December 2014: TRY 994.309). Securities subject to repurchase agreements amounting to TRY 2.692.625 (31 December 2014: TRY 1.286.912).

Held to maturity investment securities

	30 June 2015	31 December 2014
Debt securities:		
Quoted on a stock exchange	16.249.016	17.186.321
Not quoted	701.231	682.761
Total	16.950.247	17.869.082

Held to maturity investments comprised the following items:

	30 June 2015	31 December 2014
Government bonds	16.934.944	17.858.313
Other securities	15.303	10.769
Total	16.950.247	17.869.082

Held to maturity investment securities include securities given as collateral amounting to TRY 3.914.723 (31 December 2014: TRY 3.802.268) and securities subject to repurchase agreements amounting to TRY 6.027.266 (31 December 2014: TRY 6.992.376).

The movements of held to maturity investment securities in the six-month periods ended 30 June 2015 and 30 June 2014 are as follows:

	30 June 2015	30 June 2014
Beginning balance	17.869.082	18.973.598
Foreign currency differences	228.375	(7.500)
Purchases during the period ⁽¹⁾	1.211.327	2.782.161
Disposals through sales and redemptions	(2.358.537)	(3.008.347)
Impairment provision (-)	-	9.028
Balance at the of the period / year	16.950.247	18.730.884

⁽¹⁾ Interest income accrual difference between 30 June 2015 amounting to TRY 1.544.622 and 31 December 2014 amounting to TRY 1.546.425 has been included in purchases row.

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13. Property and equipment

During the six-month period ended 30 June 2015, the Group acquired property and equipment with a cost of TRY 197.289 (six-month period ended 30 June 2014: TRY 237.317).

Assets with a carrying amount of TRY 60.151 were disposed of during six-month period ended 30 June 2015 (six-month period ended 30 June 2014: TRY 36.536), resulting in a net gain on disposal of TRY 44.048 (six-month period ended 30 June 2014: net gain of TRY 35.313), which was included in ‘other income’ in the condensed consolidated statement of profit or loss and other comprehensive income. Properties with a carrying amount of TRY 1.120 were transferred to non-current asset held for sale (six-month period ended 30 June 2014: TRY 3.573).

14. Income taxes

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey. Corporate income tax is 20% on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes as at 30 June 2015 (31 December 2014: 20%). Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Group’s results for the period.

The Group’s consolidated effective tax rate in respect of continuing operations as at and for the six-month period ended 30 June 2015 is 23,5% (30 June 2014: 19,6%).

Tax applications for foreign branches and foreign operations

The principal tax rates (%) of the tax authorities in each country used to calculate deferred taxes as of 30 June 2015 and 31 December 2014 are as follows:

	30 June 2015	31 December 2014
TRNC	10%	10%
Bahrain	-	-
Republic of Macedonia	10%	10%
Republic of Serbia	15%	15%

15. Share capital

	30 June 2015	31 December 2014
TRY 1 (in full TRY), par value	1.250.000	1.250.000
Total number of shares	1.250.000	1.250.000
Paid-in capital	1.250.000	1.250.000
Inflation restatement effect	1.328.184	1.328.184
Shared capital issued	2.578.184	2.578.184

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16. Reserves and dividends paid and proposed

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments, excluding impairment losses, until the investment is derecognised.

Other reserves

Other reserves consist of legal reserves kept within the Group and translation reserves.

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity’s share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity’s share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. The legal reserves as at 30 June 2015 is TRY 1.393.822 (31 December 2014: TRY 1.253.073).

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. The translation reserve as at 30 June 2015 is TRY 98.881 (31 December 2014: TRY 70.654).

As of 1 April 2015, the Group adopted the revaluation method for buildings in tangible assets in accordance with International Accounting Standard No: 16 “Property, Plant and Equipment” (IAS 16). Expertise values determined by an independent expert companies are reflected to the financial statements. Revaluation differences are recorded in “Revaluation differences of property and equipment” under the shareholders’ equity. The revaluation differences of property and equipment is TRY 1.202.847.

Dividends paid and proposed

As of the reporting date, the Bank has paid dividend amounting to TRY 223.552 out of 2014 profit.

17. Earnings per share

Basic earnings per share (EPS) are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

There is no dilution of shares as of 30 June 2015 and 30 June 2014.

The following reflects the comprehensive income and share data used in the basic earnings per share computations:

	30 June 2015	30 June 2014
Net profit attributable to ordinary shareholders for basic earnings per share	1.291.655	1.133.440
Weighted average number of ordinary shares for basic earnings per share	1.250.000	1.250.000
Basic earnings per share (full TRY per share)	1,0333	0,9068

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

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18. Related parties

A party is related to an entity if: the party controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the entity that gives it significant influence over the entity or has joint control over the entity. For the purpose of these consolidated financial statements, unconsolidated subsidiaries, associates, shareholders are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group’s Board of Directors and their families and also post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

The immediate parent and ultimate controlling party respectively of the Group is Turkish Prime Ministry Privatization Administration (incorporated in Turkey). Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note.

Transactions with key management personnel

Key management personnel comprise of the Group’s directors and key management executive officers.

As of 30 June 2015 and 30 June 2014, the Group’s directors and executive officers have no outstanding personnel loans from the Bank.

In addition to their salaries, the Group also provides non-cash benefits to directors.

Total compensation provided to key management personnel is:

	30 June 2015	30 June 2014
Salaries and short-term benefits	12.319	9.485

The Bank has agreements or protocols with several of its shareholders, consolidated subsidiaries and affiliates of the shareholders. The Bank’s management believes that all such agreements or protocols are on terms that are at least as advantageous to the Bank as would be available in transactions with third parties and the transactions are consummated at their fair values. None of these balances is secured.

Other related party transactions

Current period	Cash loans receivable	Non-cash loans receivable	Deposits	Interest income	Interest expense	Commission income
KOBİ Girişim Sermayesi Yatırım Ortaklığı AŞ	-	1.878	6.104	-	171	5
Kredi Kayıt Bürosu AŞ	-	-	4	-	-	-
Bankalararası Kart Merkezi A.Ş.	-	-	-	-	-	-
Total	-	1.878	6.108	-	171	5

Prior period	Cash loans receivable	Non-cash loans receivable	Deposits	Interest income	Interest expense	Commission Income
KOBİ Girişim Sermayesi Yatırım Ortaklığı AŞ	-	1.878	21.678	-	1.107	1
Kredi Kayıt Bürosu AŞ	-	-	5	-	-	-
Bankalararası Kart Merkezi AŞ	-	-	-	-	56	-
Total	-	1.878	21.683	-	1.163	1

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19. Commitments and contingencies

In the normal course of business activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including:

	30 June 2015	31 December 2014
Letters of guarantee issued	28.779.220	24.968.993
Letters of credit	4.866.612	3.923.602
Acceptance credits	2.937.196	3.068.156
Other	872.965	905.190
Total non-cash loans	37.455.993	32.865.941
Credit card limit commitments	10.775.371	10.329.418
Other commitments	9.649.402	8.806.740
Total	57.880.766	52.002.099

Derivative financial instruments

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. The table below shows the fair values of derivative financial instruments. The notional amount is the amount of a derivative’s underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

	30 June 2015			31 December 2014		
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent
Currency swap contracts	13.421	7.260	14.932.926	35.106	135.720	21.527.565
Other swap contracts	28.136	155.395	4.306.874	9.087	-	1.866.286
Other	105.610	89.711	8.541.647	81.259	49.009	7.073.946
Total	147.167	252.366	27.781.447	125.452	184.729	30.467.797

The majority of outstanding transactions in derivative financial instruments were with the banks and other financial institutions.

Fiduciary activities

The Group provides custody, investment management and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in the accompanying financial statements.

The Group also manages 21 investment funds, which were established under the regulations of the Capital Markets Board of Turkey. Halk Portföy Yönetimi AŞ is engaging in fund management of six of Bank’s fund. In accordance with the funds’ charters, the Group purchases and sells marketable securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations.

Letters of guarantee given to BIST and Borsa Istanbul Precious Metals and Diamond Market

As of 30 June 2015, according to the general requirements of the BIST, letters of guarantee amounting to TRY 135.000 (31 December 2014: TRY 135.000) was obtained from various local banks and were provided to BIST for bond and stock market transactions by the Group.

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19. Commitments and contingencies (continued)

Litigation

In the normal course of its operations, the Group can constantly be faced with legal disputes, claims and complaints, which in most cases stem from normal insurance operations. The necessary provision, if any, for those cases are provided based on management estimates and professional advice.

Other

587 branch premises of the Bank are lease holder under operational leases. The lease periods vary between 1 and 10 years. There are no restrictions placed upon the lessee by entering into these leases.

The Group is contingently liable with respect to reinsurance, which would become an actual liability to the extent that any reinsuring company fails to meet its obligations to the Group. In the opinion of management no provision is necessary for this remote contingency.

20. Fees and commission income and expenses

	30 June 2015	30 June 2014
Fees and commission income		
Banking	794.544	661.178
Brokerage	13.592	5.146
Total	808.136	666.324
Fees and commission expenses		
Banking	(245.539)	(224.976)
Brokerage	(366)	(358)
Total	(245.905)	(225.334)

21. Other operating income

	30 June 2015	30 June 2014
Reversal from prior years' provision	69.869	12.890
Other	56.315	47.940
Gain on sale of property and equipment	44.048	35.313
Rent income	39.369	4.290
Total	209.601	100.433

22. Other operating expense

	30 June 2015	30 June 2014
Staff costs		
<i>Personnel expenses</i>	798.420	682.298
<i>Retirement pay provision</i>	47.014	40.270
Administrative expenses	450.203	478.737
Saving deposit insurance fund expenses	77.212	73.074
Depreciation and amortisation expense	72.643	59.627
Taxes, duties, charges and premium expenses	70.760	57.113
Service income	25.961	35.158
Provision expense for lawsuits	2.548	2.986
Other	169.176	19.561
Total	1.713.937	1.448.824

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23. Subsequent events

None.