

# 2012

A YEAR OF  
BREAKTHROUGHS

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## **GROWING WITH RECORDS**

**WE LEFT BEHIND A RECORD-BREAKING YEAR IN TERMS OF GROWTH AND PRODUCTIVITY. AS THE CONSISTENTLY GROWING, PIONEER AND REPUTABLE BRAND OF EMERGING TURKEY, WE ARE PROUD OF OUR ACHIEVEMENTS.**

**2012 WAS ESPECIALLY MEANINGFUL FOR US, AS WE CONTINUOUSLY PUSHED OUR LIMITS. THE ACHIEVEMENTS WE COULD FIT IN THESE PAGES AND CERTAIN KEYWORDS PROVIDE CLUES ABOUT OUR FUTURE.**

# COUR

## **EXPANDING OUR PLEDGE**

**We launched our own credit card,  
Paraf.**

Our objective is to increase our share in the credit card market up to 6% in five years.

# AGE



## **CORPORATE PROFILE**

Our activities are based on the principle of standing by our clients and providing support at all times and under all circumstances.

Believing that the social conditions and prosperity of Turkey can best improve in a robust, productive environment, Halkbank has operated with the mission of providing support to the producers of the economy since its founding.

We are the Bank of those who create value. At Halkbank, we see the client as the most important players in the real economy; we conduct our operations understanding that they are the drivers of the economic growth that has increased national income and raised living standards in Turkey in recent years.

Our activities are based on the principle of standing by our clients and providing support at all times and under all circumstances. The best proof of this commitment is our steadily increased lending and new branch openings, even during the economic crisis.

Halkbank knows its customers, as well as their businesses, their challenges and their needs, completely and thoroughly. As a result, the Bank is able to offer customers the most appropriate loan products and the best banking services, easily and quickly.

SMEs in Turkey are producing, growing and looking to the future with hope, thanks to the support of Halkbank. Their success is our success... Halkbank's success is the success of growing and developing Turkey.



## HALKBANK IN BRIEF

Halkbank operates with a global vision through innovative products and services.

Halkbank was founded in 1938 to support craftsmen and tradesmen and to accelerate the country's economic development. The Bank's core business strategy has not changed in its 74 year history. Halkbank sees every craftsman, farmer and small, medium or large size enterprise owner that creates value and generates employment as a business partner; the Bank strongly believes its duty is to support these economic producers with its entire financing capability in both good days and in bad. Allocating 37.8% of its total loans to SMEs, Halkbank continues to be their primary supporter in Turkey.

Halkbank operates with a global perspective, through 816 domestic and 5 overseas branches, 1 overseas liaison office, 2,554 ATMs, telephone and internet banking platforms, mobile banking applications; the Bank's innovative products and services provide customers with an unparalleled banking experience. Some 48.9% of Halkbank's outstanding shares are publicly held and the Bank boasts the highest return on equity (ROE) among its peers thanks to its highly efficient use of capital.

Halkbank today is a steadily growing, 74-year-old brand that ranks among the longest established, pioneering and respected in progressing Turkey...

## SHAREHOLDING STRUCTURE

Türkiye Halk Bankası A.Ş.'s total paid-in capital is TRY 1,250,000,000.

99.999996207% of the Bank's share capital, originally held by the Undersecretariat of Treasury of the Prime Ministry of the Republic of Turkey, was transferred to the ownership of the Privatization Administration of Turkey. Pursuant to Resolution No. 2007/08 of the Privatization High Council dated February 5, 2007; the Resolution of the Bank's General Assembly dated April 19, 2007; and Resolution No. 16/471 of the Capital Markets Board of Turkey dated April 26, 2007, 24.98% of these shares were publicly listed on May 10, 2007.

As part of the secondary public offering of the Bank's shares pursuant to Resolution No. 2012/150 of the Privatization High Council dated October 4, 2012, shares owned by the Undersecretariat of Treasury of the Prime Ministry of the Republic of Turkey, representing 23.92% of the Bank's capital, were successfully floated on November 21, 2012.

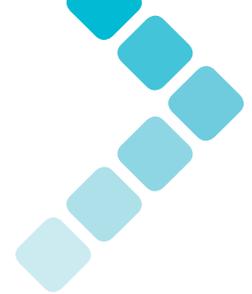
The Bank's controlling shareholder is the Privatization Administration of Turkey with an equity stake of 51.10604% (Address: Ziya Gökalp Cad. No: 80 Kurtuluş/Ankara). Neither the Chairman/Members of the Board of Directors nor the General Manager hold shares in the Bank.

Shareholder	Paid Capital (TRY)	Shareholding (%)
1- Privatization Administration*	638,825,500	51.1060400
2- Free Float*	610,716,119	48.8572895
3- Other**	458,381	0.0366705
<b>Total</b>	<b>1,250,000,000</b>	<b>100.00000000</b>

\* Of the shares owned by the Privatization Administration of Turkey, an amount corresponding to TRY 549,932 of share capital is eligible for trading on the stock exchange; along with these shares, 48.90% of the Bank's outstanding shares are publicly traded.

\*\* Merkezi Kayıt Kuruluşu A.Ş. (Central Securities Depository Institution of Turkey) shows records of 14,721 shareholders who have registered their shares under their own names/titles.

Pursuant to Law No. 6327 dated June 13, 2012, as well as Provision 3 of Article 2 that was added to Law No. 4603, until their sale is finalized, these public sector-owned shares in the Bank shall be governed and represented by the Minister that the Bank reports to in accordance with the Turkish Commercial Code.



## **AMENDMENTS TO THE ARTICLES OF ASSOCIATION IN 2012**

No amendments were made to the Bank's Articles of Association in 2012.

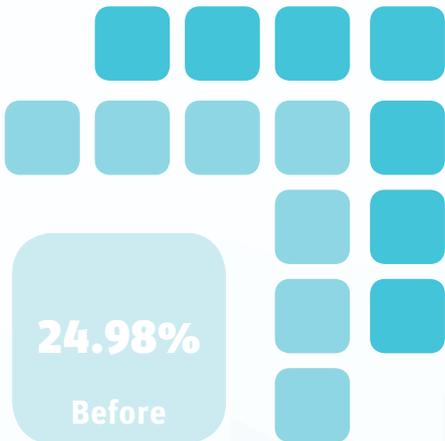
# PRID

## **ADDING TO OUR SUCCESS**

**We broke a record in public offerings.**

By selling TRY 4.5 billion in shares to the public, we successfully completed the largest public offering in ISE's history and the third largest public offering in Europe in 2012.

# E



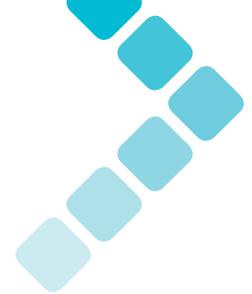
## KEY FINANCIAL INDICATORS

Halkbank's total assets increased from TRY 91.1 billion to TRY 108.3 billion as of year-end 2012.

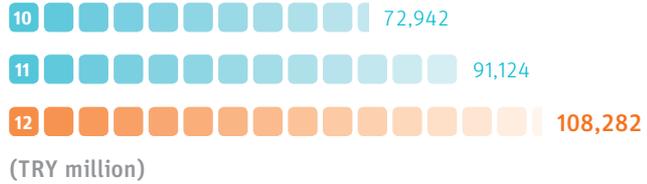
### Key Financial Indicators

(TRY million)	2012	2011	Change (%)
Total Assets	108,282	91,124	18.8
Liquid Assets	15,120	8,747	72.8
Loans	65,894	56,216	17.2
Securities	22,954	23,346	(1.7)
Total Deposits	79,974	66,247	20.7
Shareholders' Equity	12,323	8,640	42.6
Net Interest Income	4,476	3,473	28.9
Net Fee and Commission Income	858	728	17.9
Gross Profit	3,329	2,637	26.3
Net Profit	2,595	2,045	26.9
<b>Key Ratios (%)</b>			
Interest Bearing Assets/Total Assets	83.2	87.5	
Loans/Total Assets	60.9	61.7	
Non-performing Loans/Total Loans (Gross)	2.9	2.9	
Demand Deposits/Total Deposits	20.1	20.1	
Loans/Deposits	82.4	84.9	
Average Return on Assets	2.6	2.5	
Average Return on Equity	24.8	25.4	
Capital Adequacy Ratio*	16.2	14.3	

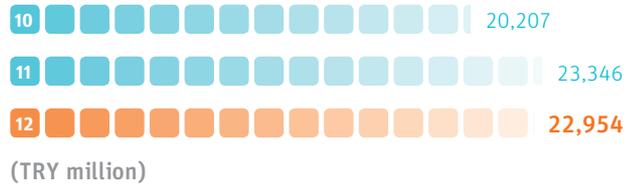
\* The Capital Adequacy Ratio is calculated in accordance with Basel II as of year-end 2012 whereas it is calculated in accordance with Basel I at year-end 2011.



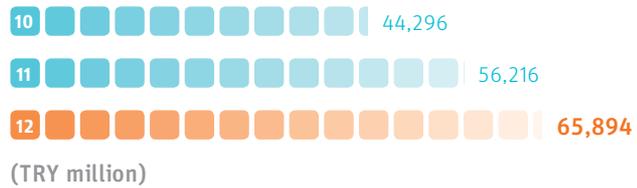
18.8%  
**Total Assets**



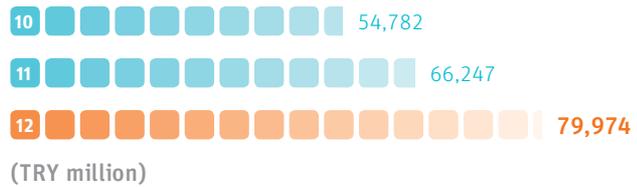
(1.7)%  
**Securities**



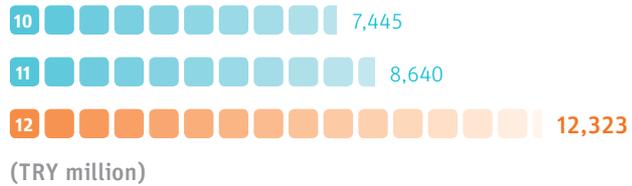
17.2%  
**Loans**



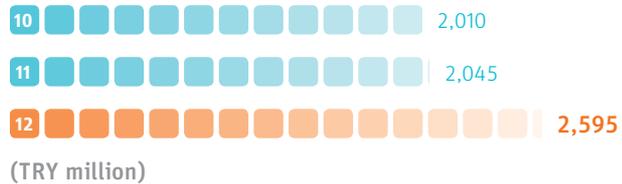
20.7%  
**Total Deposits**



42.6%  
**Shareholders' Equity**



26.9%  
**Net Profit**

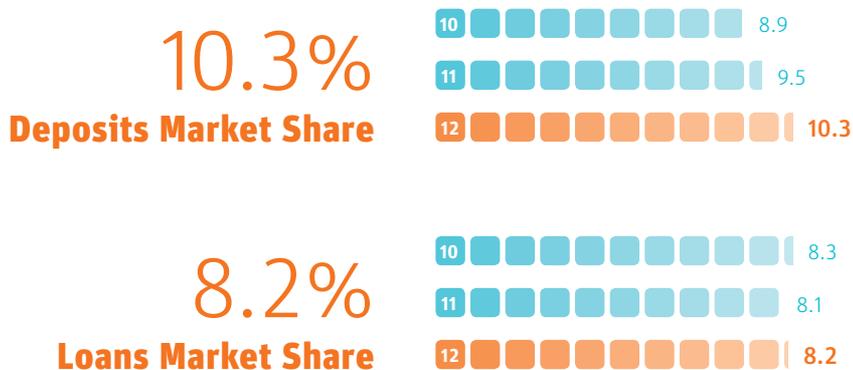


## HALKBANK'S POSITION IN THE SECTOR

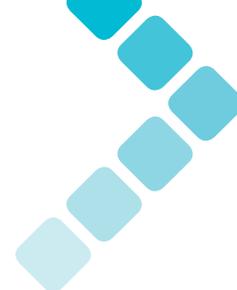
Halkbank sustained its strong growth in 2012 while continuing to generate a high return on equity (ROE).

### Halkbank's Position in the Sector

Market Share (%)	2012	2011
Total Assets	7.9	7.5
Loans	8.2	8.1
Securities	7.9	7.9
Deposits	10.3	9.5
Shareholders' Equity	6.8	6.0
Profit	11.0	10.3



\* The sector data as of December 31, 2012 that are presented in the Report are the figures announced by the Banking Regulation and Supervision Agency of Turkey on February 13, 2013.



Thanks to its strong reputation, strategic approach and successful projects in international markets, Halkbank sustained the upward momentum in its success in 2012.

## Credit Ratings

### Fitch Ratings (November 30, 2012)

Foreign Currency Long-Term	BBB-
Outlook	Stable
Foreign Currency Short-Term	F3
Local Currency Long-Term	BBB
Outlook	Stable
Local Currency Short-Term	F3
National Long-Term	AAA (Tur)
Outlook	Stable
Senior Unsecured Debt Issues	BBB-
Support	2
Support Rating Floor	BBB-
Viability Rating	bbb-

### Moody's (July 3, 2012)

Financial Strength Rating	D+
Outlook	Stable
Baseline Credit Assessment	Ba1
Long Term Deposit Rating Domestic Currency	Baa2
Outlook	Stable
Short Term Deposit Rating Domestic Currency	Prime2
Long Term Deposit Rating Foreign Currency	Ba2
Outlook	Stable
Short Term Deposit Rating Foreign Currency	Not Prime

### JCR Eurasia (June 22, 2012)

Long Term International Foreign Currency	BB/ (Positive Outlook)
Long Term International Local Currency	BB/ (Positive Outlook)
Long Term National Local Rating	AAA (Trk) / (Stable Outlook)
Short Term International Foreign Currency	B/ (Stable Outlook)
Short Term International Local Currency	B/ (Stable Outlook)
Short Term National Local Rating	A-1+ (Trk)/ (Stable Outlook)
Sponsored Support	2
Stand-Alone	A

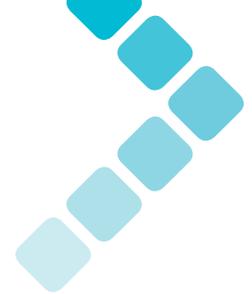
## ✦ **HALKBANK'S VISION, MISSION, OBJECTIVES, STRATEGIES AND CORPORATE VALUES**

### **Our Vision**

To be the region's leading bank for SMEs, to have universal banking capabilities and to establish a strong market presence in retail services.

### **Our Mission**

To continuously create value for customers, shareholders and employees by providing all banking services efficiently with awareness and understanding of social responsibilities and duties; to contribute to the development of the banking sector and capital markets; to establish a well-respected market position in the region and in the global banking industry.



- To be the leading bank for SMEs in the region,
- To be the first choice of SMEs and retail customers,
- To be the preferred bank of employment for the most skilled personnel in the banking industry,
- To ensure customer satisfaction with the fastest and highest quality services in the industry in all business processes,
- To grow steadily while sustaining profitability.

**Our Objectives**

- Expanding the array of specially-designed product and service options while conducting traditional banking activities,
- Offering superior products and services to the SME, and medium and upper-income retail customer segments,
- Embracing a high-quality, customer-oriented service approach,
- Ensuring effectiveness in all critical business processes, especially in lending and financial risk management,
- Effecting a high level of productivity in all business processes in order to achieve a rich product line, transaction and system security, rapid and high-quality transactions, and competitive pricing,
- Ensuring the continuous development and motivation of employees via career and performance management systems,
- Instilling the corporate identity in both internal and external customers,
- Providing high-quality international banking services through an extensive network of overseas branches.

**Our Strategies**

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• Customer focus</li><li>• Reliability</li><li>• Integrity</li><li>• Creativity</li><li>• Dynamism</li><li>• Rationalism</li><li>• Teamwork</li></ul> | <ul style="list-style-type: none"><li>• Productivity</li><li>• Transparency</li><li>• Sensitivity</li><li>• Self-confidence</li><li>• Openness to change</li><li>• Social responsibility awareness</li><li>• Sharing of knowledge and experience</li></ul> |
|---|--|

**Our Corporate Values**

# REPUT

## **FOSTERING TRUST**

**Foreign investors showed immense interest in our Eurobond issuance.**

As the 5-year Eurobonds were heavily oversubscribed, we revised upwards the initial issuance volume from USD 500 million to USD 750 million.

ATION



## HALKBANK'S HISTORICAL DEVELOPMENT

Halkbank was established to lend specifically to artisans, tradesmen and small businesses at favorable terms in order to achieve lasting economic development, social stability and peace.

### **How Halkbank was Established**

During the early years of the Republic of Turkey, economic difficulties resulted from the lack of capital stock, scarcity of production facilities and the under-developed private sector. These factors prevented the emergence of institutions that were able to lend to small enterprises, artisans and tradesmen.

The Great Depression of 1929 led to challenging economic circumstances in Turkey. Over time the commercial activities of artisans and tradesmen contracted.

The banks and other state enterprises that started operations in the years following the establishment of the Turkish Republic were unable to address the unique problems facing small artisans and tradesmen,

which constituted the largest segment of the economy. As a result, Halkbank was established to lend specifically to artisans, tradesmen and small businesses at favorable terms in order to achieve lasting economic development, social stability and peace.

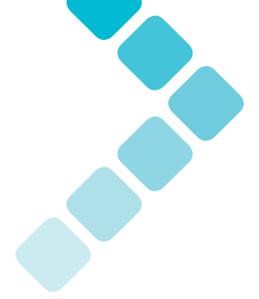
Mustafa Kemal Atatürk, who stated, "It is extremely essential to create an organization that will provide small business owners and large industrial enterprises with the loans they so desperately need, easily obtainable and inexpensively priced, and to lower the cost of credit under normal circumstances," paved the way for the inception of Halkbank.

Subsequently, Atatürk provided guidance for the newly founded Bank's future objectives by proclaiming, "My bliss will rise to the highest level when I see the small shops of tradesmen replaced with glorious factories."

### **The Young Republic's First Bank for SMEs**

Halkbank was founded pursuant to the Halkbank and Public Funds Law enacted in 1933.

This legislation promoted development of a hybrid system with a dual structure that included an occupation-based microcredit facility that Turkey lacked at the time. Under this system, Halkbank would manage micro-lending centrally while public funds would be set up to assume the principal function in the areas deemed appropriate by the Bank. However, it took five years to implement this hybrid system.



## Halkbank reorganized in 2000 to operate more effectively in a modern banking and internationally competitive environment while readying itself for privatization.

Halkbank provided credit services through the Public Funds channel, from which it received financing, from 1938 to 1950. In 1964, the Bank increased its capital and started working actively to expand its deposit base and lending activities.

Halkbank acquired Türkiye Öğretmenler Bankası T.A.Ş. (Töbank) in 1992, Sümerbank in 1993, and Etibank in 1998. Growing more diversified and stronger with each merger, Halkbank reorganized in 2000 to operate more effectively in a modern banking and internationally competitive environment while readying itself for privatization. In 2001, the Bank acquired Emlak Bankası and its 96 branches, personnel and balance sheet.

Pamukbank was merged into Halkbank in the second half of 2004. Finalized merely in half the time of the originally projected

timeline of nine months, this integration was recorded in the world banking history as a bank merger that was completed successfully in a very short amount of time.

The first bank to establish an Entrepreneur Information Center in 1995 and the first bank in Turkey to offer a Women's Entrepreneur Loan in 2007, Halkbank has always been a pioneer in the industry. It was also the first state-owned bank to use TV banking and to open an offshore branch abroad.

Halkbank's share flotation in 2007 generated record demand for the largest public offering ever in Turkey at that time. Some 24.98% of the Bank's outstanding shares were sold for US\$ 1.8 billion. Bids placed by domestic and international investors for the Bank's floated shares totaled TRY 17.3 billion (US\$ 12.9 billion), eight times the size of the public offering. Halkbank's

successful flotation received the "Best Public Offering" award for the year from Sweden-based East Capital, a leading independent European investment company.

In 2012, Halkbank carried out a secondary public offering of its shares that increased its free-float ratio to 48.9%. The highly successful public offering raised TRY 4.5 billion for the Bank. Of the total offering, 80% of the shares were sold to foreign investors while domestic institutional investors and domestic retail investors were each allocated 10%. Halkbank completed its secondary offering, recorded as the largest public offering on the Istanbul Stock Exchange and the third-largest in Europe, with the smallest discount to date, marking yet another notable achievement for the Bank.

## HALKBANK'S HISTORICAL DEVELOPMENT

In 2012, Halkbank carried out a secondary public offering of its shares that increased its free-float ratio to 48.9%.

### **The Market Leader in SME Loans**

Since its foundation, Halkbank has always prioritized those investments that contribute to both Turkey's economic and social development. Thanks to major strides taken in recent years, the Bank continues to strengthen its well-respected position in the banking industry attained through a countrywide branch network, high quality products and services, and a professional approach to SME banking.

Striving to extend resources to productive enterprises and to create value for Turkey, Halkbank meets all funding demand with competitive interest rates thanks to its diversified lineup of loan products for investment, production, domestic and foreign trade, and retail financing. In addition to its domestic funding sources, the Bank also cooperates with international financial institutions including

the European Investment Bank, the Council of Europe Development Bank and the French Development Agency. Furthermore, Halkbank offers a wide range of conveniences to SMEs including special loans and products tailored to their unique requirements; in addition, the Bank meets the local and regional needs of SME customers through credit agreements with chambers of commerce and industry throughout Turkey.

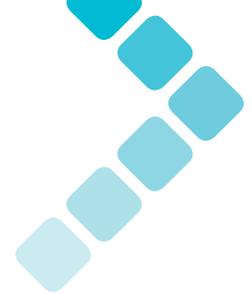
Halkbank is constantly evolving. Specifically, the Bank works to increase cooperation with regional development agencies; extend additional loans through KOSGEB (Small and Medium Enterprises Development Organization); and bolster the amount and variety of funding sources secured from international financial institutions. In addition, Halkbank implements organizational change strategies to better serve SMEs and meet

their unique needs. The Bank's fast, effective, high-quality SME solutions ultimately aim to contribute to the country's economic development by strengthening SMEs, the foundation of Productive Turkey.

### **Retail Banking**

With a core strategy of increasing productivity and profitability, Halkbank's objective in the coming period is to be a customer-oriented bank with a strong market presence in retail services.

Upon entering the retail banking segment, Halkbank enriched its consumer loan portfolio with offerings that meet every type of need with attractive terms. In addition to general purpose loans for education, healthcare and vacation, the Bank added retail loans with convenient repayment options for target occupational groups to the Bank's product portfolio.



Thanks to a partnership agreement between Halkbank and HSBC in 2007, Halkbank credit cards were enhanced with Advantage features; as a result, Halkbank cardholders could benefit from the installment and CashPoint features of the Advantage card.

The first prepaid contactless debit card in Europe launched thanks to a partnership between Halkbank and Visa. Bank24 Jet combines many functions including a contactless payment card for small-sum purchases, a public transit card, KGS, a self-service payment card and a pass card.

With its initiative that shortened the process of receiving and evaluating credit card applications and delivering cards to customers, Halkbank became the first bank in Turkey to receive ISO 9001 Quality Management System Standard Certification in 2008.

In December 2012, Halkbank terminated its Advantage card partnership with HSBC and launched a new credit card brand, Paraf, with the slogan, “Paraf: Home of Benefits.” With Paraf, which is not only a credit card product but also a platform that enables partnerships with other banks, Halkbank plans to

offer services customized to the personal preferences and needs of customers.

### **Advanced Technology**

Halkbank uses its advanced technology infrastructure as a powerful competitive advantage. Thanks to a revamped technological infrastructure, centralized database and automated operations facilities, the Bank significantly reduced the operational task workload performed by the branches for settlement and reconciliation purposes. Halkbank launched a variety of technology related initiatives including data warehousing, data mining and customer relationship management; these projects help facilitate the Bank’s business strategy development and decision-making processes, identification of customer profiles and needs, and products and service offering.

Halkbank implemented its Identity Management System (IdM), developed in cooperation with Koç Sistem, at the Bank’s headquarters and branches in 2008. The Identity Management System allows employees to conduct all banking transactions as well as receiving healthcare and social security services using a single ID number or card.

Halkbank uses technology to facilitate customer banking transactions in all environments as required of the financial services industry today.

### **A Strong Regional Bank**

Halkbank is striving to extend its robust domestic performance to overseas markets and to become a strong regional bank in Turkey’s surrounding geography. In 2011, Halkbank acquired the shares of IK Bank, the SME bank of Macedonia. Aiming to be one of Macedonia’s top three banks, Halkbank operates in the country as Halk Banka A.D., Skopje. In 2012, Halk Banka A.D., Skopje acquired Ziraat Banka A.D., Skopje along with all of its assets, liabilities, branches and personnel.

### **Young Employees of a Deep-Rooted Culture**

Under a reorganization initiative, Halkbank upgraded its employee profile as well as its organizational structure. As of year-end 2012, the Bank’s head count totaled 14,971.

## HALKBANK MILESTONES

1933

Founded pursuant to the Halkbank and Public Funds Law, Halkbank carried out its credit services through the Public Funds channel for which it provided financing from 1938 to 1950.

1940

Halkbank extended its first SME loans to small and medium-size enterprises.

1950

Carrying out its credit services through the Public Funds channel between 1938 and 1950, Halkbank was authorized to open branches and lend directly in 1950.

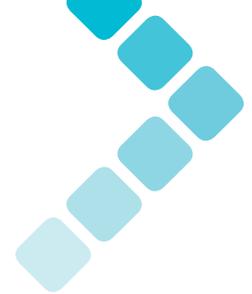
1964

Halkbank created the first fund for the construction of small industrial markets and estates. That same year, the Bank increased its capital and started working actively to expand its deposit base and lending volume.

1975

Halkbank became the bank of larger industrial enterprises as well with the launch of industrial investment and working capital loans.





Halkbank grew with the acquisition of a number of banks starting in 1992. As part of this process, Türkiye Öğretmenler Bankası (Töbank) was merged into Halkbank in 1992 with all of its personnel, branches, assets and liabilities.

1992

Halkbank acquired Sümerbank in 1993 with only its assets and liabilities.

1993

The first Entrepreneur Information Center was established.

1995



Etibank was merged into Halkbank with only its assets and liabilities in 1998.

1998

Halkbank launched restructuring initiatives pursuant to Law No. 4603 regarding the restructuring of state-owned banks to operate in accordance with the requirements of modern banking and global competition and to prepare for privatization.

2000



Halkbank acquired Türkiye Emlak Bankası, which was then in the process of being liquidated, with its 96 branches, personnel and balance sheet.

2001

In the second half of 2004, Pamukbank was successfully merged into Halkbank with all of its assets, liabilities, branches and employees.

2004

## HALKBANK MILESTONES

2007

Halkbank's floatation in 2007 which met with the record demand, was registered in the history of the İstanbul Stock Exchange as the largest public offering carried out in Turkey up to that date. 24.98% of Halkbank shares were floated. Thanks to this successful floatation, Halkbank received the annual "Best Public Offering" award from East Capital, a leading European investment company. Within the framework of agreement between Halkbank and HSBC that year, Halkbank credit cards were enhanced with Advantage feature.



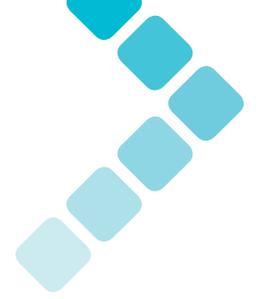
2008

Halkbank credit cards were redesigned to offer all privileges of Advantage and launched under the Halkbank Advantage brand. With its initiative that shortened the process of receiving and evaluating credit card applications and delivering cards to customers, Halkbank became the first bank in Turkey to receive ISO 9001 Quality Management System Standard Certification in 2008. In addition, the first prepaid contactless debit card in Europe launched thanks to a partnership between Halkbank and Visa; Bank24 Jet combined a large number of diverse functions.

In 2008, Halkbank launched the SME Transformation Project to help SMEs comply with national and international regulations and practices in corporate social responsibility, the environment, occupational health and safety and energy efficiency.

2009

Entering into cooperation agreements with development agencies, Halkbank became the first bank to establish solution partnerships with these entities; the objective of which is to contribute to regional economic development and social progress.



2011

“Halk Academy”, the school of banking, was restructured to provide the highest quality of training for Halkbank employees; The Academy conducted programs generally dealing with banking, personal development and social responsibility.

Halkbank Operations Center was established as part of the Operational Transformation Project that was initiated to increase the Bank’s efficiency and accelerate its growth.

Halkbank is striving to expand its successful domestic performance to overseas markets and become a powerful regional bank in Turkey’s surrounding geography. In 2011, the Bank acquired the shares of Export and Credit Bank Inc./ Skopje, the SME bank of Macedonia. Aiming to be one of Macedonia’s top three banks, Halkbank conducts its activities under the business name of Halk Banka A.D., Skopje.

2012

Halkbank launched its credit card brand, Paraf, with the slogan, “Paraf: Home of Benefits” in 2012. Showcasing its ambitions in the retail banking segment with the launch of Paraf, the Bank aims to raise its credit card market share to 6% over the next five years.

Halkbank shares were floated in 2012 through a secondary public offering, which raised the Bank’s Free-float ratio to 48.9%.

In 2012 Halkbank secured a syndicated loan of € 558 million and US\$ 207.5 million with the participation of 46 banks from 23 countries and successfully completed the issuance of US\$ 750 million worth of Eurobonds, confirming its strong reputation in the eyes of international investors. The Bank also issued TRY 1.5 billion of bank bonds.

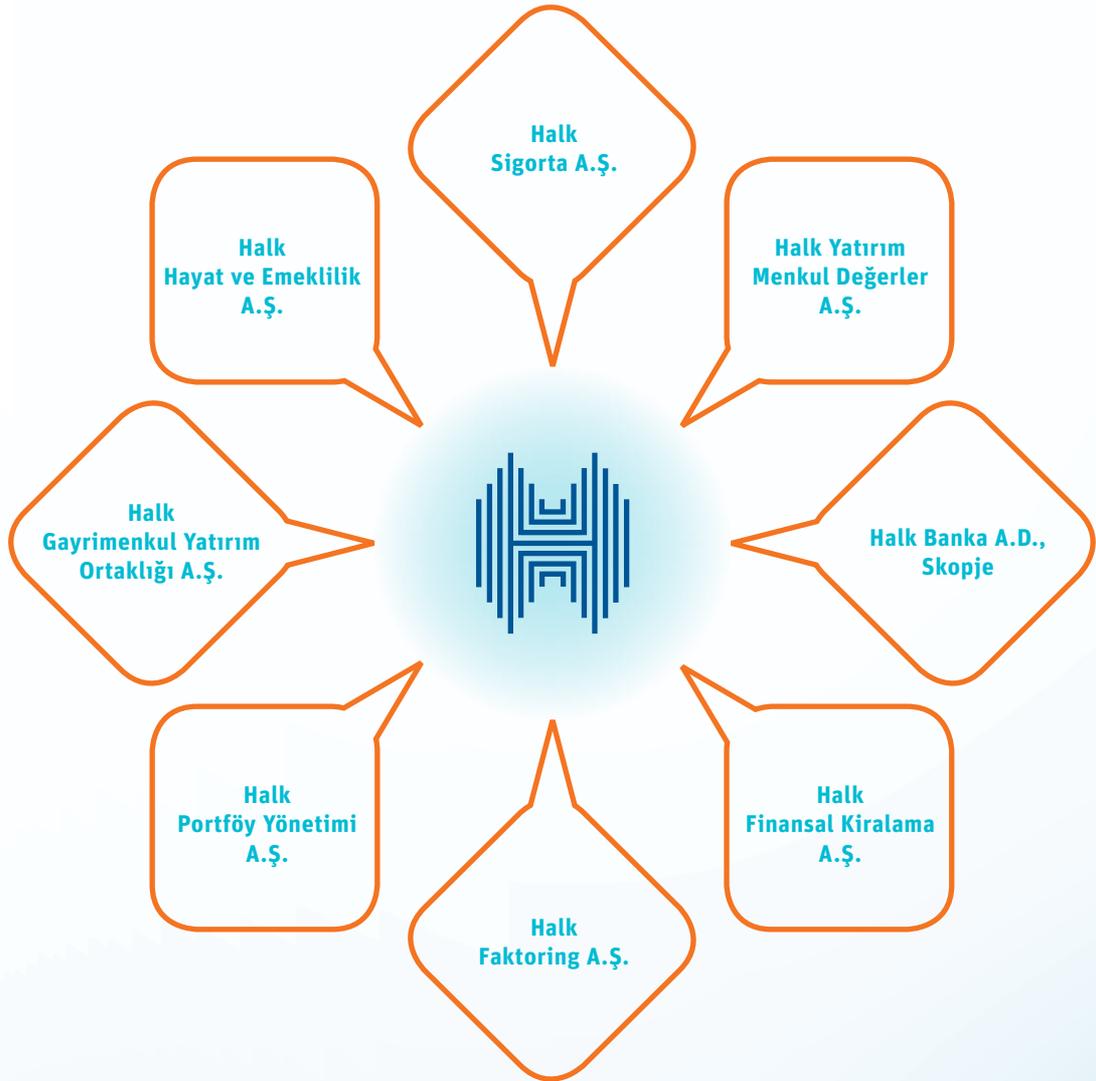


# SYNER

## **REVISING TARGETS UPWARDS**

We stepped up our efforts to become more integrated financial group with our subsidiaries, to deliver all financial services from a single hub.

# GY



## CHAIRMAN'S ASSESSMENT

Our Bank continued to generate a high return on equity and sustained its strong growth in 2012.

Esteemed Stakeholders,

This year Turkey executed the strategy of sustaining the economic growth attained during the previous year and protecting the economy from the external fluctuations. During this period where a more restrained growth target was set and current account deficit reduction policies were implemented without harming the production and performance of exports, the resulting figures suggest that the course pursued was coherent and on the mark. The affirmative impacts of this process, both on the national economy and on the Bank, are apparent in this year's financial results.

### A year of pursuing steady growth in the Turkish economy...

Flashing warning signals regarding the continuation of global economic and financial troubles, 2012 was a year where fiscal discipline, low inflation and steady growth were pursued in the Turkish economy. The decline in inflation and unemployment

rates show that the outcomes were in conformity with these objectives. If the current picture continues, we can predict that the growth and inflation targets for 2013 and 2014 will be met.

### Export figures driving growth...

One of the most important indicators of Turkey's successful economic performance is the export figures driving growth. Despite the still ongoing doldrums in Europe, one of Turkey's major markets, as well as lackluster demand in foreign markets in general, Turkey's exports surged by 13.1% in 2012 compared to the previous year. Coupled with a decline in imports, this led to lower foreign trade and current account deficits. These cumulative positive developments made Turkey less risky compared to other markets.

### A national economy with a successful report card...

In addition, the existence of a sound and highly-lucrative finance industry as well as a

proactive approach toward improving international commercial relations are also major factors that contribute to a successful report card for the Turkish economy. This successful performance, solidified by the assessments of credit rating agencies, is showing signs of making Turkey a point of attraction in terms of attracting foreign investment and obtaining overseas funds to finance its growth.

### Uninterrupted support for the real sector, SMEs in particular...

In parallel to our country's successful growth performance, our Bank maintained its uninterrupted support for the real sector, SMEs in particular, in a year restrained growth was aimed. Throughout 2013 we will continue to deliver the financial solutions and services that we have developed for the unique needs of entrepreneurs and organized industrial zones as well as all other segments of the real economy.

The Bank continued to generate a high return on equity and sustained its strong growth in 2012. Halkbank's cash loans were up by 17.2% compared to year-end 2011 while its total assets reached TRY 108.3 billion as of year-end 2012 from TRY 91.1 billion at the end of 2011. As a result of this performance, the Bank's net profit surged by 26.9% on the previous year to TRY 2,595 million.

### **Continued expansion in retail banking via PARAF, on top of growth in SME banking**

The numbers reached in very short order by PARAF card, which we have designed with a large number of innovations in accordance with our decision to move forward in the credit card market under our own brand, have been satisfactory for the Bank. With PARAF card, we aim to raise the Bank's credit card market share to 6% over the next five years.

### **Continued value creation for the Turkish economy**

Halkbank carried out a secondary public offering of its shares this year. Recorded as the largest public offering ever on the Istanbul Stock Exchange as well as the third-largest in Europe in 2012, the secondary public offering was completed with the smallest discount to date, marking yet another notable achievement for the Bank. As Halkbank stock's free-float ratio rose to 48.9% with this secondary public offering, we continued to create value for the Turkish economy. Halkbank rolled over a syndicated loan of € 558 million and US\$ 207.5 million with the participation of 46 banks from 23 countries in 2012; Halkbank



also issued US\$ 750 million of Eurobonds in July 2012 as well as a total of TRY 1.5 billion worth of bank bonds in January 2012 and July 2012. This picture is mostly a result of the reassuring image of the Turkish economy as well as the Bank's reputation in the international markets and its steadily successful performance.

Esteemed Stakeholders,

Halkbank is immensely proud and glad that every project we carry out and every initiative we undertake with our unlimited energy during the course of our three-quarters of a century existence is a well contribution

to the national economy and to the Bank as value-added. Striving to raise the bar constantly as the Halkbank family, we get the strength we need in this fierce competition from our stakeholders. We believe that we will close out 2013, which is an important year for the Bank as of our 75<sup>th</sup> anniversary, successfully with the faith of our shareholders, the trust of our customers and the dedication of our employees.

Respectfully yours,

**Hasan CEBECİ**  
**Chairman of the Board of Directors**

## BOARD OF DIRECTORS AND THE AUDIT BOARD



**EMİN SHA AYKYL (1)**  
Member of the Board of  
Directors

**DR. NURZAHİT KESKİN (2)**  
Member of the Board of  
Directors

**SLEYMAN ASLAN (3)**  
Member of the Board of  
Directors and General Manager

**HASAN CEBECİ (4)**  
Chairman

**MEHMET EMİN ZCAN (5)**  
Vice Chairman

**SABAHATTİN BİRDAL (6)**  
Member of the Board of  
Directors

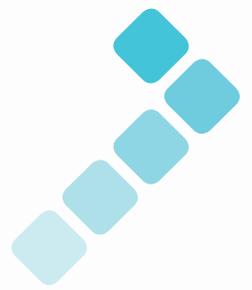
**FARUK ZELİK (7)**  
Member of the Audit Board

**HİKMET AYDIN SİMİT (8)**  
Member of the Board of  
Directors

**DR. AHMET YARIZ (9)**  
Member of the Board of  
Directors

**ALİ ARSLAN (10)**  
Member of the Audit Board

**AHMET KAHRAMAN (11)**  
Member of the Board of  
Directors



## ✦ GENERAL MANAGER'S ASSESSMENT

We welcome 2013 with extraordinary excitement and motivation in which we will celebrate the 75<sup>th</sup> anniversary of Halkbank.

Esteemed Stakeholders,

Following the Bank's successful performance in terms of profitability and efficiency in 2011, we are leaving behind another busy year where we focused our activities on sustaining our competitive edge in all lines of business and attaining the numeric growth targets that we had set for the Bank for 2012. This period was yet another successful year for Halkbank from the perspective of creating sustainable sources of income as well as maintaining effective efficiency, cost and capital management.

### **A very well-known bank in high demand...**

Pursuit of funds to meet the demand of the growing economy of financing sources continued to be a major theme in 2012. Despite the relative stagnation in the developed economies, we continued to provide low-cost, long-term resources to the Turkish economy thanks to our excellent reputation in the international markets. The first ever Eurobond issue

we carried out this year, in addition to our syndicated loan, represents a major step in the Bank's integration with the international capital markets. We had to increase our Eurobond issue amount during the process due to the fact that the issuance was nine-times oversubscribed, which once again proved that Halkbank is a well-known bank in demand by international institutional equity investors.

### **The largest public offering ever on the Istanbul Stock Exchange and the third-largest in Europe...**

2012 has also been a year of regeneration and renewal for the Bank. Halkbank's secondary public offering toward the end of 2012 was the largest ever public offering on the Istanbul Stock Exchange as well as the third-largest in Europe in 2012. The interest in the Bank's shares not only confirmed Halkbank's success, but also demonstrated the confidence in the Turkish banking industry and the Turkish economy, which underwent a major transformation and has been growing steadily for the last 10 years.

### **Improving reputation in international markets...**

We managed to roll over 100% of the syndicated loan that we had secured in 2011. The number of participants in Halkbank's syndicated loan facility increased from 30 banks from 14 countries in 2011 to 46 banks from 23 countries in 2012. The participation in the Bank's syndication facility by banks from the Middle East in addition to the banks from the United States and Europe reaffirmed Halkbank's growing reputation in the international markets.

### **High profitability and the vision of becoming a financial supermarket...**

In 2012 Halkbank sustained the high profitability and return on equity that it had attained in 2011. We designated 2012 as a period of regeneration and breakthroughs for the Bank and its subsidiaries. We carried out major initiatives at Halk Sigorta, Halk Hayat ve Emeklilik, and Halk Leasing in accordance with the vision of becoming a corporate financial supermarket. Halk Sigorta shares began

trading on the Istanbul Stock Exchange while Halk Hayat ve Emeklilik added Private Pension System (BES) to its business lines. Halk Leasing completed an extremely successful corporate bond issue. Halk Faktoring, which we founded in 2012, became the youngest member of our corporate family.

### **Providing a continuous flow of resources to Productive Turkey...**

Our priority in all of these activities, as it has been since the day Halkbank was established, was to provide continuous flow of resources to Productive Turkey. While enhancing our profitability and operational efficiency, we embraced a growth model that will contribute to Turkey's economic growth and to the development of our business partners.

### **Continuing to stand by the Turkish economy**

Thanks to its experience in SME banking, Halkbank continued to be among the leading banks in this segment in 2012. Maintaining its support for the real sector uninterruptedly even during turbulent times, the Bank continues to stand by the Turkish economy through bilateral partnerships as well as new products offered from its in-house resources. As part of this effort, we significantly boosted the scale and scope of our cooperation with professional associations from various industries in 2012.

### **Financial support for SMEs and entrepreneurs**

We signed protocols during the year to assist the producer SMEs in reducing their



costs and strengthen their competitive edge. In addition, we undertook significant initiatives in an attempt to provide financial support to SMEs and entrepreneurs and to expand their visions by executing cooperation agreements with a large number of entities including the Turkish Exporters Assembly, Kredi Garanti Fonu (Credit Guarantee Fund of Turkey), the Turkish Fashion and Apparel Federation, and the General Directorate of Forestry.

### **Attempts to introduce alternative investment vehicles to our clients**

Issuing bank bonds denominated in Turkish Lira to the domestic market, we continued to deliver alternative products and services, a requirement of contemporary banking, to the domestic customers and aimed to introduce alternative investment vehicles to our clients. As a result, we were extremely happy to see that the results we attained

## GENERAL MANAGER'S ASSESSMENT

# We launched Paraf in accordance with our decision and strategy to move forward under our own brand.

together with our employees as a consequence of our great efforts and motivation matched our year-end targets. This allows us to greet 2013, when we will be celebrating our 75th anniversary, with extraordinary excitement and motivation.

Halkbank's cash loans surged by 17.2% to TRY 65.9 billion this year from TRY 56.2 billion at year-end 2011. As a result of this performance, the share of loans in total assets stands at 60.9% as of the end of 2012. The Bank continued to position itself above the sector average with this result. In addition, thanks to the primacy we give to lending, Halkbank's loan-to-deposit ratio stands at 82.4% for the same period.

Commercial loans, a category that also includes SME loans, constituted the largest share in the increase in the Bank's lending volume. Total commercial loans

increased by 16.9% to TRY 48.1 billion this year from TRY 41.1 billion at the end of last year. As a result, the Bank's loans to SMEs, including loans to tradesmen and artisans, reached 37.8% of Halkbank's overall cash loan portfolio.

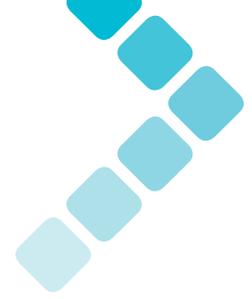
### **Aiming for a 6% market share within five years with Paraf**

The Bank had reinforced its presence in retail banking by executing a program partnership in credit cards with Advantage back in 2007. This allowed us to gain experience in the credit card market and to expand our applications over time. We made major strides in terms of the services and new technologies a credit card should offer. At the expiration of our five-year agreement with Advantage, we launched Paraf in accordance with our decision and strategy to move forward under our own brand. We aim to raise our

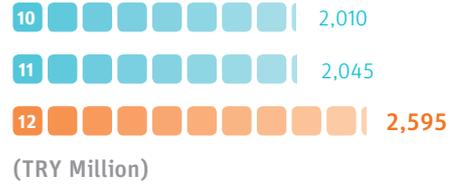
market share to 6% within five years with Paraf, which was designed to offer a unique credit card tailored for each client and introduced many innovations to the industry. The interest shown in our credit card brand is making us feel good about our bold decision.

### **Sustained high growth rate in retail loans...**

Continuing its rapid ascend in retail banking with Paraf, Halkbank also sustained its high growth rate in retail loans. The Bank attained 18% growth in this segment between year-end 2011 and the end of 2012. Consequently, the share of retail loans in the overall cash loans portfolio reached 27%. With this performance, the Bank demonstrated once again that it will continue to be a strong competitor in the retail banking segment. As a result of all of these activities, Halkbank's total assets grew by 18.8% compared to the previous year, from TRY 91.1 billion to TRY 108.3 billion.



26.9%  
Net Profit Growth



Opting to ensure the sustainability of its lending growth rather than accelerating its credit expansion in the last quarter of the year, and maintaining credit quality during the process, the Bank registered a non-performing loan ratio of 2.9% in 2012. Halkbank's return on equity, as of year-end 2012, stands at 24.8%, which is the highest return on equity among the listed banks in Turkey.

#### Continued growth with new additions in 2012

Taking heed of its branch network expansion pace as well as its successful balance sheet performance, the Bank opened 50 new branches in 2012. In addition to expanding its branch network, the Halkbank family continued to grow with new additions in 2012. Closing 2011 out with 13,643 employees, the Bank raised its personnel count to 14,971. We expect that 750 more people will join us in 2013 and make the Halkbank family even stronger.

#### Striving to be a powerful regional bank in Turkey's surrounding geography...

Halkbank is striving to expand its successful domestic performance to overseas markets and become a powerful regional bank in Turkey's surrounding geography. We swung into high gear in accordance with this goal in 2012. Halk Banka A.D., Skopje, the Bank's subsidiary operating in Macedonia, acquired Ziraat Banka A.D., Skopje with all of its assets, liabilities, branches and personnel.

Esteemed stakeholders, These successful results we have attained show that we are progressing in accordance with our objectives as well as how accurate our projections were when we were setting our goals for 2012. 2013, just like 2012, will be a year where we maintain our leadership in SME banking and reinforce our presence in retail banking.

We believe that, with our deep-rooted experience and the energy we get from our customers, Halkbank will achieve a performance worthy of its 75<sup>th</sup> anniversary in 2013. Thanks to our long-term and well-designed strategy, we will strengthen and continue all projects that we initiated in 2012 and launch new projects. I would like to express my sincerest gratitude to Halkbank's treasured employees and investors who remind us with their efforts and faith during this marathon that we are a large family. I firmly believe that we will complete our run in 2013 with the bar set even higher once again.

Respectfully yours,

**Süleyman Aslan**  
General Manager

## PIONEERING PRODUCTS



### Paraf: New Credit Card

To boost its activity in the credit card market, Halkbank launched the new credit card brand Paraf with the slogan, "Paraf: Home of Benefits."



### Halkbank Internet Branch No-Cost Campaign

All banking transactions performed at the Halkbank Internet Branch are free of charge.



### Industrial Zone Support Package

The Industrial Zone Support Package was introduced to help the firms that operate in Organized Industrial Zones, Small Industry Areas and other industrial sites, or that plan to undertake new investments in industrial zones to develop their businesses, gain a competitive edge, create new employment opportunities, operate in favorable conditions and increase productivity.



### Halkbank-TİM SME Export Rally

The Bank signed an agreement with the Turkish Exporters Assembly (TİM) to facilitate Turkish lira and foreign currency-denominated export-commitment loans; environmentally responsible projects including new investment refurbishment, modernization, renovation, upgrades, and energy efficiency initiatives; and working capital and non-cash loans. The agreement targets all exporter SMEs that are TİM members.



### EIB SME-3 Loan

The EIB SME-3 Loan finances the working capital and/or investment funding needs of companies with a total employee head count of less than 1,500 that are active in manufacturing, tourism, education, healthcare, environmental protection, infrastructure, services or information and communication technology.

### Education Loan



Halkbank rolled out the “Education Loan” product that finances all education expenditures, including pre-school, private school, standardized test preparation classes, foreign language school, associate’s degree, bachelor’s degree, postgraduate degree and doctoral degree.

### Halk Emergency Support Insurance



Halkbank launched “Halk Emergency Support Insurance” in 2012. This product provides coverage for emergency medical, surgical and hospital expenses; accident-related death or disability; and robbery and theft in the vicinity of an ATM.

# CONSIS

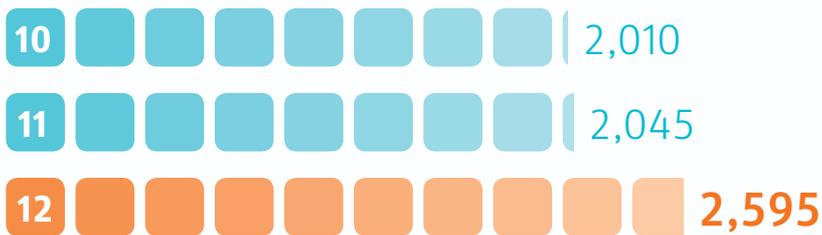
## **GROWING AND LETTING GROW**

**While breaking records in financial growth and productivity, we contributed to the development of the national economy.**

We posted TRY 2,595 million in net profits with our strategy focused on sustainable profitability and productivity.

# TENCY

## Net Profit (TRY Million)



## REVIEW OF OPERATIONS IN 2012

Halkbank has stood by SMEs as well as its corporate and commercial banking clients.

### Corporate and Commercial Banking

#### Customer-service oriented approach

One of the key and most deep-rooted components of Halkbank's service quality is its customer-oriented approach. The first step in the Bank's relationship with its clients is identification of customer needs. Halkbank prioritizes customer satisfaction by offering the right products based on client needs and providing customers with fast and convenient service. Conducting its Corporate and Commercial Banking operations in accordance with this approach during 2012, Halkbank also evaluated and finalized large-scale project finance options for its clients.

During the reporting year, Halkbank continued its ongoing customer segmentation efforts to improve its service quality. As part of this initiative, the Bank segmented corporate and commercial customers based on their annual turnover:

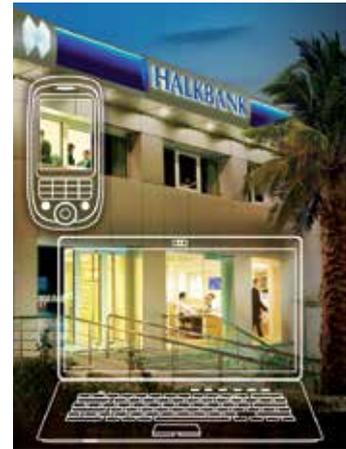
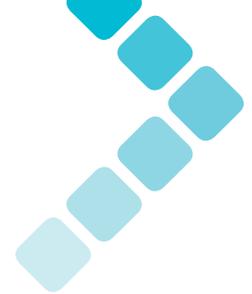
- Companies with annual turnover of more than TRY 150 million are defined as "Corporate";
- Companies with annual turnover between TRY 25 million and TRY 150 million are defined as "Commercial";
- Companies with annual turnover of up to TRY 25 million are defined as "SME."

Continuing to provide the most appropriate product with the best personnel in each segment, the Bank increased its customer satisfaction levels in 2012.

Halkbank has stood by SMEs as well as its corporate and commercial banking clients. In addition to corporate and commercial branches, the Bank's SME and COMPOSITE branches affiliated with regional offices continued to provide services with their highly skilled personnel and specialized product range tailored for client profiles in their locale.

#### 16.3% growth in corporate and commercial cash loans

Halkbank's rapid growth in corporate and commercial banking continued in 2012; the Bank's loan base expanded as it added new borrowers to the customer portfolio. During the year, Halkbank extended total cash loans of TRY 25.8 billion to its corporate and commercial segment clients, up 16.3% from 2011.



**Strong international reputation**

In 2012, Halkbank maintained its business relationships with international financial institutions including the European Investment Bank, the World Bank and the French Development Agency from which it has obtained long-term, low-cost funding for many years; as a result, the Bank was able to finance many client investments.

**Successful initiatives in project finance**

Halkbank continued to conduct marketing and feasibility studies and technical and financial analyses for prospective projects during the year. These included energy production, transmission and distribution projects (e.g. natural gas transmission

and distribution; electricity transmission and distribution; hydroelectric, solar and wind power plants; geothermal power plants; thermal power stations); port, airport, toll road, highway and railway, rail system and metro transportation projects; hospital, shopping center, convention center, hotel with more than 400 beds, holiday village, exhibition center construction projects; and build-operate-transfer, build-lease and operating right transfer projects.

**US\$ 1.6 billion structured finance loan portfolio**

Within its project finance business that serves the merger, acquisition, takeover, and other corporate finance needs of its clients, Halkbank continued to be an active player in the

structured finance market in 2012 through direct lending relationships with individual companies and participation in bank consortiums. As of year-end, the Bank originated a total of US\$ 255 million in structured finance loans for four projects that passed feasibility and creditworthiness assessments. Halkbank's structured finance loan portfolio totaled US\$ 1.6 billion at end-of-year 2012.

**6 corporate, 37 commercial branches**

Targeting customer satisfaction and profitability, the Bank provided high-quality banking services to corporate and commercial clients via 6 corporate and 37 commercial branches in 2012.

## REVIEW OF OPERATIONS IN 2012

Unwavering in its support of the SME sector regardless of prevailing economic conditions or the lending environment, Halkbank is a brand for every SME.

### SME Banking

#### **Halkbank: Turkey's first and leading SME bank**

Turkey's first and leading SME bank that has embraced the mission of supporting artisans, craftsmen and SMEs in every way, Halkbank increases its ongoing support each year while remaining committed to its customer-oriented approach.

#### **Halkbank: Standing by producers for 74 years**

For 74 years, Halkbank has supported SMEs, its priority target customer group, with attractive interest rates, long-term working capital, investment loans and quality products tailored for different industries.

In 2012, Halkbank added nearly 50,000 new SME customers; the Bank's SME client portfolio currently numbers 1.2 million. Loans to SMEs make up 37.8% of the Bank's total cash loans.

#### **Training and support for SMEs**

Long understanding that Turkey grows wealthier through the proliferation of entrepreneurship, Halkbank has always supported entrepreneurs in accordance with its corporate mission. The Bank has not only given financial and non-financial support to help entrepreneurial businesses, but has also provided training and advisory services to SMEs-entrepreneurs. Well aware that SME banking should go beyond simply provision of financial

services, Halkbank strives to create an in-house business development culture where SMEs are informed and supported through voluntary training opportunities.

Halkbank not forgoing its support under any condition is a brand name for every SME. The Bank continued to provide support to SMEs in 2012 with the motto, "SMEs are our business, not our hobby." Halkbank's primary goal is to offer fast, effective and quality solutions that meet the needs of SMEs. To this end, the Bank will continue its support of SMEs, artisans and craftsmen, the backbone of the Turkish economy, under attractive terms with advantageous rates in the coming period.



## NEW PRODUCTS AND SERVICES

### KOBİKART (SME CARD)

KOBİKART allows SME cardholders to purchase on credit from dealers, distributors and other sales points; this fast and secure payment vehicle also lets SME customers make all company-related purchases easily both in Turkey and abroad. While eliminating check, promissory note, letter of guaranty, bank wire and similar transaction related costs thanks to its shopping on credit feature, KOBİKART also streamlines the purchasing and payment processes for small and medium enterprises.

### SME Tourism Season Support Package

Halkbank's SME Tourism Season Support Package is a loan product with flexible

repayment terms designed to meet the unique cash flow needs of the tourism industry. The support package covers financing renovation related investments for tourism companies such as working capital, repairs-maintenance, refurbishment, equipment and furnishings purchases; the package also provides funding for investments to modernize, upgrade and boost energy efficiency.

### SME Emergency Support Insurance

In order to provide faster and more effective solutions to meet the needs and unique risks that SMEs face, Halkbank launched the "SME Emergency Support Insurance" that stands by SMEs in cases such as loss of work, bankruptcy, personal accident and emergency healthcare.

### SME Academy

As part of the SME Academy Platform that commenced in 2012, Halkbank offers many complimentary training courses in a large number of fields, from entrepreneurial skills and professional development to law and finance. Conducted on the Halk Academy website at <http://www.halkakademi.com.tr/ehalk/>, all SMEs can participate in the training classes, whether a Halkbank customer or not, by registering on the system.

### Check with Company Logo

Halkbank developed the Check with Company Logo product for new or existing firms to increase Bank check use and circulation.

## REVIEW OF OPERATIONS IN 2012



### Industrial Zones Support Package

Turkey's Organized Industrial Zones (OIZs) play a vital role in the economy, by carrying out the industrial investments of our country and increasing enterprise productivity. OIZs locate industrial enterprises in close proximity within a zone that makes good economic use of the available space; the result is cost-benefit efficiency and rapid yet balanced socio-economic development and industrialization. OIZs also serve as the production venue for the manufacturing industry and SMEs, the foundation of Turkey's exports.

Halkbank launched the "Industrial Zones Support Package" for firms that already operate in Small Industry Areas (KSS) and similar industrial sites. The package is designed to help companies gain a competitive



edge, create new employment opportunities, increase productivity and operate more effectively in favorable terms.

### AFD Energy Efficiency Loan

Recognizing that the cheapest energy for SMEs is conserved energy, Halkbank continued to extend loans from the € 60 million facility secured from the French Development Agency (AFD) in 2012. These loans target sustainable energy investments that help reduce greenhouse gas emissions, and CO<sub>2</sub> in particular, and minimize the impacts of climate change on the environment.

### First Step for Women Entrepreneurs Loan

To encourage entrepreneurialism, boost employment and support economic participation of women entrepreneurs in particular, Halkbank developed the "First Step for Women



Entrepreneurs Loan" in co-operation with the Kredi Garanti Fonu (KGF), the Credit Guarantee Fund of Turkey.

### Bank Account Activities Integration

In co-operation with TÜRMOB (Union of Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey) the "Bank Account Activity Integration" initiative has been taken to enable certified public accountants and their SME clients to process their bank account activities easily and automatically for accounting purposes. Thanks to the integration, clients save money on statement fees as well as time while recognizing their banking account activity in their accounting processes automatically in a fast, secure and error-free (in an accurate) manner at international standards.



### **KKB (Credit Bureau of Turkey) Credit Risk and Check Report**

The KKB (Credit Bureau of Turkey) introduced the Credit Risk Report, which contains credit payment information on the plan and the borrower, for use by real persons and entities. This new product is a companion to the Check Report where checking history can be accessed.

### **Commercial-Use 2/B Real Estate Purchase Loan**

The Commercial-Use 2/B Real Estate Purchase Loan finances the direct sale of commercial-use properties, on behalf of the Turkish Treasury, that were excluded from the definition of forest pursuant to Article 2/B of Forest Law No: 6831.

Loans extended for real estate purchase for commercial use including land, factory building,



retail and hotel are also covered by this category.

### **Halk Artisan Support Package**

In line with its founding mission, Halkbank introduced the “Halk Artisan Support Package” to serve the financing needs of artisans and tradesmen, who rely on cooperative loans, as well as micro and small businesses, which rely on cooperative loans. The loan package is designed for the SME segment, micro enterprises, small businesses, artisans and tradesmen as a whole and consists of the Halk Artisan Loan SME-Artisan Emergency Support Insurance Policy, among other products.

### **Treasury-Sponsored Investment Loan**

The agreement “Regarding the Implementation of Interest Support,” signed between the

Undersecretariat of Treasury and Halkbank, serves to lower the financing costs of regional support, R&D, and environmental investments that have received incentive certification which also covers Interest Payment Support from the Undersecretariat.

### **Open Shop Loan**

Halkbank signed a € 4.5 million counter-guarantee agreement with the European Investment Fund for use in the Greater Anatolia Guarantee Facility (GAGF) project. GAGF is administered jointly by the Credit Guarantee Fund of Turkey (KGF) and the European Investment Bank within the framework of the Instrument for Pre-Accession Assistance (IPA). This facility extends funding to micro SMEs with KGF’s guarantee under the “Open Shop Loan” brand (raised).

## REVIEW OF OPERATIONS IN 2012

Through training program and attractive financing options, Halkbank continues to support SMEs in terms of launching business and increasing import potential.

### COOPERATION WITH INDUSTRY BODIES

#### **Organized Industrial Zones**

Pursuant to the credit agreements executed between Halkbank and Organized Industrial Zones in 2012, the Bank offers its energy efficiency and renewable energy loan products to companies operating in OIZs under attractive terms and conditions. Firms located in OIZs can also take advantage of the working capital and investment loans in the “Industrial Zones Support Package,” as well as other Bank loan and deposit products with attractive interest and commission rates. Halkbank entered into agreements with a total of 58 OIZs in 2012.

#### **Development Agencies**

The first Turkish bank to cooperate with development agencies in order to aid in regional economic and social development, Halkbank executed agreements in 2012 with Zafer Development Agency, Ahiler Development Agency, Istanbul Development Agency and Trakya Development Agency. Currently, the Bank has active agreements with 20 development agencies.

#### **SME Export Rally Cooperation with Turkish Exporters Assembly**

Halkbank entered into the “SME Export Rally” agreement with the Turkish Exporters Assembly to help realize the goal of US\$ 500 billion in exports by 2023. Under this protocol, Halkbank provides finance facilities and training services to the SMEs under the

umbrella of TİM to facilitate exporting, expanding target overseas markets and increasing their competitive edge. Halkbank also offers firms export-related financial products at attractive costs and with convenient repayment options.

#### **Turkish Fashion and Apparel Federation Agreement**

Halkbank entered into an SME cooperation with the Turkish Fashion and Apparel Federation (TMHGF), a united organization for industry and regional associations in the textiles, fashion and apparel sectors. Under this cooperation, Halkbank provides support to TMHGF members in every industry-related area, from product purchases to investment finance.



To date, Halkbank has realized its Productive SME meetings with the participation of almost 2,500 firms.

#### **KOSGEB Van Province Zero-Interest Emergency Support and Working Capital Support Loan Protocols**

Halkbank continued to provide low cost funding in 2012 within the context of the KOSGEB Van Province Emergency Support Loan and KOSGEB Van Province Zero-Interest Working Capital Support Loan Protocols to enterprises which were impacted by the earthquake in Van province and surrounding area in 2011, provided documentation from related official bodies and were registered to the database of KOSGEB. Halkbank ranked the first lender as a part of these programs.

#### **Entrepreneurship Training**

Halkbank and KOSGEB entered into the Applied Entrepreneurship Training Cooperation. Under the cooperation, KOSGEB and the Bank jointly offer applied entrepreneurship training programs at universities; support entrepreneur graduates of these programs who set up their own businesses with the Bank's First Step for Women Entrepreneurs Loan and Young Entrepreneur Loans; and allow them to apply for the loans. Consisting of a minimum of 70 hours of educational training and workshops, the program focuses on testing for entrepreneurial traits, performing business concept exercises, and creating business plans.

#### **Productive Turkey and SME Meetings**

Halkbank organizes meetings in provinces where SMEs have a major presence and competition is fierce. To date, almost 2,500 firms have attended the Bank's Productive SME meetings. In addition to promoting the Bank's SME product and service portfolio, the meetings also feature economists who present information on issues facing the country, the most recent economic indicators, as well as the regional and sector-specific challenges and the advantages and disadvantages for SMEs in their regions.

## REVIEW OF OPERATIONS IN 2012

Through loans with attractive terms and low interest rates, Halkbank, the bank of Productive Turkey, provided ongoing support to artisans and tradesmen in 2012.

### Artisans Banking

In keeping with its founding mission, Halkbank continues to meet the financing needs of tradesmen and artisans, a key economic segment, by offering the most favorable terms and providing effective, high-quality banking services.

#### Fast and effective solutions for financial needs

The Bank aims to continue its support for artisans and tradesmen, who make up a majority of the client portfolio, to offer fast and effective solutions for the financial needs of this segment using the latest technology.

#### Treasury-sponsored loans

Halkbank's Treasury-sponsored loans for artisans and tradesmen are offered with attractive interest rates and terms; the loans

are also guaranteed by the 953 Artisans and Tradesmen Loan and Guarantee Cooperatives (ESKKK). These are available to other artisans and tradesmen without a cooperative's guarantee when there is no cooperative present in the region.

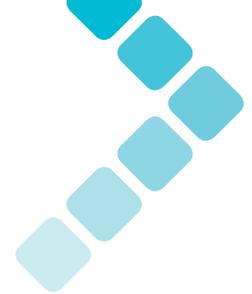
Halkbank offers Treasury-sponsored working capital loans to artisans and tradesmen with monthly, quarterly and semiannual payment options up to a four-year term. The Bank also offers investment loan and letter of guarantee loan products to purchase businesses, commercial vehicles, machinery/equipment and fixtures with monthly and quarterly payment options up to a five-year term.

In 2012, cooperative loan interest rates remained unchanged at 10%

for loans up to one year, and 12% for loans with a term of more than one year. Pursuant to the 2012 Council of Ministers Decree regarding Treasury-sponsored loans extended to artisans and tradesmen by Halkbank, for loans originating after February 22, 2012, 50% of the cooperative loan current interest rate is paid by the Treasury for principal amounts up to TRY 25,000; while 35% of the cooperative loan current interest rate is paid by the Treasury for the principal amount over TRY 25,000. As a result, the net interest rate paid by tradesmen ranges from 5% to 7.8%.

In addition, Treasury-sponsored loans for artisans and tradesmen are exempt from the banking and insurance transaction tax (BSMV)\*, stamp duty, and resource utilization support fund tax (KKDF).

\*Only manufacturing companies are exempt from the BSMV in Treasury-sponsored direct loans.



**The number of artisan and tradesmen originated borrowers increased to 258,083.**

Treasury-sponsored loans to artisans and tradesmen increased 25% to TRY 6,926 million as of year-end 2012, from TRY 5,541 million a year earlier while the number of artisans and tradesmen Halkbank originated loans reached 258,083. Halkbank’s total direct lending without the ESKKK loan guarantees reached TRY 191.4 million while investment loans stood at TRY 59.5 million as of year-end 2012.

The maximum working capital loan amount that can be extended to individuals under the Treasury-sponsored lending program, based on the risk groups of the cooperatives, went

up slightly in 2012; the range increased from TRY 35,000 - TRY 100,000 to TRY 40,000 -TRY 125,000 due to the rising working capital needs of artisans and tradesmen. The Bank continues to extend investment loans of up to a maximum of TRY 250,000.

In 2012, the Halkbank Corporate Internet Branch added a feature that allows the Artisans and Tradesmen Loan and Guarantee Cooperatives to access information on loans for which they have pledged their guarantee.

Thanks to systems integration that Halkbank undertook concurrently with the launch of the “Artisans and Tradesmen Information System” (ESBIS) project of Turkey’s Ministry of

Customs and Trade, registration payment transactions for the professional associations of artisans and tradesmen can be made at all Halkbank branches as of 2012.

Halkbank continuously strives to find faster and more effective solutions to meet the specific needs of artisans and tradesmen, who form the foundation of entrepreneurship in the country’s economy due to their large numbers and combined economic strength. To hedge against potential risks that they may encounter in their business operations, the Bank launched the “Artisan Emergency Support Insurance” product in 2012. The insurance provides coverage for loss of work, personal accident and emergency healthcare, and business assistance services.

## REVIEW OF OPERATIONS IN 2012

# Halkbank launched Paraf with the slogan, “Paraf: Home of Benefits.”

## Retail Banking

In the increasingly competitive retail banking market, the Bank serves more than 7 million retail customers with exclusive Halkbank benefits via innovative products, with a customer-centered approach and an “Anything You Need” concept. Despite the fiercely competitive retail market environment, Halkbank’s total retail loan portfolio reached TRY 17.8 billion, up 18% in 2012; meanwhile, the share of retail loans in the Bank’s overall loan portfolio rose to 27%.

### Steady, profitable and sustainable growth in retail loans

Halkbank’s consumer loan portfolio, which includes general-purpose, car and mortgage loans, grew 16.6% to TRY 16.3 billion in 2012. Mortgage and general-purpose loans are the growth drivers in the Bank’s retail loan portfolio.

### Strong growth performance in mortgage loans

Halkbank has become one of the most preferred banks in mortgage lending thanks to its broad product range, flexible repayment options customized for each customer, and its attractive promotional campaigns.

With its differentiated solutions that meet the needs of construction companies engaged in homebuilding as well as retail homebuyers, Halkbank had a stellar year in housing project financing. The Bank participated in nearly 70 branded housing development projects in Istanbul and other large metropolitan areas.

### 12.5% rise in general-purpose loans

Thanks to products and promotional campaigns that offered a wide range of options such as no-interest, low-interest, no-fee and deferred payment

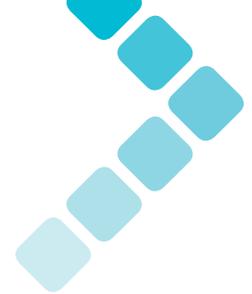
loans, Halkbank’s general-purpose loans were up 12.5% to TRY 9.6 billion for the year.

The Bank addressed the specific needs of various customer segments quickly and effectively with promotional campaigns held throughout the year.

Retail loan campaigns implemented and refreshed throughout the year offering attractive options for the needs of every customer profile played a major role in expanding the Bank’s retail loan portfolio.

Halkbank’s loan campaigns with exclusive favorable terms targeted employees in the education and healthcare industry, members of security forces and public sector personnel, who make up a major share of the Bank’s salary payment service clients.

The Ready Loan campaigns offering general-purpose, car and mortgage loans bundled as



a retail loan package for target Halkbank customers continued in 2012. Under these campaigns, the Bank presented customers who are active and retired public sector personnel and healthcare industry employees and whose salaries are direct-deposited into their Halkbank accounts with Ready Loan offers through various distribution channels.

A participant in the discount promotional campaign held by the Housing Development Administration of Turkey (TOKİ), Halkbank became one of the largest originators of home and commercial housing loans for TOKİ.

**Halkbank continued to expand its differentiated products and services in 2012.**

- Halkbank introduced the “2B Loan Package” to address the various financial needs of claimants during the sale of Treasury-owned land that was excluded from the definition of forest, also known as 2B properties, pursuant to the enactment of Law No. 6292.
- Designed exclusively for employees of state enterprises whose salaries are direct-deposited into their Halkbank accounts, the “Advance Promotion Loan” allows public sector personnel who are usually paid their promotion earnings in monthly installments to receive this

amount lump sum as a loan; the loan payments are deducted directly out of their monthly promotion imbursements.

- The Bank launched the “Discounted Interest General-Purpose Loan” to address the cash needs of customers.
- Halkbank launched the “Education Loan” to finance all education expenditures starting with pre-school with attractive terms.
- The Credit Bureau of Turkey (KKB) rolled out the Credit Risk Report for the use of real persons and entities in order to increase market efficiency in transactions that carry financial risk and to create awareness regarding financial transparency. Halkbank made the report available to customers at the Bank’s branches and through internet and telephone banking channels.
- Together with its partners, the Bank designed customer segment-based, need-oriented insurance products and marketed them to customers through alternative delivery channels and promotional campaigns.

**Paraf Era in Credit Cards**

At the expiration of its program partnership cooperation with HSBC in December 2012, Halkbank launched its new credit card brand Paraf with the slogan, “Paraf: Home of Benefits” in order to boost its credit card business.

Beginning to carve out its niche in the market with the slogan, “Paraf: Home of Benefits,” Paraf aims to offer customer innovative and competitive products worthy of its tagline while increasing its market share.

Paraf is the first credit card brand in Turkey to allow cardholders to pick a specific day of the month as their own personal campaign day. On the selected day, customers can take advantage of one or more of the options offered, such as additional discount, installment, rewards points or deferred payment.

As a pioneering service in Turkey, Paraf Gold and Paraf Platinum offer cardholders discounts at all domestic and overseas restaurants on Saturdays.

Paraf cardholders can earn discounts for each day they pay their credit card bill before the due date after their statement closing date. With this pioneering feature that will undoubtedly impact the competitive environment, Halkbank aims to increase the customer satisfaction level of credit cardholders.

As part of the Increasing ParafPara (ParafMoney) feature, Paraf Klasik, Gold and Platinum cardholders can earn rewards points up to twice their total monthly spending.

## REVIEW OF OPERATIONS IN 2012

# Online banking's active customer base expanded 32% in 2012 to 600,000.

**Halkbank extended corporate partnerships and diversified its debit and credit card products at an increasing pace.**

The Bank and the Turkish Red Crescent Society jointly developed and launched the "KızılayCard" during the year. A thoroughly innovative and pioneering initiative, the KızılayCard aims to deliver the Turkish Red Crescent Society's social assistance to those in need faster and more effectively.

In 2012, Halkbank launched PosPara, a new application to maximize customer expectations by developing pioneering products and services in payment card systems and adopting advanced technology applications throughout the Bank.

The Installment Cash Advance is yet another product innovation the Bank rolled out in the reporting year. This new feature addresses the immediate cash needs of credit card customers while allowing repayment over time in installments.

**Upgraded POS technology, increased product diversification and security**

Closely monitoring advances in technology and developments in industry practices, Halkbank upgraded its POS security while increasing product diversification and security. The Bank also implemented member business network expansion efforts for the Paraf loyalty program.

In an attempt to lower operational costs, increase efficiency and focus on intensive use of technology, Halkbank has prioritized directing the operational load of the Bank's physical service network to alternative delivery channels (ADCs).

**81% of banking transactions performed through ADCs**

Halkbank used non-branch delivery channels intensively in 2012 in order to increase customer satisfaction, reduce the operational workload, deepen customer relationships and acquire new clients; during the reporting year, 81% of banking transactions were performed through ADCs. In 2013, the Bank plans to further increase the share of alternative delivery channels in total transactions while launching new services to improve Halkbank's service quality and provide additional value for customers.



### Halkbank was elected Best Bank for customer complaint management

Maintaining its sector-leading position during the first two quarters, Halkbank was ranked first in customer complaint management this year by the “Şikayetvar” website, one of the top customer complaint management sites in the industry. Furthermore, the Bank was named the leader in customer satisfaction in the retail banking segment among the state-owned banks in the Customer Satisfaction Index of Turkey (TMME) survey. The well respected survey was conducted by the Turkish Society for Quality (KalDer) and the international research firm KA Research Limited.

### Continued sales and marketing activities through ADCs at full speed

Halkbank also used ADCs intensively for sales and client activation initiatives. During the reporting year, the Bank’s activities in these areas included welcome calls for new salary direct-deposit customers; activations for inactive ADC clients; credit card recovery, returned card, credit card and overdraft account limit monitoring; contact information updating; pre-approved loan/ card product offers; automatic bill payment instruction offers; deposit-related information; and canalization activities.

In 2012, Halkbank introduced insurance product sales initiatives for the first time. As part of this effort, the Bank conducted sales of Critical Illness and Health Insurance as well as the Private Pension System (BES) product during the year. Halkbank also laid the groundwork for marketing other insurance products and updating its existing product portfolio in 2013.

### “Best Telemarketing and Sales Campaign” award at the Call Center Awards

The number of active customers using the Call Center was up 26% in 2012, while the number of inbound calls rose to 8% compared to the previous year. The operation number of Call Center Management increased to 57% compared to the previous year. The “Automated Outbound Calling Platform” was put into service in order to provide proactive services and increase its outbound calling capability. In 2012, nearly 3 million outbound calls were placed through this platform. Moreover, nearly 7.3 million outbound calls were placed to deal with informing, sales and marketing of the Bank’s products and services by using both in house and external resources.

Halkbank Call Center won the “Most Commended Award” in the “Best Telemarketing and Sales Campaign” category at the Turkey Call Center Awards competition in 2012.

### Halkbank’s active internet banking customer base surged more than 32%.

The Bank’s active internet banking customer base climbed more than 32% and totaled 600,000 users by year-end 2012.

Halkbank rolled out its first mobile banking platforms in 2012. As part of the Bank’s mobile initiative, the web-based platform [m.halkbank.com.tr](http://m.halkbank.com.tr) for access on smart phone browsers went live for the added convenience of customers.

Halkbank also undertook a number of website development initiatives in 2012. These included:

- Launch of a new website (<https://www.halkbankgayrimenkul.com.tr>) for the Bank’s real estate properties listed for sale; the site features innovative, groundbreaking applications, such as making an offer and posting a bid bond for real estate property online.
- Development of an SME portal for the Bank’s small and medium enterprise clients.
- Launch of the [www.parafcard.com.tr](http://www.parafcard.com.tr) website, to announce the exclusive services and benefits offered by the new Paraf credit card.

## REVIEW OF OPERATIONS IN 2012

Halkbank follows a dynamic deposit management strategy based upon the optimization of cost, market share, liquidity and non-deposit sources.

### **Internet and mobile banking goals for 2013**

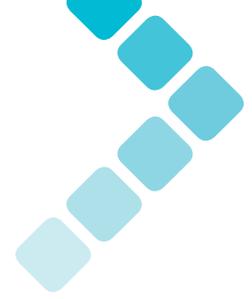
In the coming year, Halkbank plans to overhaul its mobile banking channel; develop applications for tablet PCs and Android-based smart phones; launch new product-based micro portals for the Bank's new credit card brand; serve clients with a more boutique and dynamic channel structure via Windows 8 applications; roll out social media pages and offer customer response service on these pages; and increase the diversity of transactions provided on the mobile banking channel.

### **An expanded ATM network in 2012**

With the addition of 397 new ATMs, the Bank's automated teller machine network grew 18.4% and reached 2,554 ATMs in 2012.

During the reporting year, the annual transaction volume performed on the Bank's ATMs increased 17% to 216 million transactions; in addition, the network's total annual transaction turnover was up 17% to TRY 42 billion. With the newly installed and replaced ATMs, the number of Cash-Deposit ATMs reached 1,649, a 31% increase.

In order to enhance urban landscape aesthetics while expanding its ATM network, Halkbank enhanced 22 taxi stands with ATMs while working in conjunction with local municipalities. The Bank's Mobile Collection and Payment Desks in the form of buses and minibuses also commenced service in 2012. As part of its efforts to improve banking access for those with disabilities, the Bank expanded its handicapped-friendly ATM network to 125 ATMs.



### **A healthy, broad deposit base**

Halkbank has adopted a dynamic deposit management strategy based on cost optimization, market share, liquidity and non-deposit resource facilities. The Bank offers services to the mass market with deposit products developed in line with this strategy.

Halkbank's clearly defined deposit strategy helps the Bank achieve and sustain a broad deposit base; in addition, it assists in the development of innovative products that increase the diversity of customer transactions. As a result, Halkbank developed and launched the Fixed-Rate Productive Deposit Account and Flexible Term Deposit products. Additionally, due to the maturity gap in deposit reserve requirements, increasing the average maturity of deposits continued to be a significant issue in 2012. However, Halkbank sustained its strong and broad deposit volume as well as the maturity composition of its deposits.

### **Total deposits increased 20.7% to TRY 80 billion**

Halkbank's total deposits increased 20.7% and reached TRY 80 billion as of end-2012. Turkish lira-denominated deposits grew 22.4% while foreign currency deposits were up 17.4% during the year.

Total demand deposits increased 20.9% over 2011 and reached TRY 16.0 billion while the share of demand deposits in total deposits stood at 20.1% for the year.

### **Effective use of technology in deposit management**

Committed to the use of technology to enhance efficiency in all its operations, Halkbank implemented a number of projects involving technology-assisted customer relationship management applications and completed its infrastructure work in 2012. The Bank's efforts to transition to a systematic pricing model are ongoing.

### **Continued growth in salary payment services**

Halkbank continued to grow its salary payment intermediation services and acquired new clients in 2012.

As of end-of-year, 14,565 main companies made salary payments through Halkbank to a total of 1,116,000 individuals.

### **Contracted companies in cash management rose 23% to 749, up from 611**

Thanks to its effective technology-assisted CRM applications, Halkbank acquired a significant number of new cash management enterprise customers in 2012. The number of contracted companies in cash management rose 23% during the year, from 611 to 749. Halkbank's Direct Debit System (DDS) customer portfolio increased 56%, while the Bank's DDS dealer network was up 32%. In 2012, the Bank also raised its DDS commission income by 50%. In addition, Halkbank achieved a 15% rise in auto pay service customers, which significantly strengthens customer loyalty.

### **Retiree customers rose to nearly 2 million**

Emekli Sandığı (Retirement Fund) pensioners who receive pension payments under the agreement with SGK (Social Security Institution of Turkey) increased from 188,792 to 234,659 while the Bank's retiree clients rose from 1.928 thousand to 1.983 thousand during the year.

## REVIEW OF OPERATIONS IN 2012

In 2012 Halkbank updated its loan policies in line with its targets and strategies.

### **Halkbank's Loan Policies**

Pursuant to the Turkish Commercial Code and the Turkish Law of Obligations that became effective on July 1, 2012, Halkbank revised its loan contracts and covenants and updated all internal regulations, thus making the Bank's credit processes compliant with the newly enacted laws. Finalizing all of these operations prior to the date the new laws went into effect, the Bank fulfilled its legal obligations while being a pioneer in the industry.

In addition to the changes implemented to comply with the law, Halkbank updated implementation directives and other related regulations for its loan policies in accordance with the Bank's goals, strategies, risk appetite and prevailing economic conditions in 2012. The Bank also revised its standardized processes to be followed in evaluating loan applications in accordance with the segmentation criteria and rendering the loan decisions.

The credit line granting authorization limits of the Credit Committee, the office of the General Manager, the Head Office Allocation Units and the credit committees of the Regional Coordinator's Offices were updated. Regarding the criteria set for determining the limits of the loan authority to be delegated to the branches, Halkbank regularly monitored and updated the limits as necessary based on quarterly data in accordance with the Bank's risk appetite and strategies.



## Halkbank has maintained more efficient management of credit products to enhance the Bank's competitive power.

The Bank also made revisions and improvements to the credit assessment and scoring modules, credit assessment processes, and admissible types of collateral. This allowed Halkbank to measure the creditworthiness of clients rationally and balance risk and collateral more effectively. Comprehensive analyses and enhancement of assessment and scoring modules are ongoing.

Halkbank completed the newly developed module to be used in the Bank's information-gathering efforts, which were previously carried out using different parameters and by making inquiries on a large number of screens. As a result, Halkbank now performs its

loan origination process much more promptly and effectively by completing the information-collection process in much shorter order using a single screen.

Pursuant to the authorization received from the Banking Regulation and Supervision Agency of Turkey, Halkbank began providing support services to its subsidiaries and affiliates related to improving their credit assessment and scoring systems. Under this effort, Halkbank completed and implemented the assessment and scoring module for use by Halk Banka A.D., Skopje, the Bank's subsidiary in Macedonia.

Halkbank's loan portfolio management activities aimed to:

- Conduct loan pricing to facilitate a return commensurate with the risk assumed;
- Ensure adequate collateralization in accordance with the risk taken on;
- Attain the targeted regional and global market shares;
- Manage the Bank's credit products more effectively to enhance Halkbank's competitive edge;
- Develop credit and non-credit services and products that meet the needs of different customer segments in the most effective manner.

## REVIEW OF OPERATIONS IN 2012

Thanks to its solid capital and financial structure, Halkbank is able to implement proactive measures in response to economic developments.

### Treasury Management

2012 saw the world's major economies tested to their limits as the full impacts of the global crisis, continually changing shape and form since 2008, became increasingly apparent in the United States and in Europe. While the most developed countries attempted to overcome economic adversity through monetary expansion, the deterioration in their public finances continued.

As industrialized economies maintained their policies of keeping interest rates low and liquidity abundant, emerging markets continued to decouple from the developed bloc in a positive way in 2012. While feeling the pinch from the slump in the developed world, developing economies nevertheless continued their role as the driving force of global economic growth.

Recording another strong performance in this unstable economic environment, Turkey finished 2012 successfully as a result of its sustainable growth, well-managed public debt, solid financial structure and price stability. Effective economic policies kept the current account deficit largely under control. Consequently, Turkey was upgraded to an investment-grade sovereign credit rating and became a safe harbor for investors worldwide.

#### **Proactive Treasury strategies increase profitability and growth momentum**

As part of its risk/return management approach, Halkbank monitored domestic and international macroeconomic developments very closely and set its strategies accordingly in 2012. Thanks to its solid capital and financial structure, the Bank is able to implement proactive measures in response to economic developments and sustain its profitability and growth momentum thanks to its dynamic policies.



## Halkbank serves its clientele with both hedging- and yield oriented products in the rapidly developing Turkish derivatives markets in line with their needs.

Operating as a Turkish Government Debt Securities Market Maker, Halkbank continued to generate a large amount of capital gains from its securities portfolio in 2012. The Bank managed to sustain its net profit margin in the falling interest rate environment particularly in the second half of the year despite the fact that its deposit costs remained relatively high. During the year, the Bank continued to issue corporate bonds, a practice that it had initiated in 2011, in order to create alternative sources of funding. Halkbank also secured new funding resources from both the domestic and international capital markets via bond issues in 2012; the Bank plans more such issuances in the coming period.

### **Effective liquidity management**

The Bank primarily uses the liquidity generated by coupon and principal payments of the securities held to maturity to finance loans and purchase high-yield fixed and floating-rate securities in the market. Steering its balance sheet based on macroeconomic analyses, stress tests and risk management reports, Halkbank managed its short-term funding needs and excess cash via money market operations while using derivatives such as swaps and forwards as well as other borrowing instruments to manage its Turkish lira and foreign currency liquidity as effectively as possible.

### **Derivatives: Hedging risk as well as earning returns...**

Halkbank serves its clientele with both hedging- and yield-oriented products in the rapidly developing Turkish derivatives markets in line with their needs. While expanding its offerings in this area, especially products for foreign trade companies to hedge against foreign exchange risk, Halkbank also focuses on service quality in this segment.

### **Halkbank's rising trading volume and profitability in domestic and international foreign exchange markets**

Halkbank continued to increase its trading volume and profitability, especially in foreign exchange markets, thanks to its extensive nation-wide branch network, broad client portfolio comprised primarily of SMEs, and corporate segment customers.

## REVIEW OF OPERATIONS IN 2012

In addition to offering traditional foreign trade instruments, Halkbank provided structured finance products and alternative financing mechanisms to its customers in 2012.

### International Banking

#### Correspondent banking network

Increasing its foreign trade finance volume considerably over the years thanks to an extensive branch network, specialized staff and customer-oriented approach, Halkbank also actively works to expanding its correspondent banking network and relationships. Halkbank is preferred in Turkey by both correspondent and other international banks thanks to its trusted reputation internationally, deep-rooted know-how, many years of experience and strong relationships.

Halkbank established relations with new countries and banks in 2012 to address the changing and growing needs of its clients and business partners.

The Bank increased its share of Turkey's foreign trade finance,

broadened its client base with attractive product and service offerings, and served a larger number of customers.

In addition to providing traditional foreign trade instruments, Halkbank provided structured finance products and alternative financing mechanisms to its customers in 2012.

The Bank continued to cooperate with a significant number of correspondent banks to offer medium- and long-term financing to clients that import capital goods from abroad, provided with insurance and guarantees from Export Credit Agencies.

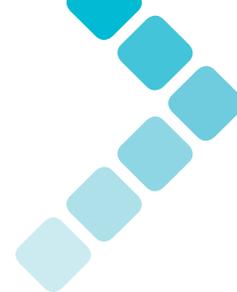
#### Effective communications with international investors

Halkbank continued to regularly provide reliable and clear information to existing and potential investors and shareholders throughout 2012.

Halkbank met with investors, analysts and asset managers in individual and group meetings. The Bank also attended a large number of conferences and meetings in Turkey as well as overseas, especially in financial centers where international institutional investors are based.

In meetings held with investors, Halkbank discussed its financial and corporate governance structure, market position within the domestic banking industry and internationally, corporate strategies, and expectations for the upcoming period.

Halkbank presented its financial results simultaneously to domestic and overseas investors via conference calls at the end of each quarter; the Bank addressed questions related to the financial results in detail as promptly as possible. In addition, Halkbank maintained



open communications channels with investors throughout the year; evaluated all questions, comments and requests conveyed to the Bank; and regularly made disclosures regarding significant issues and developments in areas that could affect investment decisions.

Halkbank held meetings with public offering consortium members and provided documentation to be released to investors. The Bank made informational corporate presentations to domestic analysts and investors interested in Halkbank shares in Istanbul, and to overseas analysts and investors in London, New York and Boston.

In 2012, the Bank floated 23.92% of its outstanding shares through a secondary public offering, which raised its free-float ratio from 24.98% to 48.9%. Of the total offering, 80% of the shares were sold to foreign institutional investors while domestic institutional investors and domestic retail investors were each allocated 10%. As a result of the highly successful public offering, investors from around the world investing in Turkey for the first time became Bank shareholders.

The Halkbank public offering concluded successfully and in a much shorter timeframe than projected.

After the secondary public offering, the weight of Halkbank stock increased in the ISE (Istanbul Stock Exchange) and the MSCI (Morgan Stanley Corporate Index) indices. As a result, both investor interest and the trading volume of the Bank's shares ticked up.

A bank well known and demanded by institutional equity investors, Halkbank also began to be followed very closely by international bond investors after its Eurobond issue in 2012. The Bank's bond issue was nine times oversubscribed due to great level of interest it attracted. Halkbank reached nearly 260 international bond investors and became acquainted with a new investor base thanks to its Eurobond issue.

### **Borrowings from international financial institutions**

Halkbank continues to offer alternative funding facilities to customers by securing financing resources from international markets. As part of this effort in 2012, the Bank rolled over a syndicated loan of € 558 million and US\$ 207.5 million with the participation of 46 banks from 23 countries. With banks from Europe, the US and the Middle East participating, the syndicated loan transaction featured broader participation compared to the previous year.

Halkbank continued to secure long-term funding facilities under agreements with international financial institutions (e.g. European Investment Bank, World Bank, French Development Agency, Council of Europe Development Bank, among others) to finance the investment and working capital needs of SMEs. The long-term nature of the overseas-sourced loans had a positive impact on the maturity composition of the Bank's balance sheet. Halkbank signed new funding deals for € 50 million with the Council of Europe Development Bank to finance SME investments, and for € 150 million with the European Investment Bank to finance the working capital and investment needs of SMEs and large companies. In addition, the Bank began financing renewable energy and energy efficiency investments within the framework of the credit program implemented with the French Development Agency in 2011. Under this program, Halkbank held customer briefing meetings and provided complimentary energy study services to firms applying for energy efficiency loans; the Bank aims to devise an in-house energy policy by the conclusion of this program.

## REVIEW OF OPERATIONS IN 2012

In order to further diversify its long-term foreign funding sources, Halkbank placed US\$ 750 million in bonds with a fixed interest rate and five-year maturity in 2012. Priced to yield 5%, the bonds have a coupon rate of 4.875%. As of the deal's closing date, Halkbank recorded the lowest borrowing cost in US dollar terms, with a fixed interest rate and a five-year maturity, in the Turkish banking industry.

During the reporting year, the Bank unveiled refinancing and post-financing facilities for foreign trade transactions for its clients.

Halkbank secured US\$ 2.7 billion in resources from international financial institutions in 2012.

### Overseas branches

Halkbank conducts operations in the Turkish Republic of Northern Cyprus (TRNC) with three branches, in Lefkoşa (Nicosia), Gazimağusa (Famagusta) and Girne (Kyrenia) in addition to a satellite branch in Paşaköy (Assia). The Bank's Northern Cyprus branches provide all banking services that are offered at Halkbank branches in Turkey. In 2012, the Bank conducted

new employee recruitment drives to enhance the performance of the TRNC branches. Halkbank plans to increase its market share in TRNC by expanding its branch network and developing a product portfolio suitable for that market.

Halkbank's Bahrain Branch, which commenced operations in 1994, is located in the financial center of the Gulf Region. Through the Bahrain Branch, the Bank aims to make Gulf Region funds available, both to Halkbank clients and to Turkey in general, as financing facilities; enter into strategic partnerships with the major banks in the region; fund foreign trade transactions that take place as a result of the increasing business volume between the Gulf Region and Turkey; and finance the projects planned for the region. This branch extends working capital, investment and syndicated loans to its clients.

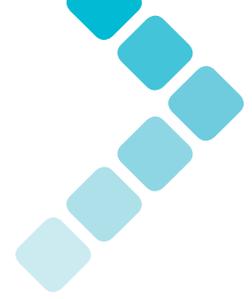
### The Bank's overseas subsidiaries and affiliates

**Halk Banka A.D., Skopje**  
Halkbank is working to develop relationships in new foreign markets to support companies as

they expand abroad. Joining the Halkbank family as a subsidiary in 2011 as a result of the Bank's aim to be present in alternative markets, Halk Banka A.D., Skopje continued to grow in 2012 by acquiring Ziraat Banka A.D., Skopje, another Turkish-owned bank in Macedonia. Halk Banka A.D., Skopje operates in Macedonia with 27 branches, including a corporate branch. The Bank provides a full range of banking services to its retail and corporate customers. In line with its strategy to expand in other Balkan countries, Halk Banka A.D., Skopje opened a representative office in Serbia during the year.

### Demir-Halk Bank (Nederland) N.V.

Established in the Netherlands in 1992 and 30%-owned by Halkbank, Demir-Halk Bank (Nederland) N.V. also conducts operations in Belgium, Germany and Turkey in addition to Holland. Offering a full range of banking services to its corporate and retail customers, Demir Halk Bank was founded to serve Turkish companies and their partners in Western Europe.



## Halkbank measured the compliance of the operational quality at the branches with the Bank's overall quality standards via intensive internal audits.

### Operations

Halkbank's Operations Center was established as part of the OMEGA – Operational Process Transformation initiative. OMEGA aims to improve branch operations; reduce branch workload; implement corporate content management products and solutions; and direct business demands to the Operations Center to allow the branches to focus more on sales and marketing. The Operations Center began providing services in 11 different banking processes at year-end 2012. Developments related to sophisticated banking processes, branch network expansion and centralization of these processes will continue in the first half of 2013.

Halkbank implemented portal applications and an e-auction platform for the Bank's units to monitor their real estate portfolios and to manage the sales and targets of redundant properties. For the sale process of Bank-owned real estate properties that are ready for sale, Halkbank launched a highly innovative website with online transaction functionality.

The Bank developed the Armoni Portal to provide quick and easy access, on a single platform and in an analyzable format, to dispersed data that indicate the quality and performance of the regions and branches (e.g. norm/actual staffing levels, personnel information, workload breakdown, expense management data, ATM utilization rates and location information). Also providing workforce management support, the Portal commenced service in 2012 and gave the Bank the capability to monitor historical data updated monthly.

Halkbank measured the compliance of the operational quality at the branch level with the Bank's overall quality standards via intensive internal audits supported by mystery shopping surveys.

Taking advantage of the multi-functionality of chip-based cards, Bank personnel began using Smart Cards enhanced with meal card, employee identification card and gate pass features.

Halkbank initiated the upgrade of the Bank's alarm and security camera systems with technology that will allow for centralized monitoring and more flexible/faster response. The security infrastructure standards were improved and a GPRS backup initiative was launched.

Halkbank installed infrastructure for the custody of assets for clients of the Bank's retail discretionary portfolio management service. In addition, the Bank obtained a license from the Capital Markets Board of Turkey to operate as a depository institution.

In order to administer the operational processes related to dematerialized securities transactions in bulk within systematic control, Halkbank established online communications with the Merkezi Kayıt Kuruluşu A.Ş. (Central Securities Depository Institution of Turkey) and started to perform transactions within this framework.

## REVIEW OF OPERATIONS IN 2012

With the initiatives it has undertaken in payment card systems, Halkbank has undergone a strategic and structure transformation.

### Information Systems and Technical Services

In 2012, Halkbank laid the foundation for major transformation initiatives and launched a large number of new products and services.

**Halkbank's service and product portfolio continues to expand with the vision of rapid change for rapid growth.**

Halkbank underwent major structural and strategic transformations with the initiatives it completed in the payment card systems area. Launching its own in-house credit card brand Paraf, the Bank paved the way for innovating more easily and becoming more competitive in the credit card market by creating the infrastructure for promotional campaign applications.

For its subsidiary Halk Banka A.D., Skopje, Halkbank developed a new payment card

system infrastructure. The Bank expanded Halk Banka's product portfolio with a new credit card offering installment and rewards points features, a first in the Macedonian banking system; an advanced ATM and POS transaction set was also introduced for the subsidiary.

Halkbank enabled cellular phones with built-in NFC for used in contactless payment transactions with credit card functionality as part of the Turkcell and Avea mobile wallet applications initiative; with this innovation, the Bank created the infrastructure for a new card product equipped with the most advanced technology.

With two mobile vehicles that serve as satellite branches and ATMs, Halkbank's Mobile Desk provides online service where the Bank does not have a branch,

during special events, in case of disasters, and at points of heavy foot traffic.

The Bank completed efforts to identify transactions related to money laundering and financing of terrorism. Initiatives are ongoing to develop a new system for identifying and preventing fraudulent and forgery transactions.

Establishing a physical gold stock monitoring platform, the Bank began accepting physical gold deposits from, and delivering physical gold to, customers under the gold deposit account transactions services.

In order to strengthen its Business Intelligence infrastructure, Halkbank implemented a solution that facilitates data mining, includes campaign management tools



## The new data center is expected to be one of Halkbank's most important initiatives in 2013.

and enables high-performance analytical reporting/analyses.

Halkbank is retooling the call center with new-generation technology to provide effective and personalized service from a larger number of channels including voice, chat, video, e-mail and social media. Targeted for completion in 2013, the project will involve not only call center customer representatives but also all employees in the Bank's call center system.

### **More efficient infrastructure with new technology**

Halkbank deployed software and hardware infrastructure that uses Cloud Technology to provide sophisticated service models in virtual and physical environments.

Virtualization solutions, implemented at the Bank since 2008, receive continual improvements while applications with high licensing costs but used infrequently are virtualized to lower costs and save manpower.

### **Investing in the future through structural transformations**

Having centralized many processes under Operational Transformation, Halkbank implemented additional program initiatives at full speed in 2013.

The Bank completed and implemented the infrastructure for "Corporate Content Management" at all branches; the project aims to achieve the Bank's paperless branch, process and content objectives.

Halkbank is renovating and redesigning its IT governance structure and process model to be full service-oriented. IT services will become more effective, efficient and measurable as a result of this program which is scheduled for completion in 2013.

As part of the initiative to overhaul the Software Development Infrastructure, the first phase of which is complete, the Bank has efforts underway to increase the effectiveness and flexibility of the infrastructure with new-generation technology.

The new data center is expected to be one of Halkbank's most important initiatives in 2013. The Bank has begun efforts to establish an efficient, secure and dynamic advanced technology data center; it is targeted for completion in 2013.

## REVIEW OF OPERATIONS IN 2012

Halkbank's extensive branch network includes 816 branches in Turkey, 25 regional offices, 5 overseas branches and 1 overseas representative office.

### **Halkbank's Extensive Branch Network**

Halkbank continued to operate through Head Office units and extensive domestic and overseas branch network with a high-quality service approach in 2012.

Halkbank's extensive branch network includes 816 branches in Turkey (743 branches, 6 corporate branches, 37 commercial branches, 3 free-zone branches, 25 satellite branches and 2 special transaction centers), 25 regional offices, 5 overseas branches and 1 overseas representative office.

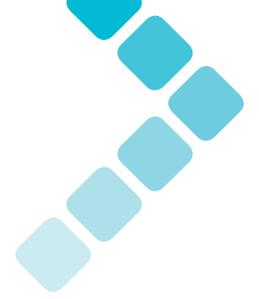
#### **Operational Restructuring Projects**

##### **Corporate Content Management System Project (TEMA)**

The Corporate Content Management System Project aims to transfer Halkbank's internal and external printed and electronic document traffic, fax messages and important e-mail to corporate content management; share these with users according to their defined levels of authority; and archive them. Another objective of the project is to create a paperless office environment within Halkbank.

##### **Process Management Project (GENESIS)**

The Bank initiated efforts to analyze and document processes and to undertake process simplification, development and improvement under the GENESIS Project. The project prioritizes the processes that are part of the Management Declaration pursuant to the regulations of the Banking Regulation and Supervision Agency of Turkey.



The Halkbank family grew to 14,971 employees with the addition of 2,093 new members in 2012.

## Human Resources

Halkbank strives for a high level of employee satisfaction and offers continuous training, a broad range of career opportunities and a modern work environment for its staff. To that end, the Bank has revised its human resources policies and has begun using systematic HR implementation processes.

### Employee count reached 14,971

The Halkbank family grew to 14,971 employees with the addition of 2,093 new members in 2012. At year's end, the average job tenure of Halkbank employees stood at 10.0 years and the mean age of the staff was 33.9 years. Of the Bank's personnel, 78.7% have university undergraduate or post-graduate degrees and the remaining 21.3% are high school graduates.

### Career and Personal Development Days

Halkbank continued its active dialogue with university students in 2012 with a dual objective of promoting the Bank to potential candidates for recruiting purposes and undertaking corporate social responsibility activities. As part of these efforts, the Bank participated in Career and Personal Development Day events at Doğuş University, Gaziantep University, Mersin University, Bařkent University, Middle East Technical University, Çankaya University and Bilkent University during the reporting year.

### Training academy that pioneers innovation

As of September 2009, Halkbank began conducting all of its training activities under the umbrella of Halk Academy. The Bank established the

Academy's vision as becoming the most preferred training and development academy in the industry with its high level of service quality that pioneers change and innovation, as well as its know-how and experience, and making the Bank a leader in this area. Additionally, the Academy assumed the mission of equipping employees with qualities they can use to perform today's banking tasks professionally, supporting their career development and grooming bankers who fit the corporate culture by conducting systematic and continuous training sessions in accordance with the Bank's strategic goals. Thanks to its customer orientation as well as its well-planned systematic approach, the Bank received ISO 9001:2008 Quality Certification in 2011; Halk Academy renewed its quality certification in 2012.

## REVIEW OF OPERATIONS IN 2012

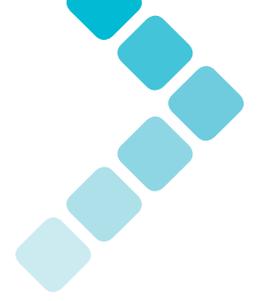
# Halk Academy conducted 2,482 training sessions across 18 programs for the Bank's employees in 2012.

Halk Academy conducted 2,482 training sessions across 18 programs for the Bank's employees in 2012. Of these trainings, 40% were taught by in-house instructors while the remaining 60% were administered by external training firms/instructors. The Academy held periodic assessment and informational activities through 56 meetings and conferences that were well attended. To supplement in-class training in 2012, Halk Academy made an extensive e-learning catalogue available to employees; the catalogue consists of 245 training modules in technical banking, bank applications, personal and professional development, IT trainings, and quality standards.

All sessions under the career training category and the certification programs in particular, are specialized, on-the-job training courses intended to equip employees with the capability, knowledge and skills required for their jobs. These trainings are structured with standardized content, presentation and course notes and conducted by experienced, well-versed instructors with special expertise.

Not limiting its training activities to classroom courses, the Bank also began offering high-tech training methods, using e-learning, e-survey, e-testing, e-library applications through [www.halkakademi.com.tr](http://www.halkakademi.com.tr) which launched with a refreshed user interface.

Halk Academy also organizes training activities for the Bank's subsidiaries, SME customers and Halkbank employees. In 2012, the Bank expanded the SME Training Portal by increasing the training categories from 4 to 33 to better serve small and medium enterprise clients.



Halkbank continued to support SMEs by sponsoring the summits entitled “Risks and Opportunities for SMEs” organized by the Turkish Foundation for Small and Medium-Size Businesses (TOSYÖV).

## Publicity and Public Relations

### **Bariş Manço Museum Support for the Love, Friendship and Peace Festival**

The activities organized jointly with the Kadıköy Municipality during the Love, Friendship and Peace week celebrated between February 1 and February 8 were held at the Barış Manço Home, which was transformed into a museum with the support of Halkbank. As part of these events, the Bank sponsored 125 children under the custody of Social Services and Child Protection Agency for their participation in the rhythm workshop.

### **SME Summits**

Halkbank continued to support SMEs by sponsoring the summits entitled “Risks and Opportunities for SMEs” organized by the Turkish Foundation for Small and Medium-Size Businesses (TOSYÖV).

### **EXPO 2012 Yeosu Turkish Pavilion project**

Halkbank contributed to the project organized under the main theme of “The Living Ocean and Coast: Diversity of Resources and Sustainability,” that attempts to find solutions to the contemporary problems regarding sustainable development with the ideas of tomorrow.

### **Uludağ Economic Summit**

Halkbank was among the sponsors of the Uludağ Economic Summit where major steps that will shape the strategies of today and tomorrow are taken with the contributions of Turkey’s and the world’s prominent opinion leaders.

### **6<sup>th</sup> Ethos Ankara International Theatre Festival**

Halkbank continued its support for the arts through its sponsorship of the festival organized under the theme of “justice” with the participation of professional, amateur and children’s theatre companies.

### **Traditional Turkish Handicrafts Revival in the Balkans Project**

Halkbank sponsored the Yunus Emre Institute’s project to revive and develop the traditional Turkish handicrafts that are about to fade into oblivion or are already forgotten in the Balkans and to provide training by subject matter specialists through vocational courses in various fields of art.

## REVIEW OF OPERATIONS IN 2012

In addition to its uninterrupted support for “Productive Turkey”, Halkbank continues to support the events and organizations that revive commercial life.

### **28<sup>th</sup> International Ankara Music Festival Sponsorship**

Halkbank continued to support cultural events in 2012 by sponsoring the “29th International Ankara Music Festival,” which provides attracted great interest from music enthusiasts.

### **StüdyoCer Sponsorship**

Working for 74 years with the primary mission of making as large a contribution as it can to Turkey’s development and growth, Halkbank also continues to provide its utmost support for the enrichment and diversification of culture and arts projects.

The Bank is sponsoring the theatre performances “The Animal Farm” and “The Victors” (“Morts sans Sépulture”) that will be staged during the 2012-2013 theatre season of StüdyoCer, an original performing arts project

of the Cer Modern Arts Center, which in turn is one of the major venues where Ankara residents meet the arts.

### **Ankara Shopping Fest Sponsorship**

In addition to its uninterrupted support for “Productive Turkey”, Halkbank continues to support the events and organizations that revive commercial life. Besides supporting cultural events, the Bank sponsored the Ankara Shopping Fest that was organized between June 8 and July 1 for the first time this year.

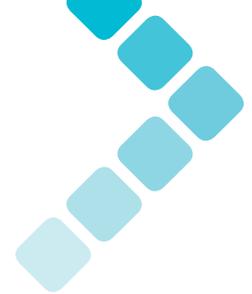
In addition to its sponsorship support, Halkbank launched an SME loan exclusively for this festival, thereby supporting the organization that will add dynamism to the economy of the Turkish capital. The Bank also set up stands in 16 shopping centers as part of the Ankara Shopping Fest.

### **Bazaars of Anatolia Exhibit**

Halkbank presented the Bazaars of Anatolia Exhibit that displays the photographs of historical bazaars in 15 Anatolian provinces for art enthusiasts at the Grand Bazaar (Kapalıçarşı). Remaining open between June 13 and 18, 2012, the exhibit attracted 4,000 visitors.

### **Halkbank-KOSGEB “Applied Entrepreneurship Training”**

Halkbank and KOSGEB (Small and Medium Industry Development Organization) launched a joint social responsibility project in an effort to support entrepreneurship in Turkey and to rapidly increase the number of new entrepreneurs. As part of the project, aspiring entrepreneurs who want to start their own businesses attend the 70-hour “Applied Entrepreneurship Training” program and the candidates who successfully



complete the program earn the right to apply for KOSGEB's "New Entrepreneur Support" program.

### **Halkbank-KOSGEB "SME and Entrepreneurship Awards"**

Setting out as the bank of SMEs, Halkbank for 74 years has uninterruptedly continued its mission of providing financial support to all kinds of entrepreneurs and business owners, whose production decreases Turkey's import dependency, contributes to economic development and increases national employment opportunities. In this regard, in addition to generating solutions for the financial needs of SMEs, which are among the Bank's most important business partners, Halkbank also undertakes corporate social responsibility projects to contribute to SMEs' business processes, upgrade their production facilities to comply with international standards, and expand their visions.

In addition to providing financial resources to the SMEs, Halkbank also embraces as part of its mission to support new

businesses that will create added-value for the Turkish economy. As part of this effort, the Bank assumed the lead sponsorship of the SME and Entrepreneurship Awards, organized by KOSGEB for the first time in 2012.

### **Productive Turkey Get-togethers**

As part of its mission to provide financial support to small artisans and tradesmen as well as SMEs, and to make a contribution to the economic development of Turkey as its financing support turns into production, Halkbank currently operates with the objective of meeting the requirements of universal banking while being the leading bank in SME banking.

In accordance with a contemporary and innovative vision, Halkbank is organizing "Productive Turkey Get-togethers" to convey the Bank's new products and services to SMEs, to assess the economic developments in Turkey and in the world for SMEs, and to inform them about the opportunities that these

developments will bring about. Through these meetings, the Bank aims to come together with artisans-tradesmen and SMEs, who constitute the foundations of the Turkish economy, as well as with all entrepreneurs who contribute to the increase in production, investment and employment.

### **Productive SME Meeting**

At the productive SME meetings that are attended in large numbers by SMEs, the current outlook of the world and the Turkish economy are assessed while SMEs are offered the Bank's products as well as recommendations to help them grow and develop.

In addition to its social responsibility projects, Halkbank, the Bank of Productive Turkey, also carries out sponsorship activities in education, culture, arts and sports.

### **Charitable contributions and donations made during the year**

Total charitable contributions and donations made by Halkbank in 2012 amounted to TRY 525,057.72.

## HALKBANK'S SUBSIDIARIES AND AFFILIATES

Halkbank has an extensive portfolio of subsidiaries and affiliates comprised of 20 companies that provide its customers with advanced banking services as well as products and services in a number of other areas.

In accordance with Halkbank's policy, regarding its subsidiaries and affiliates:

- Create added-value, enrich the product and service portfolio that Halkbank offers to its retail and corporate clients, and create cross-selling and supplementary product provision and sales opportunities.
- Establish good relations with other businesses and expand and continue existing relationships.
- Increase operational efficiency and reduce service production costs.
- Ensure the delivery of high-quality services needed by the Bank's clients.

Acting in accordance with this policy, Halkbank delivers to its customers the services they need quickly and effectively thanks to its synergistic cooperation with its subsidiaries and affiliates.

### **Halk Sigorta A.Ş. Shares Began Trading on the Free Trade Platform.**

As a result of the examination and evaluation conducted by the Capital Markets Board of Turkey with regard to the financial standings and float compositions of publicly-held companies the shares of which do not trade on the stock exchange, Halk Sigorta A.Ş. began trading on the Istanbul Stock Exchange's "Free Trade Platform" (FTP) without price limits on May 28, 2012.

### **Halk Faktoring A.Ş. commenced operation.**

Halk Faktoring A.Ş. was founded on June 6, 2012 as a Halkbank subsidiary in order to provide all financing, guarantee and collection products needed in domestic and international trade transactions with a focus on trade finance and receivables-backed financing to SMEs, companies with major import or export activities, corporations with extensive supplier and dealer networks, as well as all other clients. Pursuant to the operating license granted by the Banking Regulation and Supervision Agency of Turkey, the Company began executing transactions on December 10, 2012.

### **First successful bond issue of Halk Finansal Kiralama A.Ş...**

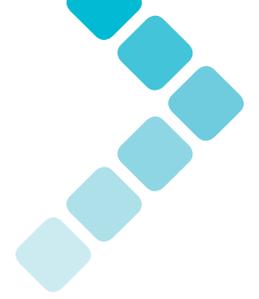
Halk Finansal Kiralama A.Ş. placed TRY 100 million in bonds on September 19-21, 2012 as its first ever bond issuance.

### **In 2012 Halk Banka A.D., Skopje continued to grow by acquiring Ziraat Banka A.D., Skopje, another Turkish-owned bank operating in Macedonia.**

Halk Banka A.D., Skopje, the Bank's subsidiary operating in Macedonia, acquired Ziraat Banka A.D., Skopje, another bank operating in Macedonia controlling shares of which are owned by T.C. Ziraat Bankası A.Ş., with all of its assets, liabilities, branches and personnel as of October 1, 2012. As a result of this takeover, the Company's capital increased from MKD 1,884,150,000 (Macedonian denars) to MKD 2,893,690,000 while Halkbank's equity stake went up from 98.12% to 98.78%.

### **Halkbank sold its stake in Fintek A.Ş.**

Halkbank resolved to divest its 24% ownership in the share capital of Fintek Finansal Teknoloji Hizmetleri A.Ş. to T.C. Ziraat Bankası A.Ş., the controlling shareholder of the Company; the share transfer was completed as of year-end 2012.



## Subsidiaries

### Halk Sigorta A.Ş.

Capital: TRY 70,000,000

Halkbank's shareholding: 89.18%

The Company was founded in 1958 under the leadership of Halkbank as the first cooperative in Turkey to engage in a full array of insurance activities with the participation of the Artisans and Tradesmen Loan and Guarantee Cooperatives, tradesmen and artisans. The Company became a subsidiary in early 2006 when Halkbank acquired the shares held by Türkiye Halk Bankası Personnel Provident Fund.

The Company's business name was changed to Halk Sigorta A.Ş. from Birlik Sigorta A.Ş. at the Extraordinary General Assembly Meeting held on December 27, 2010.

For the Company to conduct its activities with a stronger financial structure, its paid-in capital was raised from TRY 40 million to TRY 70 million within the new authorized capital of TRY 150 million.

### Halk Hayat ve Emeklilik A.Ş.

Capital: TRY 72,000,000

Halkbank's shareholding: 94.40%

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

Beginning preparations in 2009 to operate in the private pension sector, the Company acquired the operating license from the Undersecretariat of Treasury to operate in the pension branch in January 2012 and launched initiatives in this segment.

The Company's capital was raised from TRY 40 million to TRY 72 million in 2012.

### Halk Yatırım Menkul Değerler A.Ş.

Capital: TRY 46,000,000

Halkbank's share: 99.94%

Halk Yatırım Menkul Değerler A.Ş., which began operations in 1997, was set up to carry out capital markets activities, to purchase and sell capital markets instruments, and to execute stock exchange transactions. The Company became a subsidiary in early 2006 when Halkbank bought the shares of Türkiye Halk Bankası Personnel Provident Fund.

The Company's capital was raised from TRY 36 million to TRY 46 million in 2012.

## HALKBANK'S SUBSIDIARIES AND AFFILIATES

### Halk Banka A.D., Skopje

Capital: MKD 2,893,690,000  
(Macedonian denars)  
Halkbank's shareholding: 98.78%

Halkbank acquired the majority shares of Izvozna I Kreditna Banka A.D., Skopje, a Macedonian bank that began operating in 1993 to conduct a full range of banking activities, from Demir-Halk Bank (Nederland) N.V. in 2011. Subsequently, the Bank became a subsidiary of Halkbank; it was later renamed as Halk Banka A.D., Skopje.

Halk Banka A.D., Skopje, the Bank's subsidiary operating in Macedonia, acquired Ziraat Banka A.D., Skopje, another bank operating in Macedonia controlling shares of which are owned by T.C. Ziraat Bankası A.Ş., with all of its assets, liabilities, branches and personnel as of October 1, 2012. As a result of this takeover, the Company's capital increased from MKD 1,884,150,000 to MKD 2,893,690,000 while Halkbank's equity stake went up from 98.12% to 98.78%.

### Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

Capital: TRY 662,500,000  
Halkbank's share: 71.89%

The Company was established under the leadership of Halkbank in 2010 to do business for the objectives and in the matters stipulated by the regulations of the Capital Markets Board of Turkey regarding the Real Estate Investment Trusts and to invest in real estate properties, real estate-backed capital markets instruments, real estate projects and real estate-based rights.

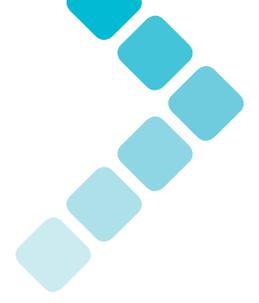
It was sold in February 2013 and the Bank's shareholding is 71.89% by way of a public offering. The shares corresponding to TRY 185.5 million of share capital that will be issued as a result of the increase in the Company's paid-in capital from TRY 477 million to TRY 662.5 million within its authorized capital of TRY 1.5 billion.

### Halk Finansal Kiralama A.Ş.

Capital: TRY 93,950,000  
Halkbank's share: 99.99%

Commencing operations in 1991, Halk Finansal Kiralama A.Ş. was founded to acquire movable and immovable property, machinery, vehicles and equipment through purchasing, import and other legal means; to use these economic assets in domestic and overseas leasing operations; and to conduct all kinds of leasing transactions. The Company, which was a 47.75%-owned affiliate of Halkbank, became a subsidiary after Halkbank acquired the shares of other shareholders in 2011.

The Company raised its capital from TRY 70.8 million to TRY 93.95 million in 2012 and placed its first bond issue in September 2012.



#### **Halk Portföy Yönetimi A.Ş.**

Capital: TRY 5,000,000

Halkbank's shareholding: 55.99%

The Company was founded on June 24, 2011 to manage portfolios consisting of capital markets instruments through discretionary portfolio management agreements with customers as their authorized agent and to engage in investment advisory and capital markets activities pursuant to the provisions of the Capital Market Law and its related regulations.

#### **Halk Faktoring A.Ş.**

Capital: TRY 20,000,000

Halkbank's shareholding: 95.00%

Halk Faktoring A.Ş. was founded on June 6, 2012 as a Halkbank subsidiary in order to provide all financing, guarantee and collection products needed in domestic and international trade transactions with a focus on trade finance and receivables-backed financing to SMEs, companies with major import or export activities, corporations with extensive supplier and dealer networks, as well as all other clients. Pursuant to the operating license granted by the Banking Regulation and Supervision Agency of Turkey, the Company began executing transactions on December 10, 2012.

#### **AFFILIATES**

##### **KOBİ Girişim Sermayesi Yatırım Ortaklığı A.Ş.**

Capital: TRY 38,000,000

Halkbank's share: 31.47%

KOBİ Girişim Sermayesi Yatırım Ortaklığı A.Ş. was established in 1999. The purpose of the Company is to provide support for small and medium-scale enterprises that have a high potential for development and are in need of funds. The intention of the Company is to contribute to their development by offering them the capital and strategic support they need to grow.

The Company was expanded to build and manage an "angel investor" network and to carry out portfolio management activities. Through this network, the Company intends to bring together a group of "angel investors" and undertake finance matching to meet seed and initial capital needs.

##### **Demir-Halk Bank (Nederland) N.V.**

Capital: € 113,445,054

Halkbank's share: 30%

Having commenced operations in 1992 and carrying out a full range of banking operations, Demir-Halk Bank (Nederland) N.V. was established in the Netherlands to offer services particularly to Turkish companies and their partners in Western Europe.

##### **Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.**

Capital: TRY 1,000,000

Halkbank's share: 24%

Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. commenced operations in 1998 to carry out activities in the areas of alternative delivery channels and payment systems.

##### **Bankalararası Kart Merkezi A.Ş.**

Capital: TRY 14,000,000

Halkbank's share: 18.95%

The Company was established in 1990 to generate solutions for common issues related to the card payment system and to develop the rules and standards for debit and credit cards in Turkey.

## HALKBANK'S SUBSIDIARIES AND AFFILIATES

### Kredi Kayıt Bürosu A.Ş.

Capital: TRY 7,425,000

Halkbank's shareholding: 18.18%

The Company was founded in 1995 to facilitate information sharing, a requisite for monitoring and controlling retail loans, between financial institutions that are engaged primarily in money and capital markets and insurance business lines.

### Securities Available For Sale

#### KGF Kredi Garanti Fonu A.Ş.

Capital: TRY 240,000,000

Halkbank's shareholding: 1.75%

Commencing operations in 1991, Kredi Garanti Fonu A.Ş. was established to support small and medium-size enterprises through loan guarantees and to facilitate their access to bank loans to finance their investments and working capital needs.

### Magyarorszagi Volksbank RT

Capital: HUF 37,266,000,000

(Hungarian forints)

Halkbank's share: 1.07%

Magyarorszagi Volksbank RT was established in Hungary in 1993 to carry out a full range of banking services.

Volksbank International AG, the controlling shareholder of Magyarorszagi Volksbank RT, sold its 98.60% stake in the Company to Sberbank Europe AG in 2012.

### International Joint Stock Bank (Garagum)

Capital: TMM 14,250,000

(Turkmenistan mantas)

Halkbank's share: 2.40%

The International Joint Stock Bank (Garagum) commenced operations in Turkmenistan in 1993 to carry out a full range of banking services.

### İMKB Takas ve Saklama Bankası A.Ş.

Capital: TRY 60,000,000

Halkbank's share: 1.94%

### Mesbaş Mersin Serbest Bölge İşleticisi A.Ş.

Capital: TRY 5,402,160

Halkbank's share: 1.37%

### Türkiye Cumhuriyet Merkez Bankası

Capital: TRY 25,000

Halkbank's share: 1.11%

### Alıdaş Alanya Liman İşletmeleri Denizcilik Tur. Tic. ve San. A.Ş.

Capital: TRY 6,000,000

Halkbank's share: 0.50%



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**  
Kavacık Rüzgarlı Bahçe Mah.  
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## ANNUAL REPORT COMPLIANCE STATEMENT

### ANNUAL REPORT

#### Compliance Statement

To the General Assembly of Türkiye Halk Bankası Anonim Şirketi:

We have audited the accuracy and compliance of the financial information contained in the annual report of Türkiye Halk Bankası Anonim Şirketi ("The Bank") as of December 31, 2012 with the independent auditor's report drawn up as of the end of the related accounting period. The subject of the report is under the responsibility of the Bank management. Our responsibility as the firm carrying out the independent audit is to present opinion on the Annual Report.

The audit was carried out in accordance with the procedures and principles regarding the preparation and publication of annual reports which entered into force under Banking Law No. 5411 and the regulations on the principles of independent auditing. These regulations require that audits be planned and carried out with the purpose of giving reasonable reassurance as to whether there are any material errors in the annual report. We believe that the audit carried out provides a reasonable and sufficient basis for forming an opinion.

Our opinion is that, in line with the procedures and principles in force as of December 31, 2012 pursuant to Article 40 of Banking Law 5411, the financial information contained in the enclosed Annual Report of the Bank reflects the information on Türkiye Halk Bankası Anonim Şirketi's financial standing accurately; contains a summary report of the Board of Directors as well as the independent auditor's opinion that was provided by us; and is consistent with the information contained in the independently-audited financial statements.

Istanbul,  
February 13, 2013

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

**Erdal Tıkmak**  
Responsible Partner, Chief Auditor

## BOARD OF DIRECTORS AND THE AUDIT BOARD



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### HASAN CEBECİ (1)

#### CHAIRMAN OF THE BOARD OF DIRECTORS

Hasan Cebeci was born in Çankırı in 1949 and graduated from Ankara Academy of Economic and Commercial Sciences, Department of Economics and Finance. Beginning his professional career as an Assistant Inspector at T. Vakıflar Bankası T.A.O., he subsequently worked as an Inspector, Branch Manager, Unit Manager, Regional Coordinator and Deputy General Manager at the same bank. Appointed to T. Halk Bankası A.Ş.'s Board of Directors as an executive member responsible for loans on March 28, 2003, Mr. Cebeci was promoted to General Manager and Chairman of the Executive Board of the Bank on December 8, 2003. Hasan Cebeci has been serving as the Chairman of the Board of Directors since April 13, 2005. He is also the Chairman of the Board of Directors of Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

### MEHMET EMİN ÖZCAN (2)

#### VICE CHAIRMAN OF THE BOARD OF DIRECTORS

Mehmet Emin Özcan was born in Beytüşşebap in 1960 and graduated from Ankara University, Faculty of Political Sciences, Department of Economics and Finance. Beginning his professional career as an Assistant Inspector at Türkiye İş Bankası A.Ş. on January 1, 1983, Mr. Özcan subsequently assumed various managerial positions at Albaraka Türk Katılım Bankası A.Ş. Between March 2003 and April 2005, he served as an Executive Member of the Board of Directors at T. Halk Bankası A.Ş. During the same period, he was a representative of the Bank to the Institute of International Finance (IIF) and a Member of the Board of Directors at Demir-Halk Bank/Nederlands, Halk Yatırım Menkul Değerler A.Ş. and Halk Finansal Kiralama A.Ş. Mehmet Emin Özcan served as Member of the Board of Directors of T.C. Ziraat Bankası A.Ş. between April 2005 and May 2010 while also serving as the Chairman and a Member of the Board of Directors at various T.C. Ziraat Bankası A.Ş. subsidiaries (Ziraat Bank Int. A.G., Frankfurt; Turkish Ziraat Bank Bosnia dd, Sarajevo; Ziraat Bank Kazakhstan Int., Almaty; Uzbekistan Turkish Bank, Tashkent;

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Turkmen-Türk Bank, Ashgabat; Azer-Türk Bank, Bakü; Ziraat Portföy Yönetimi A.Ş.). Currently, Mr. Özcan is the Chairman of the Board of Directors of ADFIMI (Association of National Development Finance Institutions of Member Countries of IDB). He has been serving as Vice Chairman of the Board of Directors of T. Halk Bankası A.Ş. since May 24, 2010. He is also a Member of the Board of Directors of Demir-Halk Bank (Nederland) N.V.

### SÜLEYMAN ASLAN (3)

#### MEMBER OF THE BOARD OF DIRECTORS AND GENERAL MANAGER

Born in Osmaniçık, Çorum in 1970, Süleyman Aslan graduated from the Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of International Relations. Beginning his professional career in 1992 at the Banking School of T.C. Ziraat Bankası A.Ş., Mr. Aslan worked as a Specialist in the Capital Markets Department, the Assistant Manager of the Istanbul Securities Branch and as the Division Manager at the Bonds and Bills Department at the same bank. He served as the General Manager and a Member of the Board of Directors of Ziraat Portföy Yönetimi A.Ş. (Ziraat Asset Management) and later as the Head of the Foreign Exchange and Money Markets Department of T.C. Ziraat Bankası A.Ş. Employed as the Deputy General Manager responsible for Treasury Management and International Banking at T. Halk Bankası A.Ş. between June 17, 2005 and July 15, 2011, Süleyman Aslan has been a Member of the Board of Directors and the General Manager of T. Halk Bankası A.Ş. since July 15, 2011. He is also the Chairman of the Board of Directors of Halk Hayat ve Emeklilik A.Ş.

### EMİN SÜHA ÇAYKÖYLÜ (4)

#### MEMBER OF THE BOARD OF DIRECTORS

Emin Süha Çayköylü was born in Istanbul in 1948 and graduated from the Middle East Technical University, Faculty of Engineering, Department of Mechanical Engineering. He also holds two master's degrees from the Syracuse University Business School and the

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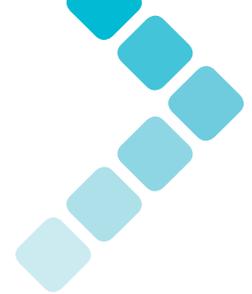
University of Manchester's Institute of Science and Technology as well as a PhD from the Washington International University. Beginning his professional career as a Project Manager in a privately-owned company, Mr. Çayköylü subsequently worked as Project Manager; as Department Manager at Türkiye Kalkınma Bankası A.Ş.; Division Head at the Islamic Development Bank; and as General Manager, Project Coordinator and Managing Director in various privately-owned companies. He has been serving as a Member of the Board of Directors of T. Halk Bankası A.Ş. since March 28, 2003.

### DR. NURZAHİT KESKİN (5)

#### MEMBER OF THE BOARD OF DIRECTORS

Born in Istanbul in 1962, Nurzahit Keskin graduated from Anadolu University, Afyon Faculty of Economic and Administrative Sciences and holds a master's degree from Marmara University, Institute of Banking and Insurance, Department of International Banking as well as a PhD from Sakarya University. Beginning his career as a Faculty Member at Marmara University, Dr. Keskin subsequently worked in the private sector where he began working as an Independent Auditor and Management Consultant for an international company. After serving as an executive in the Human Resources area at various national and multinational corporations, Nurzahit Keskin was an Executive Director responsible for Human Resources, Operations and Support Services as well as a Member of the Executive Board at T.C. Ziraat Bankası A.Ş. During the same period, in addition to his existing roles, Dr. Keskin was also a member of the Board of Directors of Ziraat Bank International AG, Germany; Turkish - Ziraat Bank Bosnia dd, Bosnia-Herzegovina; Ziraat Banka AD, Macedonia; Turkmen Turkish Commercial Bank, Turkmenistan and Azeri Turkish Bank ASC, Azerbaijan. He has been a member of Türkiye Halk Bankası A.Ş.'s Board of Directors since 2005. Nurzahit Keskin is also a member of the Board of Directors of the Netherlands-based Demir - Halk Bank (Nederland) NV. Dr. Keskin speaks English and German.

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**DR. AHMET YARIZ (6)**  
**MEMBER OF THE BOARD OF DIRECTORS**

Born in Elazığ in 1966, Ahmet Yarız graduated from Istanbul University, Faculty of Business Administration and received his Master's degree and PhD from Marmara University, Institute of Banking and Insurance. Beginning his career in banking at Sınai Yatırım ve Kredi Bankası A.O., Dr. Yarız worked for several industrial enterprises and financial companies. He served as a Member of the Board of Directors responsible for Risk Management and Internal Audit at T. Vakıflar Bankası T.A.O. and as a Board Member of the Savings Deposit Insurance Fund of Turkey. Ahmet Yarız has been a Member of the Board of Directors of T. Halk Bankası A.Ş. since April 9, 2008. Dr. Yarız also serves as the Vice Chairman of the Board of Directors at Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

**SABAHATTİN BİRDAL (7)**  
**MEMBER OF THE BOARD OF DIRECTORS**

Born in Kemah, Erzincan in 1952, Sabahattin Birdal is a graduate of Istanbul University, Faculty of Economics, Department of Business and Finance. Beginning his professional career as an Assistant Inspector at T. Vakıflar Bankası T.A.O., Mr. Birdal subsequently worked as Inspector and Branch Manager at the same bank. He served as Banking Services Manager at Faisal Finans Kurumu and as Branch Manager, Department Head and Deputy General Manager at Kuveyt Türk Evkaf Finans Kurumu. Sabahattin Birdal was the Deputy Mayor of Üsküdar Municipality from April 2004 until March 2008 and a Member of the Board of Directors of T. Vakıflar Bankası T.A.O. between March 2008 and October 2010. Mr. Birdal has been a Member of the Board of Directors of T. Halk Bankası A.Ş. since October 27, 2010. He also serves as the Vice Chairman of the Board of Directors of Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

**AHMET KAHRAMAN (8)**  
**MEMBER OF THE BOARD OF DIRECTORS**

Born in Menemen, İzmir in 1955, Ahmet Kahraman graduated from Istanbul University, Faculty of Law. Beginning his professional career in 1980 as a judge's associate in Lice, Mr.

Kahraman held the positions of Prosecutor and Judge in various provinces. Starting in 1990, he served as Investigative Judge, Department Head, and Deputy General Manager at the Ministry of Justice. Ahmet Kahraman was appointed Judge of Ankara in 2000, Deputy Undersecretary of the Ministry of Justice in February 2008, and Undersecretary of the Ministry of Justice in July 2008. Holding the position of the Minister of Justice during the tenure of the 60<sup>th</sup> government between March 2011 and July 2011, Mr. Kahraman has been serving as a Member of the Board of Directors of T. Halk Bankası A.Ş. since April 18, 2012. He is also the Vice Chairman of the Board of Directors of Halk Hayat ve Emeklilik A.Ş.

**HİKMET AYDIN SİMİT (9)**  
**MEMBER OF THE BOARD OF DIRECTORS**

Born in Bitlis in 1966, Hikmet Aydın Simit graduated from Ankara University, Faculty of Political Science, Department of Business Administration. Beginning his professional career as Deputy Inspector at Yaşarbank, Mr. Simit subsequently served as Inspector, Deputy Manager and Branch Manager at the same bank. He worked as Branch Manager and Unit Manager at Türkiye Finans Katılım Bank A.Ş. between 1999 and 2007. Hikmet Aydın Simit served as Member of the Board of Directors of T.C. Ziraat Bankası A.Ş.; Member of the Supervisory Board of Turkish Ziraat Bank Bosnia DD; and Member of the Board of Directors at Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş., Ziraat Hayat ve Emeklilik A.Ş., Kazakistan Ziraat International Bank, and Arap Türk Bankası between June 2007 and April 2012 as well as Member of the Board of Directors of Kredi Garanti Fonu from September 2009 until July 2012. Mr. Simit has been a Member of T. Halk Bankası A.Ş.'s Board of Directors of since April 18, 2012. He is also a Member of the Board of Directors of Halk Hayat ve Emeklilik A.Ş.

**FARUK ÖZÇELİK (10)**  
**MEMBER OF THE AUDIT BOARD**

Born in Hadim, Konya in 1968, Faruk Özçelik graduated from Ankara University, Faculty

of Political Sciences, Department of Business Administration and holds a master's degree in International Relations, from Selçuk University, Institute of Social Sciences. Mr. Özçelik began his professional career as Assistant Inspector at the Directorate-General of Foundations of the Prime Ministry and subsequently worked as Inspector and Chief Inspector in the same organization as well as at the Ministry of Public Works and Settlement. Between 2003 and 2009. He was the Deputy General Manager of the Prime Ministry's Directorate-General for Personnel and Principles, where he has been serving as the General Manager since February 2009. From 2003 until 2010 Faruk Özçelik was a Member of the Board of Directors of the Turkish Catastrophe Insurance Pool. Mr. Özçelik has been serving as a Member of the Audit Board of T. Halk Bankası A.Ş. since May 24, 2010.

**ALİ ARSLAN (11)**  
**MEMBER OF THE AUDIT BOARD**

Born in Besni, Adıyaman in 1963, Ali Arslan graduated from Çukurova University, Faculty of Economics and Administrative Sciences, Department of Business Administration and holds an MBA degree from Cleveland State University. Beginning his professional career in 1987 as Treasury and Foreign Trade Assistant Specialist at the General Directorate of Public Finance of the Undersecretariat of Treasury, Mr. Arslan subsequently served as Treasury Specialist at the same General Directorate; Treasury Specialist and Branch Manager at the General Directorate of Economic Research and the Foreign Capital Directorate; Energy Specialist at the Energy Market Regulatory Authority between October 2002 and October 2004; Department Manager between October 2004 and January 2005, Head of the Personnel Department between January 2005 and May 2010, and the General Manager from May 2010 until November 2011 at the now defunct General Directorate of Banking and Foreign Exchange of the Undersecretariat of Treasury. Serving as the General Manager of the General Directorate of Finance Industry Relations and Foreign Exchange since November 2, 2011, Ali Arslan is a Member of the Audit Board of T. Halk Bankası A.Ş. since April 18, 2012.

## SENIOR MANAGEMENT



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### SÜLEYMAN ASLAN (1) GENERAL MANAGER

Please see page 78 for Mr. Süleyman Aslan's background.

### ATALAY TARDUŞ (2) DEPUTY GENERAL MANAGER: CORPORATE AND COMMERCIAL MARKETING

Born in Izmir in 1969, Atalay Tarduş graduated from the Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Economics. Beginning his professional career as Assistant Inspector at Pamukbank T.A.Ş. on August 10, 1992, Mr. Tarduş subsequently worked as Inspector, Marketing Manager and Manager of the Loans Unit at the same bank. He served as Department Head between November 12, 2004 and November 21, 2005, Commercial Branch Manager from November 22, 2005 until June 26, 2008, and Regional Coordinator between June 27, 2008 and August 3, 2011 at T. Halk Bankası A.Ş. Atalay Tarduş has been serving as Halkbank's Deputy General Manager of Corporate and Commercial Marketing since August 4, 2011.

### MEHMET AKİF AYDEMİR (3) DEPUTY GENERAL MANAGER: LOAN ALLOCATION AND MANAGEMENT

Born in Ankara in 1963, Mehmet Akif Aydemir graduated from Ankara University, Faculty of Political Sciences, Department of Economics. Beginning his professional career on October 20, 1986 as Assistant Inspector at Pamukbank T.A.Ş., Mr. Aydemir subsequently worked as Inspector, Branch Manager and Department Head at the same bank. He served as Head of the Corporate Loans Department between December 10, 2004 and March 3, 2010 and Deputy General Manager of Corporate and Commercial Loans from March 4, 2010 to July 21, 2011 at T. Halk Bankası A.Ş. Mehmet Akif Aydemir has been serving as Halkbank's Assistant General Manager of Loan Allocation and Management since July 22, 2011.

### TANER AKSEL (4) DEPUTY GENERAL MANAGER: ARTISANS AND SME BANKING

Born in Ankara in 1961, Taner Aksel is a graduate of Anadolu University, Faculty of Economics and Administrative Sciences, Department of Economics. Beginning his professional career in 1985 as Assistant Inspector at Pamukbank T.A.Ş., Mr. Aksel subsequently worked as Inspector and Branch Manager at the same bank. Following his employment as Branch Manager and Regional Director at other banks, he returned to Pamukbank T.A.Ş. as Branch Manager in 2000. Taner Aksel served as Branch Manager between November 11, 2004 and July 15, 2007, Department Head from July 16, 2007 until November 2, 2008, Regional Coordinator between November 3, 2008 and March 26, 2010, and Deputy General Manager of Corporate and Commercial Marketing from March 26, 2010 until July 21, 2011 at T. Halk Bankası A.Ş. Mr. Aksel has been serving as Halkbank's Deputy General Manager of Artisans and SME Banking since July 22, 2011.

### İSMAİL HAKKI İMAMOĞLU (5) DEPUTY GENERAL MANAGER: RETAIL BANKING

Born in Sürmene, Trabzon in 1960, İsmail Hakkı İmamoğlu is a graduate of the Ankara Academy of Economic and Commercial Sciences, Faculty of Administrative Sciences. Beginning his professional career in 1984 as Inspector at T. Vakıflar Bankası, Mr. İmamoğlu subsequently worked as Vice Chairman of the Internal Audit Board, Chief Executive Assistant to the General Manager, Secretary General of the Executive Council, Branch Manager and Department Head at the same bank. Subsequently he was employed as Chairman of the Internal Audit Board at Sümerbank and Toprakbank, and as Coordinator at Bayındırbank. İsmail Hakkı İmamoğlu served as Regional Coordinator from July 1, 2003 until March 27, 2011, and Deputy General Manager of Tradesman & SME Banking-2 between March 28, 2011 and July 21, 2011 at T. Halk Bankası A.Ş. Mr. İmamoğlu has been serving as Halkbank's Deputy General Manager of Retail Banking since July 22, 2011.

### DR. ŞAHAP KAVCIOĞLU (6) DEPUTY GENERAL MANAGER: LOAN POLICIES

Born in Bayburt in 1967, Dr. Şahap Kavcıoğlu is a graduate of Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Business Administration. After graduating from Istanbul University, Institute of Accounting as an Audit Specialist, Dr. Kavcıoğlu studied Business Administration at Hastings College in England. He received his master's degree in 1993 and PhD in 2003 from Marmara University, Institute of Banking and Insurance. Beginning his professional career in 1990 as Assistant Inspector at Esbank T.A.Ş., Şahap Kavcıoğlu subsequently worked as Inspector, Branch Manager and Deputy General Manager at the same bank. After his employment at Çalık Investment Bank and MNG Bank, Dr. Kavcıoğlu joined T. Halk Bankası A.Ş. on June 30, 2003 as Istanbul Regional Coordinator. He served as Deputy General Manager of Retail Banking between June 17, 2005 and June 7, 2007, and Deputy General Manager of Tradesman & SME Banking from June 8, 2007 until September 23, 2010 at T. Halk Bankası A.Ş. Dr. Kavcıoğlu has been serving as Halkbank's Deputy General Manager of Loan Policies since September 24, 2010.

### MÜRSEL ERTAŞ (7) DEPUTY GENERAL MANAGER: RISK COLLECTION AND LIQUIDATION

Born in Ordu in 1964, Mürsel Ertaş graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Foreign Trade & Foreign Exchange. Mr. Ertaş joined T. Halk Bankası A.Ş. as Assistant Controller in 1986 and subsequently served as Assistant Inspector, Inspector, Branch Manager, Regional Coordinator and Department Head at the same bank. He has been serving as Halkbank's Deputy General Manager of Risk Collection and Liquidation since October 12, 2010.



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**MURAT UYSAL (8)**  
**DEPUTY GENERAL MANAGER: TREASURY MANAGEMENT**

Born in Istanbul in 1971, Murat Uysal is a graduate of Galatasaray High School and Istanbul University, Faculty of Economics, Department of Economics (in English). Mr. Uysal holds a Master's degree from Marmara University, Institute of Banking and Insurance, Department of Banking. Beginning his professional career in 1998 as Assistant Specialist in the Treasury Department of Tekstilbank, he subsequently worked as Specialist and Manager in the Foreign Exchange & Money Markets and Securities Departments at the same bank. After working as Head of the Money and Capital Markets Department between September 7, 2007 and September 11, 2011 at T. Halk Bankası A.Ş., Murat Uysal has been serving as Halkbank's Deputy General Manager of Treasury Management since November 11, 2011.

**MEHMET HAKAN ATILLA (9)**  
**DEPUTY GENERAL MANAGER: INTERNATIONAL BANKING**

Born in Ankara in 1970, Mehmet Hakan Atilla is a graduate of Gazi University, Faculty of Economics and Administrative Sciences, Department of Economics. Beginning his professional career in 1995 as Assistant Specialist in the Research, Development and Planning Department at T. Halk Bankası A.Ş., Mr. Atilla subsequently served as Specialist in the Banking Cards and Cash Management Departments and as Director and Department Head in the Strategic Planning Department at the same bank. After working as Head of Financial Institutions and Investor Relations Department from June 22, 2007 until November 11, 2011, Mehmet Hakan Atilla has been serving as Halkbank's Deputy General Manager of International Banking since November 11, 2011.

**YAKUP DEMİRCİ (10)**  
**DEPUTY GENERAL MANAGER: HUMAN RESOURCES AND ORGANIZATION**

Born in Karabük in 1966, Yakup Demirci graduated from Ankara University, Faculty of Political Sciences in 1987. Beginning his professional career as Assistant Inspector at Türkiye Halk Bankası A.Ş. on March 8, 1989, Mr. Demirci subsequently served as Inspector, Assistant Manager of the

Credit Risk Monitoring Unit, Division Manager at the Personnel Affairs Department and Head of the Human Resources Department. He has been serving as Halkbank's Deputy General Manager of Human Resources and Organization since June 11, 2008.

**UFUK HACER DENİZCİ YÜCE (11)**  
**DEPUTY GENERAL MANAGER: BANKING OPERATIONS**

Born in Rize in 1967, Ufuk Hacer Denizci Yüce is a graduate of Istanbul Technical University, Faculty of Business Administration, Department of Management Engineering. Beginning her professional career in 1988 as Assistant Specialist at Yapı Kredi Bankası, Ms. Denizci Yüce subsequently worked as Management Consultant at Anderson Consulting and Accenture BPM, and as Credit Marketing Manager at İktisat Bankası. She joined Pamukbank T.A.Ş. on May 9, 1994 and served as Unit Manager and then as Department Head. After working as the Head of IT Department between November 12, 2004 and September 23, 2010 at T. Halk Bankası A.Ş., Ufuk Hacer Denizci Yüce has been serving as Halkbank's Deputy General Manager of Banking Operations since October 12, 2010.

**EROL GÖNCÜ (12)**  
**DEPUTY GENERAL MANAGER: INFORMATION SYSTEMS AND TECHNICAL SERVICES**

Born in Siirt in 1964, Erol Göncü is a graduate of the Middle East Technical University, Department of Mathematics. Beginning his professional career on October 3, 1988 as Systems Analyst at Pamukbank T.A.Ş., Mr. Göncü subsequently worked as Department Manager and Division Head at the same bank. He has been serving as Halkbank's Deputy General Manager of Information Systems and Technical Services since June 9, 2005.

**MUSTAFA SAVAŞ (13)**  
**DEPUTY GENERAL MANAGER: FINANCIAL MANAGEMENT AND PLANNING**

Born in Çine, Aydın in 1965, Mustafa Savaş is a graduate of Ankara University, Faculty of Political Sciences. Beginning his professional career on March 1, 1991 as Assistant Inspector at T. Halk Bankası A.Ş., Mr. Savaş subsequently served as Inspector, Manager of the Lefkoşa (Nicosia)

Branch in Cyprus, Manager of the Yukarı Ayrancı Branch in Ankara, and Head of the Internal Control Department at the same bank. After serving as Deputy General Manager of Risk Management and Internal Control between July 18, 2002 and January 12, 2009, Deputy General Manager of Risk Collection and Liquidation from January, 13 2009 until September 23, 2010, and Deputy General Manager of Retail Lending between September 24, 2010 and July 21, 2011, Mustafa Savaş has been serving as Halkbank's Deputy General Manager of Financial Management and Planning since July 22, 2011.

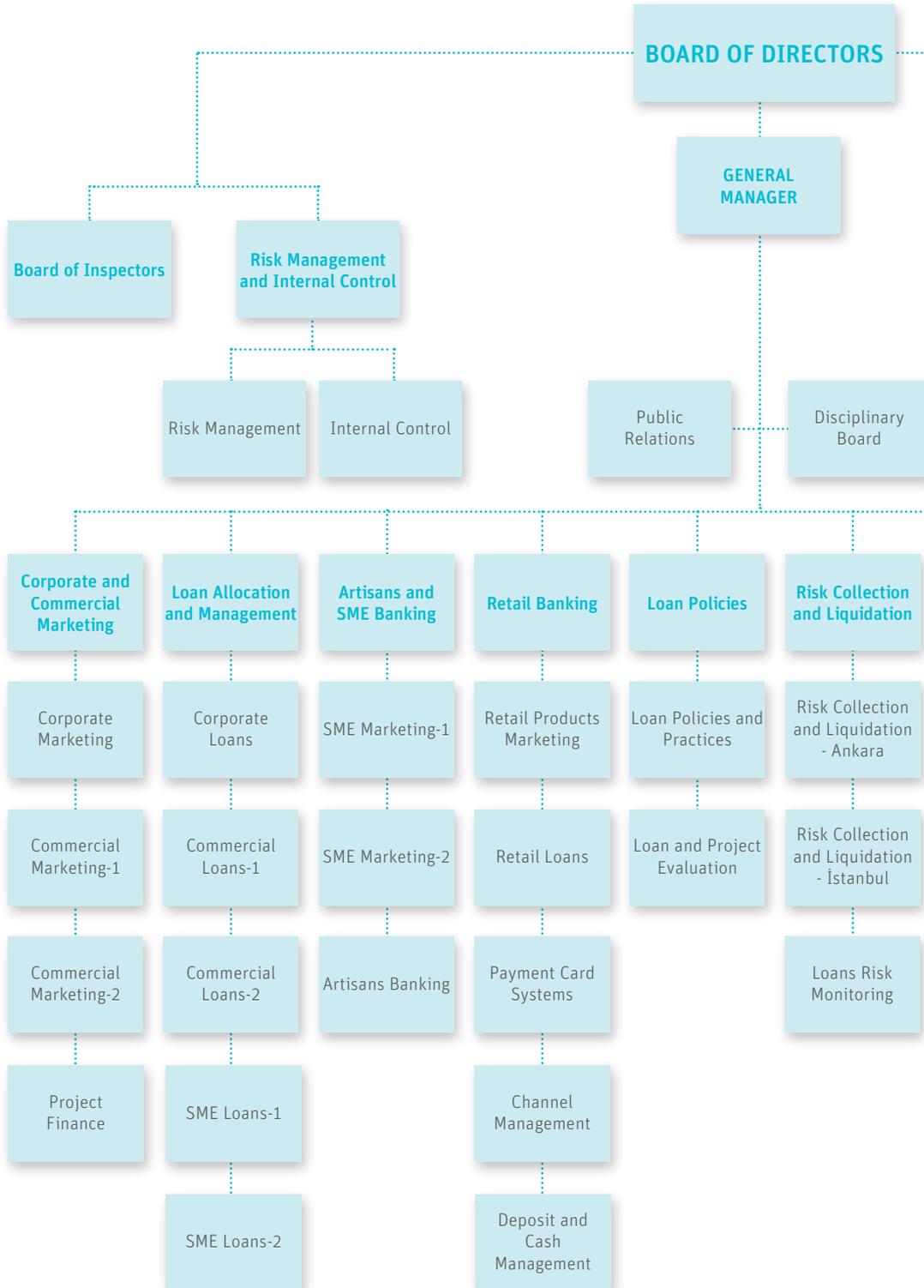
**SELAHATTİN SÜLEYMANOĞLU (14)**  
**DEPUTY GENERAL MANAGER: RISK MANAGEMENT AND INTERNAL CONTROL**

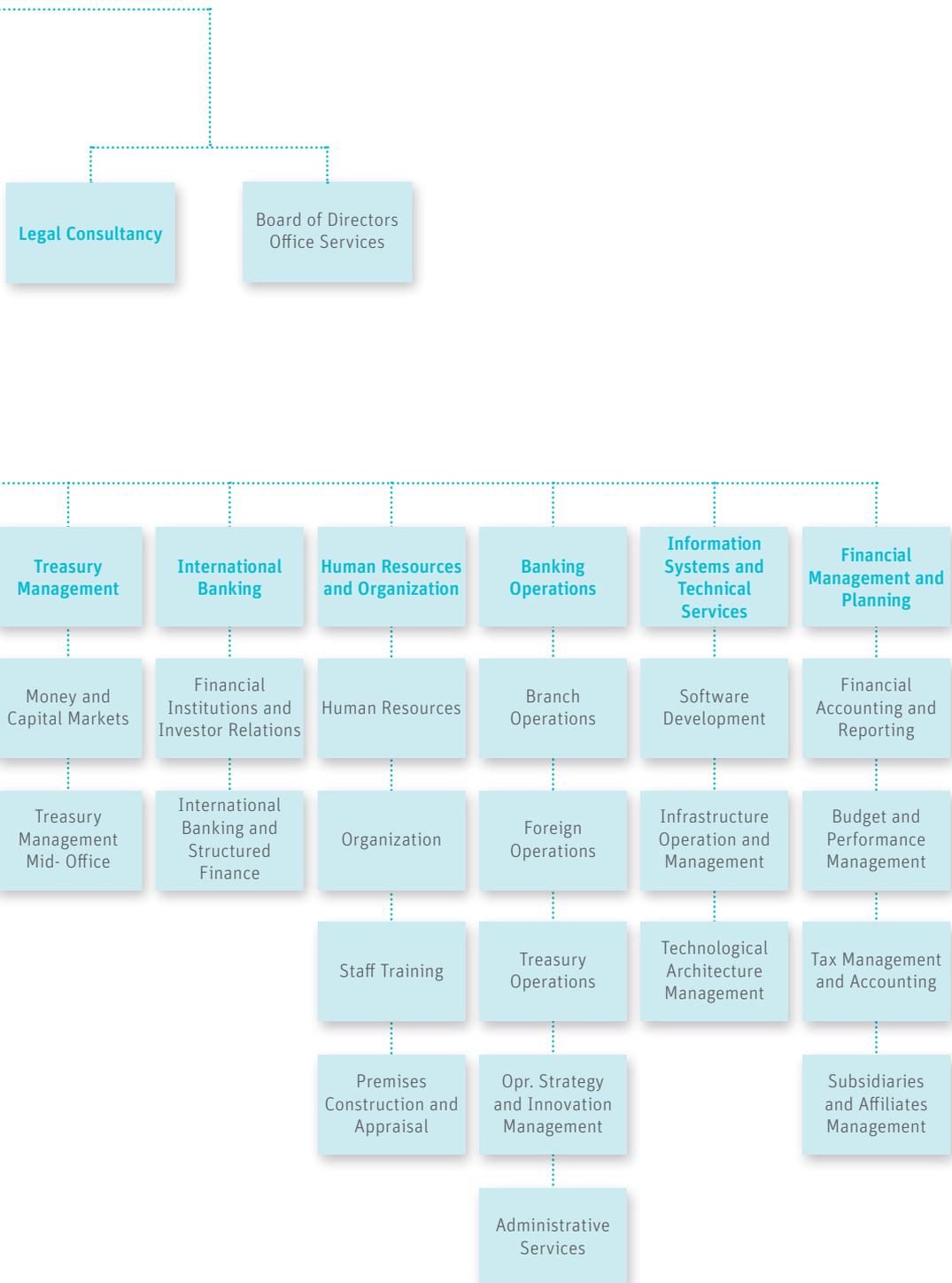
Born in Alucra, Giresun in 1962, Selahattin Süleymanoğlu graduated from Gazi University, Faculty of Economic and Administrative Sciences, Department of Business Administration in 1987. After receiving his master's degree from Selçuk University, Institute of Social Sciences, Department of International Relations, Mr. Süleymanoğlu began his professional career in 1990 as Assistant Inspector at Adabank A.Ş. After his employment as Inspector, Manager and Head Manager at T. Emlak Bankası A.Ş. between 1991 and 2001, he joined Türkiye Halk Bankası A.Ş. in 2001 as Branch Manager. After serving as Branch Manager at various branches as well as the Manager of Ankara Corporate Branch, Selahattin Süleymanoğlu, served as the Deputy General Manager of Risk Collection and Liquidation from July 1, 2007 until January 12, 2009, and as Deputy General Manager of Banking Operations between January 13, 2009 and September 26, 2010. Mr. Süleymanoğlu has been serving as Halkbank's Deputy General Manager of Risk Management and Internal Control since September 27, 2010.

**ALAADDİN SARITAÇ (15)**  
**CHAIRMAN OF THE BOARD OF INSPECTORS**

Born in Göle, Ardahan in 1958, Alaaddin Sarıtaç is a graduate of Ege University, Faculty of Economics, Department of Economics. Joining T. Halk Bankası A.Ş. on November 1, 1982 as Assistant Inspector, Mr. Sarıtaç subsequently worked as Inspector, Inspector General, Vice Chairman of the Board of Inspectors, Member of the Disciplinary Board and Chairman of the Disciplinary Board. He has been serving as the Chairman of Halkbank's Board of Inspectors since February 9, 2011.

# ORGANIZATIONAL STRUCTURE





## COMMITTEES

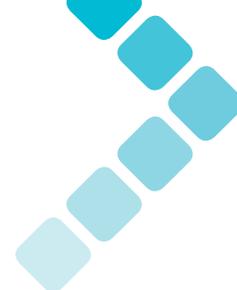
### Audit Committee

The Audit Committee of Halkbank, which was formed pursuant to the Board of Directors Resolution No. 34-01 dated October 31, 2006, conducts its activities in accordance with the provisions of the “Regulation on Internal Systems of Banks” published in the Official Gazette No. 28337 dated 28.06.2012 and is charged with and responsible for overseeing, on behalf of the Board of Directors, the effectiveness and adequacy of the Bank’s internal systems, functioning of these systems as well as the accounting and reporting systems in compliance with the Law and related regulations, and the integrity of the information generated by such systems; performing the requisite preliminary assessments to assist the Board of Directors’ election of independent audit companies as well as credit rating agencies, appraisal firms and support service providers; regularly monitoring the activities of these organizations that the Board of Directors elected and signed contracts with; and, in accordance with the regulations that became effective pursuant to the Law, ensuring that the internal audit activities of the subsidiaries and affiliates that are subject to consolidation are performed on a consolidated basis and in coordination.

### Duties of the Audit Committee

The Audit Committee is charged with and authorized for:

- a) Overseeing compliance with the provisions of the Regulation on Internal Systems regarding internal control, internal audit and risk management and the Bank’s internal policies and implementation procedures that were approved by the Board of Directors as well as making recommendations to the Board of Directors regarding the measures to be taken,
- b) Establishing the channels of communication through which the employees of the internal systems units can contact the Committee directly,
- c) Overseeing that the internal audit system covers the Bank’s existing and planned activities as well as the risks arising from these activities, analyzing internal Bank regulations regarding internal audit that will take effect with the approval of the Board of Directors,
- d) Making recommendations to the Board of Directors regarding the election of the heads of internal systems units that report directly to the Audit Committee, providing opinion when the Board of Directors considers removing these employees from position,
- e) Soliciting and evaluating senior management’s opinions and recommendations regarding internal systems,
- f) Ensuring the establishment of channels of communication through which irregularities and fraud within the Bank can be reported directly to the Audit Board or to the internal audit unit or to the inspectors,
- g) Overseeing that the inspectors execute their duties independently and impartially,
- h) Analyzing internal audit plans,
- i) Making recommendations to the Board of Directors regarding the qualifications that the personnel to be employed in the internal systems units should possess,
- j) Supervising the measures taken by the senior management and the units reporting to the senior management in response to the matters identified in internal audit reports,
- k) Assessing the professional education levels and adequacy of the managers and employees of the internal systems units,



- l) Overseeing the presence of methods, tools and implementation procedures necessary for identifying, measuring, monitoring and controlling the risks the Bank is exposed to,
- m) Meeting with the inspectors and the independent auditors of the independent audit company retained by the Bank within the scope of pre-determined programs and agendas at regular intervals at least four times a year,
- n) Informing the Board of Directors about the opinions and assessments of the senior management, employees performing risk management, internal control and internal audit functions, and the independent audit company regarding the practices required for the proper execution, effectiveness and improvement of the tasks that are part of their duties and responsibilities,
- o) Reviewing the assessments of the independent audit company with regard to the compliance of the Bank's accounting practices with the Law and other related regulations, soliciting the statement of the senior management regarding the discrepancies identified,
- p) Evaluating the independent audit results, annual and quarterly financial statements and their related documents, and the independent audit report in conjunction with the senior management and the independent auditors and resolving other issues that the independent auditors have reservations about,
- q) Assessing the independence of independent rating agencies, independent audit companies including the ones performing information systems audits, and appraisal firms with which the Bank is considering signing a contract, as well as the independence of the Chairmen and Members of their Boards of Directors, auditors, managers and employees with regard to their relationships with the Bank and the adequacy of the resources assigned to them, presenting the evaluation to the Board of Directors in a report, repeating these steps at regular intervals not exceeding three months as long as the contract is in effect should the Bank resolve to procure service from them,
- r) Conducting a risk assessment for the support service the Bank is considering procuring, presenting the assessments to the Board of Directors in a report, repeating these steps at regular intervals not exceeding three months as long as the contract is in effect should the Bank resolve to procure the service in question, and supervising the adequacy of the services rendered by the support service provider,
- s) Overseeing that the Bank's financial reports contain only the facts and all of the information which need to be revealed and that these reports comply with the Law and other related regulations, ensuring that the errors and irregularities identified are corrected,
- t) Deliberating with the independent auditors whether the financial reports accurately reflect the Bank's financial position, results of its activities and the Bank's cash flows and whether they are prepared in accordance with the procedures and principles stipulated in the Law and other related regulations,
- u) Reporting the activities the Audit Committee has performed during the period, not to exceed six months, and the results of such activities to the Board of Directors, including in these reports the Audit Committee's opinions on the measures that need to be taken and practices that need to be initiated within the Bank as well as other matters significant for being able to continue the Bank's operations in safety,
- v) Supervising whether persons with the authority to make lending decisions took part in the evaluation and decision-making stages of the credit transactions involving themselves, their spouses, children under their guardianship, or other real or legal persons that form a risk group with the aforementioned, and establishing the channels of communication through which these matters will be conveyed to them.

## COMMITTEES

The Audit Committee convened 13 times during 2012; during these meetings, the potential risks of the bank, stress tests, scenario analyses, and risk management policies and implementation procedures were discussed. The members of the Committee attended the meetings regularly.

Members of the Audit Committee	Position	Primary Position
Sabahattin BİRDAL	Chairman	Member of the Board of Directors
Hikmet Aydın SİMİT	Member	Member of the Board of Directors

### Operational Risk Working Committee

This Committee was formed for the purpose of identifying the Bank's transactions that create operational losses and preventing operational losses. The Operational Risk Working Committee meets once a month on a regular basis.

#### Duties of the Operational Risk Working Committee

- a) Establishing the procedures for creating the database required to measure the Bank's operational risks in coordination with the related units,
- b) Ensuring collaboration between units to be able to record, through a standardized coding system, the errors and deficiencies identified by the Board of Inspectors and other control units,
- c) Undertaking the technical and administrative efforts required to build a database of the operational losses incurred in the previous periods,
- d) Forming an opinion on the evaluation and rating of operational risks related to the functional activities that are part of the Risk Assessment Matrix,
- e) Performing all functions geared toward tracking, monitoring and preventing all operational risks incurred by the Bank,
- f) Performing the duties that may arise as a result of amendments made to the banking laws and regulations.

The Operational Risk Working Committee convened 12 times during 2012. At these meetings, decisions were taken regarding the identification of operations that cause operational losses and the prevention of operational losses. The members of the Committee attended the meetings regularly.



### Members of the Operational Risk

Working Committee	Position	Primary Position
Ali Ulvi SARGON	Chairman	Head of Risk Management Department
Çetin MEMİŞ	Member	Head of the Disciplinary Board
Mehmet TÜFEKÇİ	Member	Head of Internal Control Department
Ergin KAYA	Member	Head of Branch Operations Department
Levent BALKAN	Member	Head of Foreign Operations Department
Okan Hasan GÖR	Member	Head of Budget and Performance Management Department
Ali ALEV	Member	Head of Treasury Operations Department
Kadir YAYLAK	Member	Head of Tax Management and Accounting Department
Ayşegül SAYIN	Member	Head of Technology Architecture Management Department
Öngen AKIN	Member	Head of Channel Management Department
Barış YETİM	Member	Deputy Head of the Board of Inspectors

### Credit Committee

The Credit Committee, established to perform the credit-related duties assigned by the Board of Directors, consists of a minimum of two members from among the Members of the Board of Directors, elected by the Board of Directors and the General Manager, who possess all of the qualifications required of a General Manager except for the tenure requirement. Two associate members, who possess all of the qualifications required of a General Manager except for the tenure requirement, are elected from among the Members of the Board of Directors to replace any members of the Credit Committee who are unable to attend a meeting. Affirmative vote of at least three-quarters of the Members of the Board of Directors is required for electing the Members and Associate Members of the Credit Committee. The General Manager serves as the Chairman of the Credit Committee. In the absence of the General Manager, a permanent member presides over the Credit Committee. The Chairman of Credit Committee is responsible for the coordination of the effective and healthy functioning of the Credit Committee's activities.

### Duties of Credit Committee

- Enforcing the policies approved by the Board of Directors regarding the Bank's lending policy, magnitude of its placement portfolio, and its breakdown by sector, region and loan type,
- Making recommendations to the Board of Directors for determining the procedures and principles regarding the Bank's lending policies and its lending activities on the basis of the portfolio and real/legal persons,
- Ensuring that the loan portfolio is managed in accordance with generally-accepted risk management principles.
- Provided that the limit and scope are expressly set out, the Committee may delegate some of its duties and authorities. However, it may not delegate its authority with regard to open credit transactions, except for retail loans. It shall oversee and supervise the actions of the bodies to which it delegated its authority.

The Credit Committee convened 52 times and made 1,097 decisions in 2012. The members of the Committee attended the meetings regularly.

Members of the Credit Committee	Position	Primary Position
Süleyman ASLAN	Chairman	Member of the Board of Directors and General Manager
Mehmet Emin ÖZCAN	Member	Vice Chairman the Board of Directors
Ahmet YARIZ	Member	Member of the Board of Directors
Sabahattin BİRDAL	Member	Member of the Board of Directors

## COMMITTEES

### Assets and Liabilities Committee (ALCO)

The Committee was formed to set the policies regarding the management of the Bank's assets and liabilities and the movement of funds within that scope, and to take and implement the decisions regarding the management of the Bank's balance sheet to be executed by the related units.

### Duties of the Assets and Liabilities Committee

Deliberating and evaluating the financial structure, portfolio, budget, loan and deposit interest rates of the Bank; developments in the money and capital markets; and the developments taking place in the Bank itself and in other banks.

ALCO meets regularly once a week, but at minimum once a month, on the date and at the place determined by the Chairman of the Committee. ALCO meetings begin with the discussion of the agenda items put together by the Committee Chairman. Upon invitation by the Committee, Deputy General Managers and other officials may attend these meetings to obtain information and/or offer opinions. The decisions and practices adopted in previous meetings are evaluated at these meetings, after which the decisions to be made and the practices to be adopted are identified. The decisions taken and practices to be adopted are submitted to the General Manager for approval to be transmitted to the related Deputy General Manager.

The Assets and Liabilities Committee convened 51 times in 2012. The members of the Committee attended the meetings regularly.

Members of the Assets and Liabilities	Committee Position	Primary Position
Süleyman ASLAN	Chairman	Member of the Board of Directors and General Manager
Mustafa SAVAŞ	Member	Deputy General Manager of Financial Management and Planning
Taner AKSEL	Member	Deputy General Manager of Artisans-SME Banking
M. Akif AYDEMİR	Member	Deputy General Manager of Loan Allocation and Management
Atalay TARDUŞ	Member	Deputy General Manager of Corporate and Commercial Marketing
İsmail Hakkı İMAMOĞLU	Member	Deputy General Manager of Retail Banking
Dr. Şahap KAVCIOĞLU	Member	Deputy General Manager of Loan Policies
Murat UYSAL	Member	Deputy General Manager of Treasury Management
M. Hakan ATILLA	Member	Deputy General Manager of International Banking
Mürsel ERTAŞ	Member	Deputy General Manager of Risk Collection and Liquidation

### Corporate Governance Committee

The Committee operates to oversee the Bank's compliance with the Corporate Governance Principles. The Chairman of Corporate Governance Committee is appointed by the Board of Directors from among its non-executive members. In the absence of the Chairman, the Committee is presided over by another Member of the Board of Directors. The date and location of the Corporate Governance Committee meetings are determined by the Committee Chairman. Upon invitation by the Committee Chairman, other officials may attend these meetings to obtain information and/or offer opinions.



### Duties of the Corporate Governance Committee

Overseeing the Bank's compliance with corporate governance principles, carrying out activities to make improvements in this area and presenting opinions to the Board of Directors in accordance with the "Regulation on the Corporate Governance Principles for Banks" published by the Banking Regulation and Supervision Agency and the "Corporate Governance Principles" published by the Capital Markets Board.

The Corporate Governance Committee convened four times during 2012. The members of the Committee attended the meetings regularly.

Members of the Corporate Governance Committee	Position	Primary Position
Hasan CEBECİ	Chairman	Chairman of the Board of Directors
Dr. Nurzahit KESKİN	Member	Member of the Board of Directors
Sabahattin BİRDAL	Member	Member of the Board of Directors
Ahmet KAHRAMAN	Member	Member of the Board of Directors
Mustafa SAVAŞ	Member	Deputy General Manager of Financial Management and Planning
M. Hakan ATİLLA	Member	Deputy General Manager of International Banking
Yakup DEMİRCİ	Member	Deputy General Manager of Human Resources and Organization
Erdal ÇELİK	Member	Head of the Human Resources Department

### Compensation Committee

The Compensation Committee was established pursuant to the Board of Directors Resolution No. 41-32 dated December 27, 2011 for the purpose of supervising and overseeing the Bank's compensation policies on behalf of the Board of Directors. The Committee is comprised of at least two non-executive Members of the Board of Directors.

The Compensation Committee convened twice during 2012. The members of the Committee attended the meetings regularly.

Members of the Compensation Committee	Position	Primary Position
Hasan CEBECİ	Chairman	Chairman of the Board of Directors
Dr. Nurzahit KESKİN	Member	Member of the Board of Directors

## COMMITTEES

### Board of Directors

Halkbank's Board of Directors is comprised of a minimum of seven and a maximum of nine members who possess the qualifications stipulated in the Banking Law. The Members of the Board of Directors are elected by the General Assembly. The Board of Directors appoints one of its members as the Chairman of the Board of Directors, one as the Vice Chairman, one as the General Manager, and at least two non-executive members as Members of the Audit Committee. In the absence of the Chairman of the Board of Directors, the Vice Chairman of the Board of Directors presides over the Board of Directors, the primary function of which is to govern and represent the Bank.

The Board of Directors convenes at the request of the Chairman of the Board of Directors or the Vice Chairman or a Board member. The Board is obligated to convene at least once a month.

As a rule, the Board of Directors meetings are held in the province where the head office of the Bank is located. However, it is possible to have the meetings elsewhere if a simple majority of all members agree to do so. The Members of the Audit Board are entitled to attend the Board of Directors meetings in accordance with the open auditing and transparency principle. The Board of Directors may request that the Deputy General Managers and/or other managers of the Bank attend the meetings as necessary.

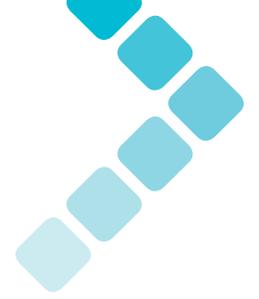
The agenda of the Board of Directors is set by the Chairman or Vice Chairman calling the meeting and it is delivered to the members along with the meeting invitation by the Board of Directors Secretariat Services Department. The meeting agenda is set at least three days prior to the meeting and distributed to the members with attachments thereto. In cases where an emergency Board of Directors meeting must be held, the agenda is set at least 24 hours prior to the meeting and distributed to the members with attachments thereto. In cases of emergency, items may be added to the agenda upon request of the Chairman of the Board of Directors; Members of the Board of Directors may also make a motion on the issues that require a Board Resolution to be passed.

The quorums for convening and passing resolutions based on the number of members on the Board of Directors are as follows:

Total Number of Members	Quorum for Meetings	Quorum for Passing Resolutions
7	5	5
8	5	5
9	6	6

Unless a member demands a deliberation, Board of Directors Resolutions can also be passed by obtaining the written approval of the members for a motion made by a member. However, unanimous consent vote is required for passing resolutions in this manner.

The Board of Directors convened 39 times and passed 904 resolutions during 2012.



## EXECUTIVES OF THE INTERNAL SYSTEMS UNITS

Deputy General Manager of Risk Management and Internal Control: Selahattin SÜLEYMANOĞLU

Tenure in Current Position	Professional Experience and Position	Education
2 years 3 months	22 years - Deputy General Manager at T. Halk Bankası A.Ş.	Master's Degree from Turkey

Chairman of the Board of Inspectors: Alaaddin SARITAÇ

Tenure in Current Position	Professional Experience and Position	Education
1 year 11 months	30 years - Chairman of the Board of Inspectors at T. Halk Bankası A.Ş.	Bachelor's Degree from Turkey

Head of Internal Control Department: Mehmet TÜFEKÇİ

Tenure in Current Position	Professional Experience and Position	Education
4 years 10 months	28 years - Head of Department at T. Halk Bankası A.Ş.	Master's Degree from Turkey

Head of Risk Management Department: Ali Ulvi SARGON

Tenure in Current Position	Professional Experience and Position	Education
8 years	22 years - Head of Department at T. Halk Bankası A.Ş.	Bachelor's Degree from Turkey

## REPORT OF THE BOARD OF DIRECTORS

After the financial fluctuations suffered by the world economy, 2012 started out with expectations for a global recovery. While the United States and EU countries attempted to revive their economies by announcing new monetary expansion programs, downward risks increased and uncertainties lingered during this period.

Despite the uncertainties prevailing in the global economy, the Turkish economy was shielded from the adverse impacts of the crisis thanks to its fiscal discipline and steady growth policies during this period. Thanks to the decisions and regulations of the Central Bank of Turkey, Banking Regulation and Supervision Agency and the economic management team, the Turkish economy continued to perform successfully while Turkey's sovereign credit rating was upgraded to investment-grade due to its economic stability.

The banking industry also contributed to Turkey's restrained growth objective in 2012 by channeling resources to real sector investments. Continuing to support "Productive Turkey" at an increasing pace since its inception, Halkbank successfully implemented big and important projects in 2012.

In November 2012, 23.92% of Halkbank's outstanding shares were floated through a secondary public offering, raising TRY 4.5 billion from the sale and increasing the Bank's free-float ratio to 48.9%. The Bank's secondary public offering became the largest public offering in the Turkish capital markets for the second time.

In accordance with our decision to launch our own credit card, Halkbank unveiled its new credit card brand "Paraf" in 2012. We firmly believe that "Paraf" card will carve out an important position for itself in the industry thanks to its attractive features.

Rolling over a syndicated loan of € 558 million and US\$ 207.5 million with the participation of 46 banks from 23 countries in 2012, Halkbank also issued US\$ 750 million of Eurobonds in July 2012 as well as a total of TRY 1.5 billion worth of bank bonds in January 2012 and July 2012.

In addition, we continued to expand and grow our non-banking financial services by joining forces with our subsidiaries.

Halkbank's total assets grew by 18.8% in 2012 compared to the same period of the previous year, from TRY 91.1 billion to TRY 108.3 billion. Increase in loans constitutes 56.4% of the growth in total assets.

Channeling the lion's share of its resources to lending as of year-end 2012, Halkbank's loans stand at 60.9% share of its balance sheet while its total cash and non-cash loan volume grew by 15.6% to TRY 85.6 billion from TRY 74.1 billion.

The Bank's securities portfolio shrank by 1.7% in 2012 compared to the same period of the previous year to TRY 23.0 billion while the share of securities in the balance sheet declined to 21.2%.

The Bank's total deposits were up 20.7% on the previous year, from TRY 66.2 billion to TRY 80.0 billion.

In addition, Halkbank's demand deposits increased by 20.9% to TRY 16.0 billion in 2012 from TRY 13.2 billion in 2011. The Bank focused on broadening its deposit base in order to expand its deposit volume.

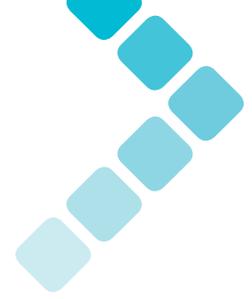
Halkbank increased its profit by 26.9% on the previous year to TRY 2,595 million as of year-end 2012 and managed to maintain its sustainable profitability.

Leveraging its 74-year experience and know-how, Halkbank had a profitable and productive financial year and continued to grow strongly in 2012. We would like to thank our employees for their dedicated work, without which we could not have achieved these results. We hereby respectfully present the Report of the Board of Directors, the Report of the Audit Board and the financial reports of Halkbank for 2012 to our distinguished shareholders and their representatives for their review.

Respectfully yours,

**Süleyman ASLAN**  
General Manager, Member of the Board of Directors

**Hasan CEBECİ**  
Chairman of the Board of Directors



## HUMAN RESOURCES PRACTICES

### Recruitment and Hiring

Taking into account the developments sector, developments that affect recruitment, qualitative changes in human resources, and budget opportunities, the Human Resources Department is responsible for planning how and from which resources, internal or external, the Bank's workforce needs will be supplied for the coming year. Candidates to be hired are expected to possess the following general qualifications, although special qualifications may be sought depending on the position for which a candidate applies.

- Being a Turkish citizen or possessing a work permit obtained from the official bodies in accordance with Law No. 4817 on Work Permits for Foreign Nationals,
- Not being devoid of public rights,
- Not have any compulsory service obligations to any company or organization,
- Being at least 18 years of age as of the date of the examination,
- Being no more than 30 years of age at the time of the commencement of employment for the positions of Assistant Inspector, Assistant Specialist, Service Officer and titles below these (this age limit may be changed upon approval of the Board of Directors for special positions),
- Excluding negligent offenses and suspended convictions apart from the offenses listed below, not having been sentenced with heavy imprisonment or imprisonment for more than six months, even if they have been pardoned, in relation to the following offenses: crimes against the state, infamous or disgraceful offenses such as embezzlement, peculation, extortion, bribery, theft, fraud, forgery, abuse of faith, fraudulent bankruptcy or smuggling except for employment or consumption smuggling, rigging of official tenders or auctions, money laundering or disclosing state secrets,
- Not having been banned from working at banks in accordance with the Banking Law,
- Having completed or deferred military service as of the date of the examination or to be exempt from such military service obligation,
- Except for those who will be employed within the scope of the requirement set out by the Labor Law on the mandatory employment of disabled persons, being in good health as required by the position of employment and not having any mental or physical disabilities that may prevent the individual from doing permanent work in any part of Turkey,
- For Assistant Specialist and Service Officer positions, having graduated from a four-year undergraduate program offered by a university or academy or being a graduate of an equivalent accredited school overseas; for lower-rank positions, being a high school graduate or a graduate of a high-school equivalent institution,
- Possessing the basic qualifications stipulated in the related article of the Banking Law.

## HUMAN RESOURCES PRACTICES

### Job Applications

Vacant positions at the Bank are announced via newspaper and magazine advertisements as well as on human resources web sites and Halkbank's web site. These announcements clearly state the relevant information about the examinations that will be held for the positions. Those who pass the examination may also be interviewed when necessary to determine whether they possess the knowledge and experience required by the position.

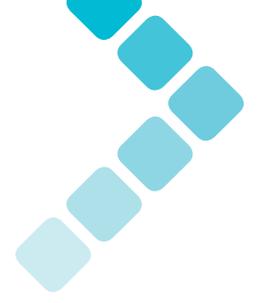
### Promotion

There are two types of promotion at Halkbank: promotion in title and/or promotion in position. The minimum requirements to be met by the employees to be promoted to a higher title and/or position from their current title and/or position are as follows:

- The availability of a vacant title and/or position to which the employee will be promoted,
- To have completed the minimum term of office in the current title and/or position, if applicable,
- To have achieved the necessary level of success at the end of the performance review,
- To hold the minimum education level and competencies required by the position and/or title to which the employee will be promoted,
- To complete/have successfully completed the courses and/or seminars to which the employee will attend/attended in relation to the title and/or position to which the employee will be promoted,
- Not to have received a title/position demotion in accordance with a Disciplinary Board decision within the two years prior to the promotion exam/promotion evaluation.

### Performance Management

The performance management system that is used actively at the Bank allows Halkbank to link corporate performance to individual performance and to measure it. Performance management is administered concurrently in two main avenues: numeric rating and competency evaluation. The performance evaluation results are used actively in the bonus system and training planning.



## TRANSACTIONS WITH THE RISK GROUP

The details and related notes of the transactions the Bank carried out with its risk group in 2012 are provided in footnote VII of Part Five of the Non-Consolidated Independent Auditor's Report.

## INFORMATION ON SUPPORT SERVICES PROVIDERS

Within the scope of the "Regulation concerning the Outsourcing of Support Services by Banks and the Authorization of Organizations Providing Such Services," the support services procured by the Bank and the companies providing these services are as follows:

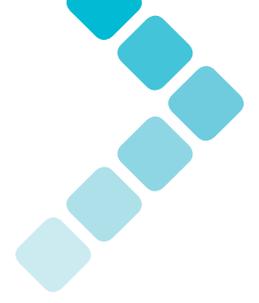
- Service Bureau DRCP (Disaster Recovery Connectivity Pack), Paygate Search, Side SafeWatch, Swift Ha and Swift Platinum support services provided by Eastern Networks Çözümleri Ticaret A.Ş.
- Disaster recovery and Global Mirror support service provided by IBM Global Services, İş ve Teknoloji Hizmetleri ve Tic. Ltd. Şti.
- Software development and maintenance service for internet and telephone banking project provided by V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizmetleri Ticaret A.Ş.
- Corporate Content Management Project maintenance and support services provided by Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.
- Mobile Banking software development and maintenance services provided by Aradiom İletişim Bilgisayar Telekomünikasyon Elektronik Teknolojileri San. ve Tic. Ltd. Şti.
- Information Technology Service Management Project maintenance and support services provided by Vizyon Bilgi Teknolojileri ve Yayıncılık Ltd. Şti.
- Demand and SLA management provided by Signum Teknoloji Tanıtım ve Eğitim Ltd. Şti.
- Security guard staffing service needed by the Bank's units provided by Başkent Güvenlik Hizmetleri Ltd. Şti.
- Credit card, debit card and member business information systems software service provided by Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.
- Payment card systems and alternative delivery channels operations service provided by Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.
- Call Center and Operations Center staffing service provided by KRM Yönetim Danışmanlık A.Ş.
- Call center and marketing operations-related outbound calling service provided by CMC İletişim Bilgisayar Reklam ve Danışmanlık Hizmetleri A.Ş.
- Call center and marketing operations-related outbound calling service provided by Global Bilgi Pazarlama Danışmanlık ve Çağrı Servis Hizmetleri A.Ş.
- Call center and marketing operations-related outbound calling service provided by Sonoklik İletişim Hizmetleri ve Ticaret A.Ş.

## REPORT OF THE AUDIT BOARD

### REPORT OF THE AUDIT BOARD REGARDING 2012 ACTIVITY AND FISCAL YEAR OF TÜRKİYE HALK BANKASI A.Ş.

The Audit Board analyzed the Bank's activities between January 1, 2012 and December 31, 2012 in accordance with the provisions of effective legislation and banking practices, and made the following determinations.

- The Bank has paid-in capital of TRY 1,250 million; the Bank's shareholders' equity went up by 42.6% to reach TRY 12,323 million as of year-end 2012 from TRY 8,640 million at year-end 2011; the Bank's free-float ratio increased from 24.98% to 48.9% after the secondary public offering of 23.92% of its outstanding shares in 2012; TRY 4.5 billion was raised from the sale of the Bank's shares; 80% of the shares were sold to foreign investors while domestic institutional investors and domestic retail investors were each allocated 10%.
- The Bank rolled over a syndicated loan of € 558 million and US\$ 207.5 million with the participation of 46 banks from 23 countries in 2012; issued US\$ 750 million worth of five-year, fixed interest rate Eurobonds in July 2012; and issued a total of TRY 1.5 billion worth of bank bonds in January 2012 and July 2012.
- The Bank continued to pursue growth by opening new branches in 2012; it raised its number of service units to 822; it hired 2,093 new employees to fill its human resource needs arising from retiring and leaving personnel as well as new branch inaugurations and raised its personnel count to 14,971; the ratio of employees with a university degree or higher increased compared to the previous year and reached 78.7%.
- In accordance with its decision to launch its own credit card, Halkbank unveiled its new credit card brand "Paraf" in 2012 in an effort to increase its market share in the sector and entered the credit card market.
- Total assets of the banking sector went up by 12.6% to reach TRY 1,370,642 million as of year-end 2012 from TRY 1,217,695 million at year-end 2011 while the sector's loan book expanded by 16.4% to reach TRY 794,756 million as of year-end 2012 from TRY 682,893 million at year-end 2011, its total deposits increased by 11% to reach TRY 771,884 million as of year-end 2012 from TRY 695,496 million at year-end 2011, and non-performing loan ratio rose 20 basis points compared to 2011 from 2.7% to 2.9%.
- As of year-end 2012, the Bank's total assets grew by 18.8% compared to the previous year to reach TRY 108,282 million; its loan book expanded by 17.3% to reach TRY 64,791 million; its securities portfolio shrank by 5.4% to TRY 21,192 million; its total deposits increased by 20.7% to reach TRY 79,656 million; and its non-performing loan ratio stands at 2.9%.
- The Bank has an overall liquidity adequacy ratio of 136.84% and a foreign currency liquidity adequacy ratio of 132.01% as of December 31, 2012, both of which are above the legally mandated minimum thresholds of 100% and 80%, respectively, for the second slice of term, and the Bank does not have any problems with respect to liquidity or legal liquidity ratios.
- The Bank's capital adequacy ratio is above the legal thresholds mandated by the Banking Regulation and Supervision Agency and stands at 16.17% for 2012 while the capital adequacy ratio of the banking sector as of year-end 2012 stands at 17.89%; the Bank's return on equity for 2012 stands at 24.8%, which is higher than the



sector average of 15.77% as of year-end 2012; the Bank's net annual profit was up by 26.9% to reach TRY 2,595 million as of year-end 2012 from TRY 2,045 million at year-end 2011 and the Bank's increasing profitability performance continued.

- The Bank's ratio of total loans to total assets that determines asset quality stands at 59.8% as of year-end 2012 (sector average as of year-end 2012 is 58%) and the Bank continues to support the real economy; the Bank's loan-to-deposit ratio was 81.3% in 2012 (sector average as of year-end 2012 is 103%).
- All books and records that the Bank is required to keep pursuant to all related provisions of legislation were kept in accordance with legal requirements, records and certified documents were maintained properly, and the accounting and reporting systems functioned effectively and regularly.
- The resolutions regarding the management of the Bank were recorded in the board of directors minute book that was kept in accordance with the procedures.
- The Bank's internal control, risk management and internal audit systems functioned properly and effectively through centralized and on-site audits.
- The Bank personnel's attendance in on-the-job training and classroom training, as measured by the total employees/day ratio, went up from 10.31 in 2011 to 12.47 in 2012.

In conclusion, within the framework of the Report of the Audit Board that we have drafted pursuant to Article No. 354 of the Turkish Commercial Code Law No. 6762, we hereby recommend to the General Assembly of Shareholders that the independently-audited balance sheet, profit/loss statement and other related financial statements for the Bank's 2012 fiscal year be approved and that the Board of Directors' activities in 2012 be discharged.

Ankara, February 18, 2013

Respectfully yours,

**Ali ARSLAN**  
Member of the Audit Board

**Faruk ÖZÇELİK**  
Member of the Audit Board

\*Figures exclude rediscounts.

## **CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT**

### **1. Statement of Compliance with Corporate Governance Principles**

Halkbank has implemented, since its initial public offering in May 2007, the principles set out in the “Corporate Governance Principles” published by the Capital Markets Board of Turkey.

The “Corporate Governance Committee Regulation” that was devised within the framework of the “Regulation on Corporate Governance Principles for Banks” published by the Banking Regulation and Supervision Agency of Turkey was brought in compliance with the requirements of the Capital Markets Board following the public offering; it was approved and took effect pursuant to the Bank’s Board of Directors’ Resolution No. 49-07 dated December 12, 2007. The Members and duties of the Corporate Governance Committee were reorganized accordingly. Article 3 of the Regulation regarding the “Composition of the Corporate Governance Committee” was amended pursuant to the Bank’s Board of Directors Resolution No. 33-05 dated October 25, 2011.

The mandatory principles that were implemented and not implemented by Halkbank within the scope of Communiqué Series: IV No: 56 during the activity year ended December 31, 2012 are presented in the related sections.

The amendments to the Articles of Association and the changes in the composition of the Board of Directors that will be made to comply with the Turkish Commercial Law No. 6102 dated January 13, 2011, the Capital Market Law No. 6362 dated December 6, 2012, and the Communiqué Series IV No: 56 published by the Capital Markets Board will be realized at the earliest General Assembly meeting to convene, but no later than June 30, 2013.

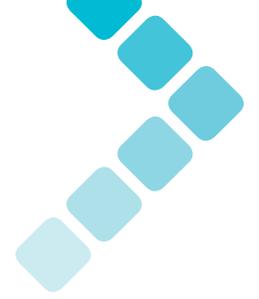
## **PART I –SHAREHOLDERS**

### **2. Shareholder Relations Unit**

24.98% of the Bank’s outstanding shares began to be traded on the Istanbul Stock Exchange as of May 10, 2007. Since that date, the Bank has been carrying out its activities in accordance with the provisions of the Corporate Governance Principles published by the Capital Markets Board. Halkbank’s free-float ratio rose to 48.90% following the secondary public offering in November 2012.

As part of this effort, the shareholder relations function of the Bank is executed by the Financial Institutions and Investor Relations Department and the Financial Accounting and Reporting Department as a Head Office function.

The Financial Institutions and Investor Relations Department is responsible for establishing institutional relations with domestic and foreign investors that invest in equities. The other unit responsible for conducting relations with shareholders is the Shareholders Unit that is organized under the Financial Accounting and Reporting Department. Both departments are represented in the Corporate Governance Committee and report all information regarding their activities to this committee. The Bank conducts shareholder relations with a very active organization.



Financial Accounting and Reporting Department:

Name	Position	E-mail	Telephone
Yusuf Duran OCAK	Head of Department	YusufDuran.OCAK@halkbank.com.tr	+90 312-289-3001
Şebnem ÜLGEN	Division Manager	Sebnem.ULGEN@halkbank.com.tr	+90 312-289-3004
Zafer ERDEM	Specialist	Zafer.ERDEM@halkbank.com.tr	+90 312-289-3021

Primary activities of the Department:

- Facilitating the exercise of shareholder rights and conducting the relationships between the Board of Directors and the shareholders,
- Maintaining and updating shareholder records,
- Responding to written requests from shareholders,
- Carrying out the Bank's capital increase-related tasks,
- Fulfilling the legal and regulatory requirements regarding the General Assembly meetings,
- Publishing the material event disclosures.

Financial Institutions and Investor Relations Department:

Name	Position	E-mail	Phone
Elvan ÖZTABAK	Head of Department	Elvan.OZTABAK@halkbank.com.tr	+90 216-503-5950
Lena ÇİTELİ	Division Manager	Lena.CITELI@halkbank.com.tr	+90 216-503-5902
Ash SERTTAŞ	Specialist	Asli.SERTTAS@halkbank.com.tr	+90 216-503-5910

Primary activities of the Department:

- Organizing meetings with domestic and overseas investors and analysts and contributing to a positive perception of the Bank,
- Making the necessary updates to the Investor Relations (English and Turkish) section of the Bank's web site after communicating with related units, publishing the announcements regarding the developments about the Bank,
- Releasing information to investors and analysts about the Bank's quarterly financial results, preparing the presentations and documents about the financial results, and having these posted on the web site,
- Tracking the developments in the banking industry and performance of rival banks and reporting them to the senior management,
- Tracking the share performance of the Bank closely and reporting it to the senior management,
- Tracking the news articles on the banking industry, global markets, economic developments, rival banks and Halkbank reported in the press on a daily basis,
- Responding to questions from investor and analyst and classifying the correspondences,
- Organizing teleconferences or in-person meetings with investors and analysts,
- Attending road show events in Turkey and abroad.

### 3. Exercise of Shareholders' Right to Obtain Information

In order to facilitate the exercise of shareholders' right to obtain information effectively, all changes that may impact the financial and organizational structure of the Bank are announced on the Bank's web site and on the Istanbul Stock Exchange's Public Disclosure Platform. In addition, requests for information communicated to the Bank's units via telephone, mail or e-mail are responded to as soon as possible.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In 2012, the Shareholders Unit, which is organized under the Financial Accounting and Reporting Department, responded to approximately 110 information requests submitted in writing, through Halkbank Dialog (Call Center) or via e-mail. On average, between four and five calls are received daily from shareholders wishing to obtain information.

In 2012, the Investor Relations Unit organized three international road shows, 15 domestic and international in-person meetings with international participation, 46 broadly-attended teleconferences and 141 in-person meetings. 8,646 questions were responded to as a result of the correspondences made with a total of 1,472 investors and analysts, 144 of which in international road shows, 360 during in-person meetings, 351 at the Bank's Head Office, 284 by means of teleconference calls, and 333 via e-mail and telephone. The questions were predominantly about the Bank's financial structure, profitability/productivity, position in the sector, secondary public offering, block sale status, growth strategies, organizational structure, expectations for the future and the economic and political structure of Turkey.

The Bank's Articles of Associations do not provide for the appointment of special auditors as an individual right; no requests were received to date for the appointment of special auditors.

#### 4. General Assembly Meetings

An Ordinary General Assembly Meeting was held during the fiscal year on April 18, 2012 with a participation rate of 77.02% of the Bank's share capital. The announcements for the meeting were published in the Trade Registry Gazette of Turkey, two national newspapers, Istanbul Stock Exchange's Public Disclosure Platform, the Central Registry Agency (CRA) and the Bank's web site. The meeting announcements were made in accordance with the provisions of the Laws and the Articles of Association. No the stakeholders or the media attended the meeting.

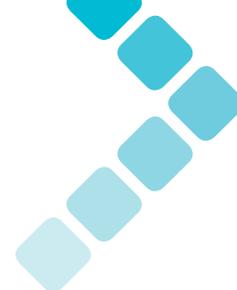
The announcement for the General Assembly Meeting in 2012 was made two weeks prior to the meeting in accordance with the provisions of the old Capital Market Law; the announcement for the General Assembly Meeting that will be held in 2013 will be made three weeks prior to the meeting in accordance with the provisions of Capital Market Law No. 6362.

The Bank's Annual Report is made available to the shareholders prior to the General Assembly for their information and examination. The shareholders exercised their right to ask questions during the General Assembly meetings and these questions were answered by the Bank's management team. The Bank's Articles of Association do not require a resolution of the General Assembly to purchase, sell or lease assets. Pursuant to Article 5/2 of the Articles of Association, such authorization is vested in the Board of Directors.

No information was provided to the General Assembly about the Members of the Board of Directors who were appointed during the General Assembly Meeting held in 2012; pursuant to the Communiqué, information will be provided at the General Assembly Meeting that will be held in 2013.

Article 15/2 of the Articles of Association provides for voting by proxy, which is in compliance with the Capital Markets Board's regulations.

Information regarding the charitable contributions and donations made during the year and their beneficiaries was included as a separate agenda item at the General Assembly meeting and it was presented to the General Assembly.



The minutes of the General Assembly Meetings are made available to the shareholders on the Bank's web site and at the Shareholders Unit. In addition, the minutes of the Ordinary General Assembly Meeting of the Bank, which has been a listed company since May 10, 2007, that was held on April 18, 2012 have been published on the Bank's web site and the Istanbul Stock Exchange-Public Disclosure Platform web site.

#### 5. Voting Rights and Minority Rights

There are no privileged shares in the shares of Türkiye Halk Bankası. The Bank does not have any cross-shareholding relationship with any company that has voting rights in the General Assembly. Minority shares are not represented in the Bank's management. The Bank's Articles of Association do not provide for cumulative voting.

#### 6. Dividend Right

The procedures and principles governing the Bank's profit distribution are stipulated in Article 27 of the Bank's Articles of Association. The Bank's profit distribution policy is announced to the public on the Bank's web site. In previous years, the portion of the distributable profit remaining after setting aside legal reserves has been paid to the shareholders as dividend. After the profit distribution policy is determined by the Bank's Board of Directors, it is presented to the General Assembly for approval and dividend is distributed to the shareholders within the timelines set out in the regulations. A dividend was paid to the Bank's shareholders pursuant to a resolution passed in the Ordinary General Assembly Meeting held on April 18, 2012. The Bank's profit distribution policy for the period ahead will be determined in light of Halkbank's equity position and the economic developments. There is no privilege in participating in the Bank's profit.

#### 7. Transfer of Shares

The Bank's Articles of Association do not contain any restrictions regarding the transfer of shares.

### PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

#### 8. Disclosure Policy:

Pursuant to the "Communiqué on the Principles of Material Event Disclosures" Series: VIII, No: 54 published by the Capital Markets Board of Turkey, the Bank's Disclosure Policy, which was prepared for the purpose of disseminating information to the public within the framework of the Corporate Governance Principles, was drawn up in accordance with the provisions of the Communiqué's Article 23 as well as Article 8 of the Guidelines contained in the appendix of the Communiqué. Within this scope, the Bank's Disclosure Policy is carried out by the following units.

Department:

Name	Position	Unit
Yusuf Duran OCAK	Head of Department	Department of Financial Accounting and Reporting
Elvan ÖZTABAK	Head of Department	Department of Financial Institutions and Investor Relations
Yalçın KAYA	Head of Department	Department of Public Relations

The Disclosure Policy, which sets out and defines four principal methods through which investors are ensured of having adequate information about the Bank, has been posted on the Bank's web site.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Since the disclosure to be made by the Bank has the potential significance to impact the decision-making process of investors, it is essential for Halkbank that such disclosure reflects the latest, transparent, objective and accurate information. As part of this policy, the independently-audited quarterly financial statements and financial results presentations are announced through press releases as well as in the Investor Relations/Financial Information section of the Bank's web site.

Following the earnings announcements, Halkbank holds conference calls to discuss its quarterly financial performance, to provide guidance for its future performance and to inform stakeholders about the realization of the targets and expectations stipulated during the past periods.

### 9. The Bank's Internet Site and its Contents

The Bank's web site address is [www.halkbank.com.tr](http://www.halkbank.com.tr). It contains information set out in Article 2.21 of Part II of the Capital Markets Board's Corporate Governance Principles including trade registry information, shareholding and organizational structure, Articles of Association, material event disclosures, annual and interim reports, periodic financial statements and reports, prospectus and the public offering circular, the agenda, list of participants and minutes of the general assembly meetings, the proxy voting form and policies. In addition, a web site in English is provided for the benefit of international investors.

### 10. Annual Report

Halkbank's Annual Report is generated in accordance with the Corporate Governance Principles and disclosed to the public.

## PART III - STAKEHOLDERS

### 11. Informing the Stakeholders

All information that may have an impact on the Bank's financial and organizational structure is published on the Istanbul Stock Exchange's Public Disclosure Platform and on the Bank's web site. In addition, in response to individual requests, questions about the Bank are answered through face-to-face meetings, road shows, in-person meeting organizations, phone calls, teleconferences and e-mails. All stakeholders can refer to the related sections of the Istanbul Stock Exchange's Public Disclosure Platform or the Bank's web site or other means of communication to reach this information. Employees are informed about the Bank's activities when deemed necessary using intra-company channels of communication. In addition, meetings are organized to provide information to managers and employees on a regular basis. Stakeholders can refer the Bank's activities that are in breach of related laws or regulations or rules of ethics to the Corporate Governance Committee and the Audit Committee through intra-company as well as other channels of communication.

### 12. Stakeholders' Participation in Management

Stakeholders' rights to participate in the Bank's management are safeguarded within the framework of the related laws, regulations and the Articles of Association. The Bank's operating principles and relationships with customers are carried out in accordance with the defined principles of ethics.



Problems, requests, opinions, suggestions and complaints about products and services delivered to customers are communicated via phone, fax, mail, branch, and e-mail channels as well as through the Head Office units and official bodies. Using certain procedures, demands and requests communicated to the Bank are evaluated and feedback is provided as soon as possible.

Halkbank strives to deliver all banking services effectively and efficiently to continuously create value for its customers, shareholders and employees. As part of this effort, the Bank has developed a Quality Recommendation System for the purpose of improving the business processes and delivering more efficient and higher quality services. Employees are also encouraged to participate in management within the scope of this system. Employees submit their suggestions through this system and the suggestions that conform to the evaluation criteria are implemented.

### 13. Human Resources Policy

Halkbank's Human Resources Policy is devised and carried out based on the following core principles:

- Carrying out activities to achieve the Bank's objectives with an optimal number of staff,
- Selecting and recruiting staff equipped with the proper competencies for the job,
- Valuing and respecting the personality of the employees, ensuring the safeguarding of their material and non-material rights,
- Providing a safe working environment appropriate for the nature of the work being performed,
- Providing a working environment and opportunities to establish social relations that will increase employee's desire and capacity to work,
- Providing employees with fair and equal work, training and development opportunities commensurate with their talents,
- Establishing a salary and benefits system that will ensure the presence of the number of employees possessing the qualifications required by the service and that encourages the staff to continue working without loss of interest and productivity,
- Providing employees with opportunities to increase their knowledge and experience and rewarding successful employees to the extent possible,
- Informing employees promptly on the issues that are of interest to them and being open to communication in order to allow personnel to convey their opinions and ideas to the management easily,
- Ensuring that employees work with a commitment to the principles of productivity and profitability and in a cost-conscious manner,
- Encouraging employees to think creatively and to produce original ideas that will improve the Bank's services,
- In an effort to maintain and further develop the Bank's corporate culture and identity. Embracing the principle of filling job assignments internally whenever possible, giving priority to assigning employees from within the Bank to vacant positions, and promoting the employees based on their skills, accomplishments, education and tenure,
- Evaluating employees fairly in accordance with objective criteria.

No officer was appointed to carry out relationships with personnel since no trade union represents Halkbank employees.

No complaints were received from personnel regarding discrimination. Job descriptions and work distribution of personnel; as the performance evaluation and merit system are announced to employees and maintained in a portal that is accessible by personnel.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 14. Code of Ethics and Social Responsibility

The code of ethics consists of the principles and the regulations that Türkiye Halk Bankası A.Ş. employees need to follow when performing their duties. These principles aim at preventing any disputes or conflicts of interest that may arise between employees, clients and the Bank. Attitudes and behavior in violation of these rules are evaluated in accordance with the Discipline Regulation. Halkbank expects its employees to use common sense and the rules of goodwill with regard to the issues and circumstances that fall outside the scope of these rules.

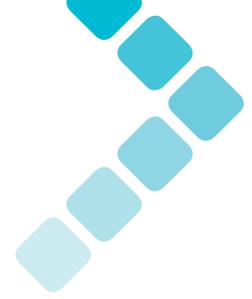
In line with the principles of business ethics, Halkbank employees are expected to act as follows:

- Demonstrate a dignified, honorable and honest demeanor in all business relations.
- Avoid all kinds of behavior and attitudes that may damage Halkbank's reputation during the course of performing their duties.
- Thoroughly know and adhere to the laws, regulations, rules and legislation with regard to their duties.
- Under no circumstances disclose insider information to parties other than those who need to have such information.
- Study, adhere to and be well-informed about the instructions, regulations, procedures and rules that may be made with regard to organizing the working order and maintaining professional discipline.
- Inform managers or the Human Resources Department of any known or suspected breach of rules before taking any personal precautions.
- Always avoid expressing political, social or religious views in the workplace.
- Always dress in a plain and stylish manner that fits the work environment and strictly avoid casual clothes and evening dresses that would conflict with a serious corporate environment or any outfit that may have a political or religious meaning or express a social view.
- Avoid acting in such a manner as to violate the rules on the equality of sexes, respect, public morality, and generally accepted ethical behavior.

The Bank has a "Code of Ethics" attached to the Human Resources Regulation. This code lays out the main principles that cover the issues of conflict of interest, rules about the flow of information, relations with clients and human resources. More detailed explanations are given under each main principle heading.

Halkbank's social responsibility activities are described below:

Setting out as the bank of SMEs, Halkbank for 74 years has uninterruptedly continued its mission of providing financial support to all kinds of entrepreneurs and business owners whose production decreases Turkey's import dependency, contributes to economic development and increases national employment opportunities. In this regard, in addition to generating solutions for the financial needs of SMEs, which are among the Bank's most important business partners, Halkbank also undertakes corporate social responsibility projects to contribute to SMEs' business processes, upgrade their production facilities to comply with international standards, and expand their visions.



In addition to providing financial resources to SMEs, Halkbank also embraces the mission of supporting new businesses that will create value for the Turkish economy. As part of this effort, the Bank assumed the lead sponsorship of the SME and Entrepreneurship Awards that was organized by KOSGEB for the first time in 2012.

Halkbank is continuing its partnership with KOSGEB via the Applied Entrepreneurship Training program that will reach 1,000 young entrepreneurs and that will be carried out at 20 universities in 20 provinces over a period of three years. As part of the project, participants who successfully complete the 70-hour training program earn the right to apply for KOSGEB's "new entrepreneur support" program.

In addition to its social responsibility projects, Halkbank, the Bank of Productive Turkey, also carries out sponsorship activities in education, culture, arts and sports.

As part of the renewable energy and energy efficiency loan program that was signed with the French Development Agency in 2011, Halkbank will continue to provide complimentary training and advisory services to SMEs. This program is expected to continue for two years.

In 2012, energy studies were performed for the Bank's Head Office building in Ankara, four regional coordinator's offices and seven branches. Energy efficiency loans were extended to 41 companies.

As part of the energy efficiency initiatives unveiled by the Bank, in 2013 Halkbank also plans to join the International Carbon Disclosure Project (CDP) that was launched to gather and share information that will help corporations, investors and governments in taking measures to mitigate the threat of climate change.

Halkbank undertook the Accessible Bank24 project to allow customers with disabilities to carry out their banking transactions conveniently on their own. People with physical disabilities can conduct all ATM transactions using Bank24s. Visually-impaired individuals can perform cash withdrawal or balance inquiry transactions via headphones utilizing the text-to-speech technology. Optionally, the customer may select to mask the account information on the ATM screen.

In order to provide the proper and goal-oriented service, the Bank enlisted the support of the Istanbul Metropolitan Municipality's Department of Disability Services (İSÖM) as well as a working group comprised of individuals with disabilities to identify their functional needs while implementing the Accessible Bank24 project.

Our Accessible Bank24 ATMs serve visually-impaired customers at 145 locations and customers with physical disabilities at 50 service points throughout the country, whether they are Halkbank customers or not, as long as they own a debit card.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### PART IV - BOARD OF DIRECTORS

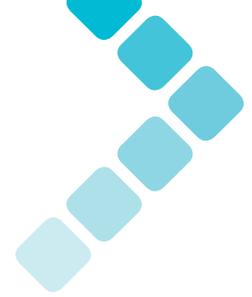
#### 15. Structure and Composition of the Board of Directors

Name	Position	Commencement Date of Term*	Ending Date	Committee Assignment
Hasan CEBECİ	Chairman of the Board of Directors	March 28, 2003	Continuing	Compensation Committee, Corporate Governance Committee
Mehmet Emin ÖZCAN	Vice Chairman of the Board of Directors	May 24, 2010	Continuing	Credit Committee
Süleyman ASLAN	Member of the Board of Directors and General Manager	July 15, 2011	Continuing	Credit Committee, Assets and Liabilities Committee
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	March 28, 2003	Continuing	
Dr. Nurzahit KESKİN	Member of the Board of Directors	April 13, 2005	Continuing	Compensation Committee, Corporate Governance Committee
Ahmet KARAMAN	Member of the Board of Directors	April 18, 2012	Continuing	Corporate Governance Committee
Dr. Ahmet YARIZ	Member of the Board of Directors	April 9, 2008	Continuing	Credit Committee
Hikmet Aydın SİMİT	Member of the Board of Directors	April 18, 2012	Continuing	Audit Committee
Sabahattin BİRDAL	Member of the Board of Directors	October 27, 2010	Continuing	Audit Committee, Corporate Governance Committee, Credit Committee
Ali ARSLAN	Member of the Audit Board	April 18, 2012	Continuing	
Faruk ÖZÇELİK	Member of the Audit Board	May 24, 2010	Continuing	

\* The commencement date is the date on which the Members were first elected.

No Independent Members were elected to the Board of Directors at the Ordinary General Assembly Meeting held on April 18, 2012.

The Members of the Board of Directors are elected for three-year terms and their terms of office have not yet expired. The Members of the Board of Directors are authorized to enter into transactions in accordance with the provisions of the related articles of the Turkish Commercial Code. The backgrounds of the Members of the Board of Directors are presented in the "Board of Directors and Audit Board" section of the Bank's annual report as well as on the Bank's web site and announced to the public.



All Members of the Bank's Board of Directors possess the minimum qualifications required for Members of the Board of Directors as stipulated in the Capital Markets Board's Corporate Governance Principles.

The amendments to the Articles of Association and the changes in the composition of the Board of Directors that will be made to comply with the Turkish Commercial Law No. 6102 dated January 13, 2011, the Capital Market Law No. 6362 dated December 6, 2012, and the Communiqué Series IV No: 56 published by the Capital Markets Board will be realized at the earliest General Assembly meeting to convene, but no later than June 30, 2013.

Whether the Members of the Board of Directors are permitted to hold positions outside of the Bank are determined in accordance with the Banking Law as well as the Regulations and Board Resolutions of the Banking Regulation and Supervision Agency of Turkey.

The Members of the Board of Directors can hold positions in representation of the Bank at the subsidiaries that the Bank has the right to be represented.

#### 16. Operating Principles of the Board of Directors

The Board of Directors convenes at the request of the Chairman of the Board of Directors or the Vice Chairman or a Board member. The Board is obligated to convene at least once a month. The agenda of the Board of Directors is set by the Chairman or Vice Chairman calling the meeting and it is delivered to the Members along with the meeting invitation by the Board of Directors Secretariat Services Department. Since the Bank's Head Office has locations in both Ankara and Istanbul, the Bank has the technology infrastructure that allows members to attend the Board of Directors meetings remotely.

The Board of Directors Secretariat Services Department enters the Board Decisions into the decision book. All discussions and briefings that take place during the meetings are recorded and kept by the Board of Directors Secretariat Services Department.

Neither the Articles of Association of the Bank nor the Regulation on Management Bodies gives any majority voting rights nor affirmative/negative veto rights to any Member of the Board of Directors.

During 2012, 39 Board of Directors meetings were held.

The authorities and the responsibilities of the members of the Board of Directors are primarily set out in the Bank's Articles of Association and also in the "Regulation on Management Bodies" adopted pursuant to Board of Directors Resolution No. 17-32 dated June 9, 2005. This Regulation sets out in detail the Bank's operating principles and the duties and authorities of the Board of Directors, the Credit Committee and the General Manager of the Bank. While the Regulation on Management Bodies includes provisions on the Audit Committee, detailed regulations are stipulated in the Regulation on the Duties, Powers, Operating Principles and Procedures of the Audit Committee adopted pursuant to Board of Directors Resolution No. 34-01 dated October 31, 2006.

The authorities and responsibilities of the Bank's Managers are stipulated in the existing regulations and also determined by the authorities delegated by the Board of Directors particularly in financial matters as well as the authorities delegated to the lower ranks by the General Manager, to whom these authorities were delegated in the first place.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 17. The Number, Structure and Independence of the Committees Formed by the Board of Directors

The Bank has established committees comprised of the members of the Board of Directors: Credit Committee, Audit Committee, Corporate Governance Committee, and Compensation Committee. In addition to these committees, there are a number of other executive and/or directing boards, committees and commissions in which the Board of Directors members do not take part.

In accordance with the Regulation on Lending Transactions of Banks published by the Banking Regulation and Supervision Agency, the Credit Committee of Halkbank consists of three members of the Board of Directors and the General Manager. The General Manager acts as the Chairman of the Credit Committee. In the absence of the General Manager, the Credit Committee is presided over by a primary member of the Credit Committee. The Chairman of the Credit Committee is responsible for the coordination of the Committee's activities to ensure that they are run in an effective and smooth manner.

The Board of Directors Secretariat Services Department acts as a Reporter at Credit Committee meetings.

The Audit Committee of the Bank consists of two Members of the Board of Directors. These two Board members do not have any executive function.

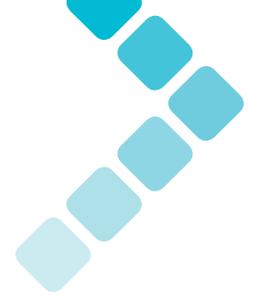
The Bank's Compensation Committee consists of two non-executive Members of the Board of Directors.

The Corporate Governance Committee of the Bank consists of four members of the Board of Directors, the Deputy General Manager of Human Resources and Organization, the Deputy General Manager of Financial Management and Planning, the Deputy General Manager of International Banking and the Head of the Human Resources Department. The Chairman of the Board of Directors acts as the Chairman of Corporate Governance Committee. The four Members of the Board of Directors who are also Corporate Governance Committee members have no executive function.

The formation of a Nominating Committee and Early Risk Detection Committee are governed by Article 4.5.1 of the Communiqué on Implementation of Corporate Governance Principles; the Bank did not form a Nominating Committee in 2012. Article 4.5.1 of the Corporate Governance Principles was amended by Article 6 of the Communiqué Series: IV No: 63 that was published by the Capital Markets Board of Turkey on February 22, 2013. This amendment exempts banks from the obligation of forming an Early Risk Detection Committee.

### 18. Risk Management and Internal Control Mechanism

Pursuant to Articles 23, 24, 29, 30, 31 and 32 of Banking Law No. 5411, banks are responsible for establishing and operating adequate and effective internal control, risk management and internal audit systems that cover all branches and all subsidiaries and affiliates subject to consolidation and that are compatible with the scope and structure of their activities and compliant with changing conditions in order to monitor and control their risks exposure.



In accordance with this, the Bank's Risk Management, Internal Control and Internal Auditing units carry out their activities in compliance with the above-mentioned articles and the Regulation on Internal Systems of Banks published in Official Gazette No. 28337 dated June 28, 2012 by the Banking Regulation and Supervision Agency of Turkey.

The internal systems units carry out their activities under the Audit Committee, which consists of Board of Directors members with no executive functions. These activities intend to measure and eliminate potential risks.

Of Internal Systems units, the Departments of Internal Control and Risk Management operate under the supervision of the Deputy General Manager responsible for Internal Control and Risk Management while the Board of Inspectors operates under the supervision of the Audit Committee, which is formed to provide support in carrying out the control and supervision on behalf of the Board of Directors.

The Board of Inspectors oversees that the Bank carries out its activities in accordance with the Law and other related regulations as well as internal strategies, policies, principles and objectives; the smooth, adequate and effective functioning of the risk management and internal control systems.

The operations of the internal systems units for the measurement and elimination of risk and their findings regarding the safe operation of the Bank are evaluated by the Audit Committee every six months and are reported to the senior management of the Bank. In addition, the Audit Committee has regular meetings with the internal systems units throughout the year to analyze and evaluate the Bank's risks.

#### 19. Strategic Goals of the Company

The Mission, Vision, Main Goals and Core Strategies of the Bank were adopted pursuant to Board of Directors Resolution No. 41-04 dated December 27, 2006 and disclosed to public on the Bank's web site.

#### 20. Remuneration of the Board of Directors

In accordance with Article 21 of the Bank's Articles of Association, the Bank pays a monthly salary to the Members of the Board of Directors. The amount of such monthly salary is determined by the General Assembly.

## **AUDIT COMMITTEE'S ASSESSMENT ON THE OPERATION OF THE INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND INFORMATION ABOUT ITS ACTIVITIES IN 2012**

### **Board of Inspectors**

The Board of Inspectors of Türkiye Halk Bankası A.Ş. reports to the Board of Directors through the Audit Committee and consists of a Chairman, four Vice Chairmen and 215 Inspectors and Assistant Inspectors.

Pursuant to the “Regulation on Internal Systems of Banks” of the Banking Regulation and Supervision Agency of Turkey that was published in Official Gazette No: 28337 dated June 28, 2012, the Board of Inspectors audits, periodically with a risk-based approach without any limitations, all of the Bank's activities and units including the domestic and overseas branches and Head Office departments to provide assurance to the senior management regarding the compliance of the Bank's activities with the Law and other related regulations and the Bank's internal strategies, policies, principles and objectives as well as the effectiveness and adequacy of the internal control and risk management systems; identifies the deficiencies, errors and misconduct; and offers its opinions and recommendations for preventing the recurrence of similar situations and ensuring the effective and efficient use of the Bank's resources.

The Board of Inspectors conducts its activities through three distinct but complementary procedures and methods: On-Site Audit, Centralized Audit and IT Audit. 80% of the Board's inspectors perform On-Site Audit activities, 8% are engaged in Centralized Audit activities, 9% carry out IT Audits and the remaining 3% conduct the inspection/investigation or audit report review/inspection activities and other projects and tasks assigned by the Board.

The Board of Inspectors conducted audit activities in (593) Branches; (5) Regional Coordinator's Offices; (9) Departments, (3) of which were Process audits; (7) Subsidiaries; (4) Overseas Branches and (29) Information Technology fields in accordance with its risk-oriented auditing approach as part of the 2012 Audit Plan.

The Board also conducted Centralized Audits and Information Technology Audits in accordance with the international best practices and under the guidance of independent auditors and the Banking Regulation and Supervision Agency of Turkey with the aim of early detection of irregularities and operational errors by focusing on high-risk transactions; auditing the confidentiality and accuracy of the information generated by the information systems as well as the effectiveness of the internal controls embedded in the processes; and thus preventing potential actions that may harm the interests of depositors and shareholders of the Bank.

In addition, inspections and investigations were conducted under the authority and responsibility of the Board in 2012.



### Internal Control

The Bank's Internal Control Department performs the tasks of monitoring and making evaluations through financial, operational and other control points and reporting its findings to the management levels simultaneously, impartially and objectively with the oversight of the Audit Committee within the framework of the provisions of the Banking Law No: 5411 and the Banking Regulation and Supervision Agency of Turkey's Regulation on the Internal Systems of Banks in accordance with generally-accepted professional standards and rules of business ethics with a proactive and preventative approach with the purpose of protecting the Bank's assets; ensuring that the Bank's operations are conducted in an effective and efficient manner in compliance with the Law and other relevant legislation, the Bank's internal policies and rules and banking best practices; and ensuring the reliability and integrity of the accounting and reporting systems and prompt access to the data.

In accordance with a risk-oriented auditing approach, taking into consideration of the their impact on the Bank's balance sheet, the duration and nature of control activities are held to a different standard not only at the branches depicting a high concentration of lending, deposits and non-performing loans, but also at the branches registering large increases in such activities; and the branches with a high risk rating as a result of the centralized inspections and statistical analyses due to the large number of operational errors.

Risk-oriented control activities carried out at the Head Office Units, Regional Coordinator's Offices, all domestic and overseas branches, domestic and overseas subsidiaries, and cash operations centers, supported by reports generated from the central system database and cross checks, create an effective internal control infrastructure.

The risk levels and business volumes of branches are measured using the operational risks detected during control activities and the data extracted from the central system. In addition, business processes are analyzed and opinions and recommendations for increasing efficiency and productivity are communicated to the related departments. Internal Control activities are carried out at the at the Head Office Units, Regional Coordinator's Offices, all domestic and overseas branches, domestic and overseas subsidiaries, and cash operations centers in accordance with the pre-determined inspection schedules; the results of these Internal Control activities are analyzed periodically to measure and assess risk by branch and subject.

In 2012, legal and regulatory compliance activities were organized under a separate Department. "Compliance Control" activities are conducted in accordance with the provisions of the Regulation on the Internal Systems of Banks in order to ensure the compliance of the Bank's existing and planned operations and its new transactions and products with the Law, other related legislation, the internal policies and rules of the Bank and banking practices. Prior to seeking the approval of the Board of Directors, the Bank and Subsidiaries Compliance Controls Department provides its opinion on the Bank's new products and transactions as well as its planned operations from an internal control and legal compliance perspective.

As part of this effort, legislation is scanned using related resources; laws, decrees, regulations, communiqués, circulars and other regulations are monitored daily; and business processes are reviewed to check whether the Bank's actions are carried out in accordance with these regulations.

Examining the changes in laws and regulations and the impacts of these changes on financial reporting, accounting and other systems and practices, the Internal Control Department informs the units regarding this matter as needed and ensures that the Bank's related business flows, policies, procedures and practices are updated in accordance with the requirements stipulated by these changes.

## **AUDIT COMMITTEE'S ASSESSMENT ON THE OPERATION OF THE INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND INFORMATION ABOUT ITS ACTIVITIES IN 2012**

At least one employee is charged with overseeing compliance with foreign laws and regulations in each of the Bank's overseas branches as well as subsidiaries and affiliates subject to consolidation. Reporting directly to the Bank and Subsidiaries Compliance Controls Department, which is responsible for compliance inspections, these employees report their compliance-related activities periodically. In addition, the activities of these employees performed to fulfill the compliance function are reviewed via on-site visits.

As part of the efforts to quantify operational risks, the Risk Warning Reports are entered into the database with a numeric code depending on the type of error and deficiency. These data are reviewed periodically and risk measurements and assessments are conducted by Branch and subject. In addition, as a result of the centralized analyses of these numeric data, centralized risk reports are created by identifying the Branches, subjects and areas where risks are concentrated.

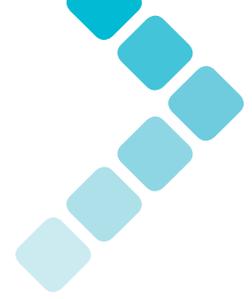
Centralized control activities are conducted with the intention of shortening the durations of on-site controls, increasing the effectiveness of the controls carried out during this process, and achieving centralized control of operational risks. The data obtained from the central system database are analyzed, transactions that may pose risks in accordance with the defined criteria are reported and the results are analyzed centrally or on-site.

Focusing more of its attention on IT audits in 2012, the Bank formed a dedicated team that will conduct control activities on a continuous basis on IT and its linked units (Channel Management - Payment Card Systems). As part of the new personnel recruitments in 2012, two computer engineers were added to the staff, reinforcing the IT Control team and improving the control processes.

Issues that arise as a result of the control activities carried out by the Internal Control staff on request of the Senior Management of the Bank, the Members of the Board of Directors, the Board of Inspectors, the Head Office Units or the Regional Coordinator's Offices are subjected to a pre-inspection study and the results of such study are reported. Information and documents that constitute the subject of the inspection activities are evaluated in detail during the inspection. Those issues which require inspection by an inspector are referred to the Board of Inspectors while those issues that can be resolved by taking administrative measures are referred to the Head Office units.

The liability-incurring erroneous transactions that are identified by the Internal Control staff during centralized or on-sight inspection are referred to the Board of Inspectors for the determination of the administrative, financial and punitive liabilities. The Board of Inspectors also inspects the efficacy of the Internal Control activities.

In order to ensure that lending practice and business process related deficiencies are eliminated and operational risks are reduced, risks and their results identified in the inspections and the audit reports are effectively controlled and monitored and the results of this process are evaluated.



The new Internal Control Department Regulation was approved by the Board of Directors and took effect in 2012. The Regulation represents a major step toward the institutionalization of the internal control system. The Internal Controller title was created at the Bank and the Internal Control Department was authorized to directly administer an examination and hire personnel in accordance with its needs.

In 2012, 46 new employees were hired in order to increase the efficacy of internal control activities and to ensure the sustainability of this efficacy. Training efforts were conducted to ensure the development of the personnel by conducting theory based and applied on-the-job training to both new hires and existing personnel.

### Risk Management

The Risk Management Department, is responsible for executing risk management functions conducts its activities in accordance with the provisions of the Regulation on Internal Systems of Banks published in Official Gazette No. 28337 dated June 28, 2012 by the Banking Regulation and Supervision Agency of Turkey under the supervision of the Audit Committee.

The Audit Committee has studied the reports on credit, market and operational risk elements generated by the Risk Management Department as well as the results of the scenario analyses and stress tests.

Within this scope, the Audit Committee has determined that:

- Turkey officially switched to the Basel II regime in regard to calculating the capital adequacy ratio as of July 1, 2012; the Bank's final ratio is at compatible levels with its risk appetite,
- As a result of the validation efforts performed in order to measure the effectiveness of the Bank's internal rating systems, the results generated by the Bank's rating systems are generally satisfactory,
- Loan default rates are at reasonable levels,
- The Bank has achieved full compliance with the ratios and limits calculated within the scope of Basel III regulations,
- As a result of the stress tests and scenario analyses conducted, the Bank's equity capital is adequate for the Bank to continue its activities safely,
- The risks taken by the Bank are within the risk appetite limits set by the Board of Directors,
- Considering the ratings of the companies the Bank lent to and the risk mitigation elements established, the Bank paid adequate attention to the element of guaranty in its placement activities,
- As a result of the structural interest rate risk analyses conducted to measure the interest rate risk inherent in banking calculations, the impact of changes in interest rates on the Bank's economic value is below the limits stipulated by the Banking Regulation and Supervision Agency in its document entitled "Risk Management Policies and Implementation Procedures",
- Based on the results of the Value at Risk analysis conducted by the Bank to measure market risk with an internal model, the Bank's equity can easily cover the market risk the Bank is exposed to,
- The Bank's liquid assets are adequate to cover its short term liabilities and in this respect the Bank has a quite comfortable liquidity cushion,
- In light of the data entered into the operational risk loss database, the operational loss between January 2012 and December 2012 is within the tolerance interval defined in the Operational Risk Management Policies and Implementation Procedures with regard to losses that may be incurred as a result of the operational risk the Bank encounters within a period of one year.

## **FINANCIAL STANDING, PROFITABILITY AND DEBT-SERVICING CAPABILITY**

### **COMPOSITION OF ASSETS**

As a result of its activities in 2012, the Bank's total assets grew by 18.8% to reach TRY 108,282 million.

The Bank's major placement categories consist of loans (TRY 65,984 million; 60.9% of assets), securities portfolio (TRY 22,954 million; 21.2% of assets) and liquid assets (TRY 15,120 million; 14.0% of assets) while the share of other placements stands at 3.9%.

The major increases as of year-end 2012 compared to the previous year were registered in loans (TRY 9,677 million) and cash reserves (TRY 5,215 million).

The Bank's loans increased by 17.2% as of year-end 2012 while its loan-to-deposit ratio stands at 82.4%.

The Bank's non-performing loans stand at TRY 1,960 million as of year-end 2012 and non-performing loan ratio remained flat compared to year-end 2011 at 2.9%.

### **COMPOSITION OF LIABILITIES**

The Bank's resources consist primarily of deposits (TRY 79,974; 73.9% of liabilities), non-deposit resources (TRY 11,131 million; 10.3% of liabilities) and shareholders' equity (TRY 12,323 million; 11.4% of liabilities) while the share of other liabilities stands at 4.4%.

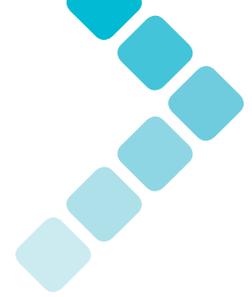
The major increases as of year-end 2012 compared to the previous year were registered in deposits (TRY 13,727 million) and shareholders' equity (TRY 3,683 million).

The breakdown of total deposits, the largest single resource item for the Bank, by category reveals that the savings deposits, which constitute 34.1% of total deposits, increased by TRY 2,477 million; foreign currency deposits, which constitute 22.5% of total deposits, increased by TRY 1,621 million; commercial deposits, which constitute 16.1% of total deposits, increased by TRY 4,498 million; banks' deposits, which constitute 9.1% of total deposits, increased by TRY 433 million; and public sector institutions' deposits, which constitute 9.3% of total deposits, increased by TRY 1,825 million.

TRY accounts, with a share of 67.7%, constituted the majority of the Bank's deposits while foreign currency accounts made up the remaining 32.3% of deposits. The share of demand deposits in total deposits stands at 20.1%.

### **COMPOSITION OF PROFITS**

The Bank closed the 2012 fiscal year with a net profit of TRY 2,595 million, a 26.9% increase compared to year-end 2011. The major income and expense items that constituted the profit for the period are discussed below.



Interest income from asset placements, the Bank's most important source of income, stands at TRY 8,991 million as of the end of the year.

Loans contributed TRY 6,731 million, or 74.9%, of interest income while securities contributed TRY 2,239 million, or 24.9%, of interest income.

The interest income from loans was up by TRY 1,485 million while interest income from the securities portfolio increased by TRY 220 million compared to the previous year.

The largest item comprising the Bank's interest expenses was interest paid to deposits with TRY 4,084 million and 90.5% share of the total. The interest expense paid to deposits, was the primary expense line item for the Bank in 2012. Total interest expenses came in at TRY 4,515 million for the year, TRY 431 million of which were categorized as other interest expense.

The Bank's net interest income as of the end of the year was TRY 4,476 million.

Net fee and commission income surged by 17.9% on the previous year and reached TRY 858 million.

The Bank set aside provisions of TRY 887 million against its loans and other receivables for its activities in 2012.

Personnel expenses, which constitute a major portion of the other operating expenses of TRY 2,098 million, increased by 15.2% on the previous year and reached TRY 843 million.

As a result of its activities in 2012, the Bank earned pre-tax profit of TRY 3,329 million and, after provisioning TRY 734 million for taxes, a net profit of TRY 2,595 million. The Bank maintained its sustainable profitability in 2012.

## **SOLVENCY**

Deposits were the most important resource for the Bank and acted as an efficient instrument for covering short-term debts due to the breadth of the depositor base and their strong structure. The existing customer base is the most important factor the Bank relies on for the procurement of the necessary resources. The Bank's core deposit rate is around 96%; this ratio makes a large contribution to the Bank's liquidity.

The 2012 year end capital adequacy ratio of the Bank was 16.17%, above the minimum legal ratio. The equity structure, which strengthened with sustainable profitability and the planned dividend distribution policy of the Bank, is on a level that can compensate the increased value subject to credit risk.

Halkbank is a Turkish government debt securities market maker and with the help of its strong capital and financial structure, it has a special position in the sector with regard to borrowing and fund procurement.

With many years of banking experience, Halkbank has a respectable position both in Turkey and in international markets. The Bank's relations with more than two thousand correspondent banks, overseas liaison office and extensive branch network across Turkey show the strength of its strong organizational structure in terms of fund procurement.

In 2012, Halkbank continued its efforts to increase the quality of its assets while diversifying its existing and alternative funding sources.

## RISK MANAGEMENT POLICIES BY RISK TYPES

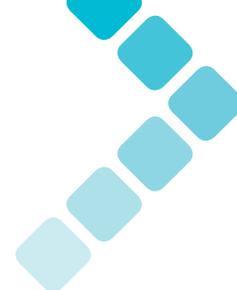
The Bank's risk policies and implementation principles were developed in accordance with the provisions of Article 36 of the "Regulation on Internal Systems of Banks" published in the Official Gazette No. 28337 dated June 28, 2012.

The risk policies of the Bank aim to ensure that Halkbank conducts its activities in accordance with the procedures and principles stipulated in the Banking Law and in line with its mission and goals of profitability and productivity and to safeguard the interests of the depositors and the shareholders of the Bank to the maximum extent possible.

The "Risk Management Policies and Implementation Procedures" that became effective pursuant to Board of Directors Resolution defines the following:

- Risk appetite of the Bank,
- Authorization limits with regard to credit transactions,
- Sector-specific limits, limits to be defined on the basis of portfolio risk map, and country risk limits,
- Principles of risk analyses to be conducted in relation to new products and services, principles pertaining to the rating systems used in the Bank's lending process and the validation of these systems,
- Risk mitigation techniques by rating groups,
- Calculation methods regarding the Basel II legal capital adequacy ratio,
- Principles of analyses to be conducted on the measurement of credit, market and operational risk via internal methods and economic capital calculation,
- Treasury operations stop-loss limits for capital markets positions and foreign currency positions, and limits for capital markets and money market transactions,
- Limits on the Bank's foreign exchange position and counterparty risk in transactions with correspondent banks,
- Limits on the Bank's liquidity and structural interest rate risk,
- Limits to contain the impact of interest rate shocks on the Bank's economic value,
- Limits on liquidity ratios pursued in accordance with the Liquidity Emergency Action Plan,
- The Bank's risk tolerance range regarding potential losses that may result from operational risks.

The Bank periodically checks compliance with these limits.



## FIVE-YEAR SUMMARY FINANCIAL INFORMATION

ASSETS (TRY million)	2008	2009	2010	2011	2012
Liquid Assets	5,129	4,552	5,759	8,747	15,120
Securities	18,334	21,373	20,207	23,346	22,954
Loans	25,836	32,458	44,296	56,216	65,894
Subsidiaries, Affiliates and Jointly-Controlled Subsidiaries	325	321	740	927	1,887
Fixed Assets	1,061	1,234	1,061	1,121	1,163
Other	411	712	879	767	1,264
<b>Total Assets</b>	<b>51,096</b>	<b>60,650</b>	<b>72,942</b>	<b>91,124</b>	<b>108,282</b>
LIABILITIES (TRY million)					
Deposits	40,271	43,950	54,782	66,247	79,974
Money Markets	2,390	5,762	3,155	4,905	381
Borrowings	1,522	2,032	3,824	6,291	7,303
Funds	1,216	1,316	1,295	1,345	1,408
Marketable Securities Issued	0	0	0	496	2,038
Other	1,408	1,830	2,441	3,200	4,855
Shareholders' Equity	4,289	5,760	7,445	8,640	12,323
Net Period Profit/Loss	1,018	1,631	2,010	2,045	2,595
<b>Total Liabilities</b>	<b>51,096</b>	<b>60,650</b>	<b>72,942</b>	<b>91,124</b>	<b>108,282</b>



Türkiye Halk Bankası  
Anonim Şirketi

Unconsolidated Financial Statements  
As of and For the Year Ended 31 December 2012  
With Independent Auditors' Report Thereon  
(Convenience Translation of Unconsolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)





**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**  
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Convenience Translation of the Independent Auditors' Report Originally Prepared and  
Issued in Turkish (See Section 3.I)

**INDEPENDENT AUDITORS' REPORT  
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2012**

*To the Board of Directors of Türkiye Halk Bankası AŞ;*

We have audited the unconsolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") as of 31 December 2012 and the unconsolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

*Management's responsibility for the Financial Statements:*

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

*Disclosure for the Responsibility of the Authorized Audit Firm:*

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

The accompanying unconsolidated financial statements as of 31 December 2012 include a general reserve amounting to TRY 328.300 thousands, TRY 194.000 thousands of which had been recognized as expense in the prior periods and TRY 134.300 thousands of which was charged to the income statement as expense in the current period, provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

In our opinion, except for the effect of the matter described in the fourth paragraph above on the unconsolidated financial statements, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ as of 31 December 2012 and the result of its operations and cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the existing regulations described in Article 37 of the Banking Act No: 5411 and the other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

Istanbul,  
13 February 2013

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

Erdal Tıkmak  
Partner

**Additional paragraph for convenience translation to English:**

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

# TÜRKİYE HALK BANKASI AŞ

## THE UNCONSOLIDATED FINANCIAL REPORT

### AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2012

1. The Bank's Headquarter Address:  
Söğütözü Mahallesi 2. Cadde No:63 Ankara
2. The Bank's Contact Phone and Facsimile:  
Phone : 0312 289 20 00  
Facsimile : 0312 289 30 48
3. The Bank's Website and E-mail Address:  
Website: www.halkbank.com.tr

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

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

Unless otherwise indicated, these unconsolidated financial statements and explanatory footnotes and disclosures as of and for the year ended 31 December 2012 are prepared in thousand Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Ankara, 13 February 2013

Hasan Cebeci  
Chairman of the Board  
of Directors

Süleyman Aslan  
Member of the Board of Directors,  
Chief Executive Officer

Sabahattin Birdal  
Member of the Board of Directors,  
Member of the Audit Committee

Hikmet Aydın Simit  
Member of the Board of Directors,  
Member of the Audit Committee

Mustafa Savaş  
Financial Management and Planning  
Vice Chief Executive Officer

Yusuf Duran Ocak  
Financial Accounting and Reporting  
Department Head

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

Name/Title : Gönül Özdemir/Manager  
Tel No : 0312 289 30 13  
Fax No : 0312 289 30 50

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# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

### SECTION I: GENERAL INFORMATION ABOUT THE BANK

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

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

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

The capital of the Bank is controlled directly by the Republic of Turkey Prime Ministry Privatization Administration. As of 31 December 2012 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	31 December 2012	%	31 December 2011	%
Prime Ministry Privatization Administration <sup>(1,2)</sup>	638.276	51,06	937.276	74,98
Public shares <sup>(2)</sup>	611.266	48,90	312.263	24,98
Other shareholders	458	0,04	461	0,04
<b>Total</b>	<b>1.250.000</b>	<b>100,00</b>	<b>1.250.000</b>	<b>100,00</b>

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

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

<sup>(3)</sup> 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 A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

### 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	32
Mehmet Emin ÖZCAN	Vice Chairman of the Board of Directors	24.5.2010	Ankara University, Faculty of Political Sciences – Department of Economics and Finance.	29
Süleyman ASLAN	Member of the Board of Directors, Chief Executive Officer	15.7.2011	METU Faculty of Economic and Administrative Sciences- International Relations Department.	20
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.3.2003	Doctor's Degree: Washington International University- Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU – Faculty of Engineering-Mechanical Engineering.	29
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.4.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree: Marmara Uni. Banking and Insurance Ins. – International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	23
Dr. Ahmet YARIZ	Member of the Board of Directors	9.4.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department. Bachelor Degree: Istanbul Uni.-Business Administration.	21
Sabahattin BİRDAL	Member of the Board of Directors	27.10.2010	Istanbul Uni. Faculty of Economics Business Administration-Finance	28
Ahmet KAHRAMAN	Member of the Board of Directors	18.4.2012	İstanbul Üniversitesi – Department of Law	-
Hikmet Aydın SİMİT	Member of the Board of Directors	18.4.2012	Ankara University, Faculty of Political Sciences-Business Administration	22
Faruk ÖZÇELİK	Member of the Audit Committee	24.5.2010	Master's Degree: Selcuk University Social Sciences Ins.-International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	2
Ali ARSLAN	Member of the Audit Committee	18.4.2012	Master's Degree: Cleveland State University Business School(MBA) Bachelor Degree: Çukurova University, Faculty of Economic and Administrative Sciences-Business Administration	21
Yakup DEMİRCİ	Executive Vice President	11.6.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	23
Mustafa SAVAŞ	Executive Vice President	12.8.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	21
Erol GÖNCÜ	Executive Vice President	14.6.2005	METU Faculty of Arts and Sciences-Mathematics Department.	23
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.6.2005	Doctor's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	21
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.	23
Mehmet Akif AYDEMİR	Executive Vice President	4.3.2010	Ankara University, Faculty of Political Sciences –Economics.	26
Taner AKSEL	Executive Vice President	26.3.2010	Anadolu University, Faculty of Economic and Administrative Sciences -Economics.	26
Ufuk Hacer DENİZCİ YÜCE	Executive Vice President	12.10.2010	Istanbul Technical University Business Administration Faculty- Business Engineering.	23
Mürsel ERTAŞ	Executive Vice President	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences-Foreign Trade & Exchange.	26
İsmail Hakkı İMAMOĞLU	Executive Vice President	28.3.2011	Ankara Eco. Com. Science (ECS) Academy – Faculty of Management Sciences – Department of Social Politics.	28
Atalay TARDUŞ	Executive Vice President	4.8.2011	METU Faculty of Economic and Administrative Sciences- Department of Economics.	20
Mehmet Hakan ATILLA	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.	17
Murat UYSAL	Executive Vice President	11.11.2011	Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department Bachelor Degree: Istanbul Uni.- Faculty of Economic and Administrative Sciences- Department of Economics	14

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

a) The professionals to the Bank's top management who have assigned to their position in 2012 are listed with titles and dates of assignment.

Name	Title	Assignment Date
Hikmet Aydın SİMİT	Member of the Board of Directors	18 April 2012
Ahmet KAHRAMAN	Member of the Board of Directors	18 April 2012
Ali ARSLAN	Member of the Audit Committee	18 April 2012

b) The professionals from the Bank's top management who have left their position in 2012 are listed with titles and dates of leaving.

Name	Title	Assignment Date
İbrahim Hakkı TUNCAY	Member of the Board of Directors	18 April 2012
Salim ALKAN	Member of the Board of Directors	18 April 2012
Yusuf DAĞCAN	Member of the Audit Committee	18 April 2012

#### 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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 İstanbul Stock Exchange (“ISE”) 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.

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

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

As of 31 December 2012, the Bank operates with a total of 821 branches consisting of 816 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 25 satellite branches and 2 financial services branches. The Bank has also 1 representative office in Iran.

**TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

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

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial associate, Bileşim Alternatif Dağ. Kan. AŞ, is accounted in the consolidated financial statements prepared in accordance with International Financial Reporting Standards based on equity method of accounting.

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

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

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

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

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

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

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

**TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

*(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
- VII.** Statement of Profit Distribution Table

# TÜRKİYE HALK BANKASI A.Ş.

## UNCONSOLIDATED BALANCE SHEET

### AS OF 31 DECEMBER 2012

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)		Audited			Audited			
		Current period			Prior period			
		31 December 2012		31 December 2011				
ASSETS	Note	TRY	FC	Total	TRY	FC	Total	
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(1)	1.606.833	10.880.910	12.487.743	2.511.191	4.761.179	7.272.370
II.	FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)	(2)	10.983	93.794	104.777	23.743	104.456	128.199
2.1	Trading financial assets		10.983	93.794	104.777	23.743	104.456	128.199
2.1.1	Public sector debt securities		8.486	10.532	19.018	21.723	10.413	32.136
2.1.2	Share certificates		-	-	-	-	-	-
2.1.3	Financial assets held for trading		5	83.151	83.156	37	93.929	93.966
2.1.4	Other marketable securities		2.492	111	2.603	1.983	114	2.097
2.2	Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1	Public sector debt securities		-	-	-	-	-	-
2.2.2	Share certificates		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other marketable securities		-	-	-	-	-	-
III.	BANKS	(3)	206.650	2.412.762	2.619.412	11.334	1.463.666	1.475.000
IV.	MONEY MARKET PLACEMENTS		10.027	2.328	12.355	-	-	-
4.1	Interbank money market placements		10.027	2.328	12.355	-	-	-
4.2	Istanbul Stock Exchange Money Market placements		-	-	-	-	-	-
4.3	Receivables from reverse repurchase agreements		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	8.573.423	820.239	9.393.662	7.606.337	1.613.733	9.220.070
5.1	Share certificates		8.137	2.313	10.450	3.899	8.861	12.760
5.2	Public sector debt securities		8.565.286	817.926	9.383.212	7.602.438	1.604.872	9.207.310
5.3	Other marketable securities		-	-	-	-	-	-
VI.	LOANS AND RECEIVABLES	(5)	48.071.856	17.821.982	65.893.838	38.626.938	17.589.466	56.216.404
6.1	Loans and receivables		47.728.848	17.821.982	65.550.830	38.359.980	17.589.466	55.949.446
6.1.1	Loans extended to risk group of the Bank		93.407	206.320	299.727	29.080	115.562	144.642
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		47.635.441	17.615.662	65.251.103	38.330.900	17.473.904	55.804.804
6.2	Loans under follow-up		1.959.646	-	1.959.646	1.668.695	-	1.668.695
6.3	Specific provisions (-)		1.616.638	-	1.616.638	1.401.737	-	1.401.737
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	HELD TO MATURITY INVESTMENTS (Net)	(6)	12.146.534	1.308.981	13.455.515	11.996.405	2.001.523	13.997.928
8.1	Public sector debt securities		12.146.534	1.308.981	13.455.515	11.996.405	2.001.523	13.997.928
8.2	Other marketable securities		-	-	-	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	(7)	18.172	74.716	92.888	21.389	74.716	96.105
9.1	Accounted under equity method		-	-	-	-	-	-
9.2	Unconsolidated associates		18.172	74.716	92.888	21.389	74.716	96.105
9.2.1	Financial investments		11.518	74.716	86.234	20.337	74.716	95.053
9.2.2	Non-financial investments		6.654	-	6.654	1.052	-	1.052
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	1.648.801	145.359	1,794.160	729.924	101,447	831,371
10.1	Unconsolidated financial subsidiaries		1,648.801	145,359	1,794,160	729,924	101,447	831,371
10.2	Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
XI.	JOINT VENTURES (Net)	(9)	-	-	-	-	-	-
11.1	Accounted under equity method		-	-	-	-	-	-
11.2	Unconsolidated joint ventures		-	-	-	-	-	-
11.2.1	Financial joint ventures		-	-	-	-	-	-
11.2.2	Non-financial joint ventures		-	-	-	-	-	-
XII.	FINANCE LEASE RECEIVABLES (Net)	(10)	-	-	-	-	-	-
12.1	Finance lease receivables		-	-	-	-	-	-
12.2	Operating lease receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned income (-)		-	-	-	-	-	-
XIII.	DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT	(11)	-	-	-	-	-	-
13.1	Fair value risk hedging		-	-	-	-	-	-
13.2	Cash flow risk hedging		-	-	-	-	-	-
13.3	Net foreign investment risk hedging		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(12)	1,123,161	4	1,123,165	1,011,016	6	1,011,022
XV.	INTANGIBLE ASSETS (Net)	(13)	37,285	-	37,285	27,570	-	27,570
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		37,285	-	37,285	27,570	-	27,570
XVI.	INVESTMENT PROPERTIES (Net)	(14)	-	-	-	-	-	-
XVII.	TAX ASSET	(15)	224,281	-	224,281	72,164	-	72,164
17.1	Current tax asset		-	-	-	-	-	-
17.2	Deferred tax asset		224,281	-	224,281	72,164	-	72,164
XVIII.	ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	2,976	-	2,976	82,172	-	82,172
18.1	Held for sale purpose		2,976	-	2,976	82,172	-	82,172
18.2	Held from discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(17)	981,466	58,113	1,039,579	640,998	52,287	693,285
TOTAL ASSETS			74,662,448	33,619,188	108,281,636	63,361,181	27,762,479	91,123,660

The accompanying notes are an integral part of these unconsolidated financial statements.

# TÜRKİYE HALK BANKASI A.Ş.

## UNCONSOLIDATED BALANCE SHEET

### AS OF 31 DECEMBER 2012

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)		Audited				Audited			
		Current period		Prior period		31 December 2011		Total	
LIABILITIES AND SHAREHOLDERS' EQUITY		Note	TRY	FC	Total	TRY	FC	Total	
I.	DEPOSITS	(1)	54.150.513	25.823.388	79.973.901	44.249.100	21.997.834	66.246.934	
1.1	Deposits Held by the Risk Group of the Bank		541.356	37.743	579.099	288.872	17.210	306.082	
1.2	Other		53.609.157	25.785.645	79.394.802	43.960.228	21.980.624	65.940.852	
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	14	50.652	50.666	44	65.314	65.358	
III.	FUNDS BORROWED	(3)	545.198	6.758.137	7.303.335	379.083	5.912.144	6.291.227	
IV.	MONEY MARKET BALANCES		71.008	310.222	381.230	4.056.602	847.930	4.904.532	
4.1	Interbank money market borrowings		-	-	-	-	-	-	
4.2	Istanbul Stock Exchange Takasbank borrowings		-	-	-	-	-	-	
4.3	Funds from repurchase agreements		71.008	310.222	381.230	4.056.602	847.930	4.904.532	
V.	MARKETABLE SECURITIES ISSUED (Net)	(4)	692.270	1.346.168	2.038.438	495.615	-	495.615	
5.1	Treasury bills		692.270	-	692.270	495.615	-	495.615	
5.2	Asset-backed securities		-	-	-	-	-	-	
5.3	Bonds		-	1.346.168	1.346.168	-	-	-	
VI.	FUNDS	(5)	1.407.887	-	1.407.887	1.345.234	-	1.345.234	
6.1	Borrower Funds		27.221	-	27.221	32.847	-	32.847	
6.2	Other		1.380.666	-	1.380.666	1.312.387	-	1.312.387	
VII.	SUNDRY CREDITORS		1.139.692	63.725	1.203.417	1.054.237	74.283	1.128.520	
VIII.	OTHER LIABILITIES	(6)	1.108.387	161.659	1.270.046	395.773	172.638	568.411	
IX.	FACTORING PAYABLES		-	-	-	-	-	-	
X.	FINANCE LEASE PAYABLES	(7)	1.240	-	1.240	1.818	-	1.818	
10.1	Finance lease payables		1.737	-	1.737	2.754	-	2.754	
10.2	Operating lease payables		-	-	-	-	-	-	
10.3	Other		-	-	-	-	-	-	
10.4	Deferred finance lease expenses (-)		497	-	497	936	-	936	
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(8)	-	-	-	-	-	-	
11.1	Fair value risk hedging		-	-	-	-	-	-	
11.2	Cash flow risk hedging		-	-	-	-	-	-	
11.3	Net foreign investment risk hedging		-	-	-	-	-	-	
XII.	PROVISIONS	(9)	1.809.867	16.970	1.826.837	1.235.239	16.714	1.251.953	
12.1	General loan provisions		972.148	-	972.148	656.783	-	656.783	
12.2	Restructuring provisions		-	-	-	-	-	-	
12.3	Employee benefits provisions		401.748	-	401.748	318.014	-	318.014	
12.4	Insurance technical reserves (Net)		-	-	-	-	-	-	
12.5	Other provisions		435.971	16.970	452.941	260.442	16.714	277.156	
XIII.	TAX LIABILITY	(10)	501.681	3	501.684	184.059	3	184.062	
13.1	Current tax liability		501.681	3	501.684	184.059	3	184.062	
13.2	Deferred tax liability		-	-	-	-	-	-	
XIV.	LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-	
14.1	Held for sale purpose		-	-	-	-	-	-	
14.2	Held from discontinued operations		-	-	-	-	-	-	
XV.	SUBORDINATED CAPITAL	(12)	-	-	-	-	-	-	
XVI.	SHAREHOLDERS' EQUITY	(13)	12.277.714	45.241	12.322.955	8.983.520	(343.524)	8.639.996	
16.1	Paid-in capital		1.250.000	-	1.250.000	1.250.000	-	1.250.000	
16.2	Capital reserves		2.379.703	45.241	2.424.944	1.301.619	(343.524)	958.095	
16.2.1	Share Premium		-	-	-	-	-	-	
16.2.2	Share cancellation profits		-	-	-	-	-	-	
16.2.3	Marketable securities revaluation fund		1.154.283	45.241	1.199.524	76.746	(343.524)	(266.778)	
16.2.4	Tangible assets revaluation reserves		-	-	-	-	-	-	
16.2.5	Intangible assets revaluation reserves		-	-	-	-	-	-	
16.2.6	Revaluation reserves of real estate for investment purpose		-	-	-	-	-	-	
16.2.7	Bonus shares of subsidiaries, associates and joint ventures		4.969	-	4.969	4.422	-	4.422	
16.2.8	Hedging Funds (effective portion)		-	-	-	-	-	-	
16.2.9	Value Increase on Assets Held for Sale		-	-	-	-	-	-	
16.2.10	Other capital reserves		1.220.451	-	1.220.451	1.220.451	-	1.220.451	
16.3	Profit reserves		6.052.800	-	6.052.800	4.386.767	-	4.386.767	
16.3.1	Legal reserves		884.336	-	884.336	749.652	-	749.652	
16.3.2	Statutory reserves		-	-	-	-	-	-	
16.3.3	Extraordinary reserves		5.113.614	-	5.113.614	3.589.934	-	3.589.934	
16.3.4	Other profit reserves		54.850	-	54.850	47.181	-	47.181	
16.4	Profit/Loss		2.595.211	-	2.595.211	2.045.134	-	2.045.134	
16.4.1	Prior years income/loss		-	-	-	-	-	-	
16.4.2	Period profit/loss		2.595.211	-	2.595.211	2.045.134	-	2.045.134	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			73.705.471	34.576.165	108.281.636	62.380.324	28.743.336	91.123.660	

The accompanying notes are an integral part of these unconsolidated financial statements.

# TÜRKİYE HALK BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

### AS OF 31 DECEMBER 2012

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

II. STATEMENT OF OFF-BALANCE SHEET ITEMS		Audited Current period 31 December 2012			Audited Prior period 31 December 2011		
	Note	TRY	FC	Total	TRY	FC	Total
<b>OFF BALANCE SHEET</b>							
A.		84.712.908	19.925.871	104.638.779	80.613.586	16.672.333	97.285.919
<b>COMMITMENTS AND CONTINGENCIES (I+II+III)</b>							
I.	(1)	9.759.258	9.974.945	19.734.203	8.825.107	9.021.350	17.846.457
<b>GUARANTEES AND SURETYSHIPS</b>							
1.1		9.448.123	5.742.789	15.190.912	7.625.151	5.089.747	12.714.898
1.1.1		613.927	4.505.391	5.119.318	543.113	4.062.660	4.605.773
1.1.2		-	-	-	-	-	-
1.1.3		8.834.196	1.237.398	10.071.594	7.082.038	1.027.087	8.109.125
1.2		31.047	1.152.260	1.183.307	5.620	622.372	627.992
1.2.1		0	198.974	198.974	-	147.772	147.772
1.2.2		31.047	953.286	984.333	5.620	474.600	480.220
1.3		1.661	2.806.361	2.808.022	988.711	3.091.800	4.080.511
1.3.1		1.661	2.806.361	2.808.022	988.711	3.091.800	4.080.511
1.3.2		-	-	-	-	-	-
1.4		-	-	-	-	-	-
1.5		-	-	-	-	-	-
1.5.1		-	-	-	-	-	-
1.5.2		-	-	-	-	-	-
1.6		-	-	-	-	-	-
1.7		-	-	-	-	-	-
1.8		278.197	273.535	551.732	205.395	217.431	422.826
1.9		230	-	230	230	-	230
<b>II. COMMITMENTS</b>							
2.1	(1)	73.867.172	1.427.212	75.294.384	70.356.620	884.411	71.241.031
2.1.1		12.728.819	1.427.212	14.156.031	10.371.656	884.411	11.256.067
2.1.2		114.683	1.194.372	1.309.055	154.699	522.386	677.085
2.1.3		-	-	-	-	-	-
2.1.4		820.602	232.840	1.053.442	528.010	362.025	890.035
2.1.5		-	-	-	-	-	-
2.1.6		-	-	-	-	-	-
2.1.7		4.575.929	-	4.575.929	3.976.513	-	3.976.513
2.1.8		13.903	-	13.903	11.389	-	11.389
2.1.9		6.013.182	-	6.013.182	4.614.215	-	4.614.215
2.1.10		30.707	-	30.707	26.857	-	26.857
2.1.11		-	-	-	-	-	-
2.1.12		-	-	-	-	-	-
2.1.13		1.159.813	-	1.159.813	1.058.973	-	1.058.973
2.2		61.138.353	-	61.138.353	59.984.964	-	59.984.964
2.2.1		61.138.353	-	61.138.353	59.984.964	-	59.984.964
2.2.2		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>							
3.1		1.086.478	8.523.714	9.610.192	1.431.859	6.766.572	8.198.431
3.1.1		-	-	-	-	-	-
3.1.2		-	-	-	-	-	-
3.1.3		-	-	-	-	-	-
3.2		1.086.478	8.523.714	9.610.192	1.431.859	6.766.572	8.198.431
3.2.1		290.326	1.124.423	1.414.749	253.014	2.009.232	2.262.246
3.2.1.1		137.840	523.850	661.690	107.162	253.156	360.318
3.2.1.2		152.486	600.573	753.059	145.852	1.756.076	1.901.928
3.2.2		594.655	6.634.821	7.229.476	907.911	2.904.372	3.812.283
3.2.2.1		-	3.633.289	3.633.289	37.792	1.878.713	1.916.505
3.2.2.2		594.655	3.001.532	3.596.187	870.119	1.025.659	1.895.778
3.2.2.3		-	-	-	-	-	-
3.2.2.4		-	-	-	-	-	-
3.2.3		142.397	138.737	281.134	72.864	65.896	138.760
3.2.3.1		71.195	69.373	140.568	36.410	32.970	69.380
3.2.3.2		71.202	69.364	140.566	36.454	32.926	69.380
3.2.3.3		-	-	-	-	-	-
3.2.3.4		-	-	-	-	-	-
3.2.3.5		-	-	-	-	-	-
3.2.3.6		-	-	-	-	-	-
3.2.4		-	-	-	-	-	-
3.2.4.1		-	-	-	-	-	-
3.2.4.2		-	-	-	-	-	-
3.2.5		-	-	-	-	-	-
3.2.5.1		-	-	-	-	-	-
3.2.5.2		-	-	-	-	-	-
3.2.6		59.100	625.733	684.833	198.070	1.787.072	1.985.142
<b>IV. CUSTODY AND PLEDGED ASSETS (IV+V+VI)</b>							
B.		704.252.711	371.861.692	1.076.114.403	467.898.270	257.727.659	725.625.929
<b>CUSTODIES</b>							
4.1		104.096.962	7.950.683	112.047.645	86.088.157	9.065.031	95.153.188
4.2		34.773.375	261.407	35.034.782	30.256.672	300.524	30.557.196
4.3		6.835.897	5.949.001	12.784.898	5.914.701	5.311.108	11.225.809
4.4		44.209.012	264.451	44.473.463	32.414.352	274.624	32.688.976
4.5		71	-	71	613	-	613
4.6		279	-	279	640	-	640
4.7		3.858	3.280	7.138	2.214	3.418	5.632
4.8		18.274.470	1.472.544	19.747.014	17.498.965	3.175.357	20.674.322
<b>PLEDGED ASSETS</b>							
5.1		600.155.749	363.911.009	964.066.758	381.810.113	248.662.628	630.472.741
5.2		1.882.364	89.705	1.972.069	1.439.628	221.573	1.661.201
5.3		5.298.088	391.834	5.689.922	4.487.499	413.970	4.901.469
5.4		25.830	-	25.830	-	-	25.830
5.5		119.576.819	37.487.018	157.063.837	78.493.823	35.516.868	114.010.691
5.6		470.862.072	325.350.131	796.212.203	294.493.598	212.035.121	506.528.719
5.7		2.510.576	592.321	3.102.897	2.869.735	475.096	3.344.831
<b>VI. ACCEPTED BILL GUARANTEES AND SURETIES</b>							
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>788.965.619</b>	<b>391.787.563</b>	<b>1.180.753.182</b>	<b>548.511.856</b>	<b>274.399.992</b>	<b>822.911.848</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

**TÜRKİYE HALK BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

III. STATEMENT OF INCOME		Audited	Audited	
		Current period	Prior period	
INCOME AND EXPENSES	Note	1 January-31 December 2012	1 January-31 December 2011	
I.	INTEREST INCOME	(1)	8.990.983	7.278.660
1.1	Interest on loans		6.730.541	5.245.901
1.2	Interest received from reserve deposits		348	222
1.3	Interest received from banks		12.181	9.229
1.4	Interest received from money market placements		6.526	56
1.5	Interest income on marketable securities		2.238.713	2.018.505
1.5.1	Financial assets held for trading		1.647	5.252
1.5.2	Financial assets at fair value through profit and loss		-	-
1.5.3	Financial assets available-for-sale		806.292	722.768
1.5.4	Investments held-to-maturity		1.430.774	1.290.485
1.6	Finance lease income		-	-
1.7	Other interest income		2.674	4.747
II.	INTEREST EXPENSE	(2)	4.514.906	3.805.417
2.1	Interest on deposits		4.084.300	3.172.192
2.2	Interest on borrowings		149.255	126.515
2.3	Interest on money market borrowings		134.448	453.091
2.4	Interest on bonds issued		96.597	17.310
2.5	Other interest expense		50.306	36.309
III.	NET INTEREST INCOME [ I - II ]		4.476.077	3.473.243
IV.	NET FEES AND COMMISSIONS INCOME		858.424	728.167
4.1	Fees and commissions income		1.023.432	839.956
4.1.1	Non-cash loans		122.853	112.394
4.1.2	Other		900.579	727.562
4.2	Fees and commissions expenses		165.008	111.789
4.2.1	Non-cash loans		9	7
4.2.2	Other		164.999	111.782
V.	DIVIDEND INCOME	(3)	64.024	48.531
VI.	NET TRADING PROFIT (NET)	(4)	554.644	207.539
6.1	Profit/loss from capital market operations		385.274	96.048
6.2	Profit/loss from financial derivative transactions		(207.837)	156.098
6.3	Foreign exchange gains/losses		377.207	(44.607)
VII.	OTHER OPERATING INCOME	(5)	360.242	594.451
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		6.313.411	5.051.931
IX.	LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	886.616	689.984
X.	OTHER OPERATING EXPENSES(-)	(7)	2.097.656	1.725.251
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		3.329.139	2.636.696
XII.	AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-
XIII.	PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XIV.	GAIN/(LOSS) ON NET MONETARY POSITION		-	-
XV.	INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	3.329.139	2.636.696
XVI.	TAX INCOME PROVISION (±)	(9)	(733.928)	(591.562)
16.1	Current tax provision		(1.021.768)	(366.556)
16.2	Deferred tax provision		287.840	(225.006)
XVII.	NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	2.595.211	2.045.134
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Property and equipment income held for sale		-	-
18.2	Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-
18.3	Other income from terminated operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Property and equipment expense held for sale		-	-
19.2	Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-
19.3	Other expenses from discontinued operations		-	-
XX.	INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	-	-
XXI.	PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)	(9)	-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX+XXI)	(10)	-	-
XXIII.	NET PROFIT/(LOSS) (XVII+XXII)	(11)	2.595.211	2.045.134
Earnings/losses per share (Full TRY)			2,07617	1,63611

The accompanying notes are an integral part of these unconsolidated financial statements.


**TÜRKİYE HALK BANKASI A.Ş.**
**UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012**
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		Audited	Audited
		Current period	Prior period
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		1 January- 31 December 2012	1 January- 31 December 2011
I.	ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	792.305	(458.200)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	7.669	-
V.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)	-	-
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)	-	-
VII.	THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	809.721	-
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS	547	170
IX.	DEFERRED TAX OF VALUATION DIFFERENCES	(135.724)	75.698
X.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	1.474.518	(382.332)
XI.	PROFIT/LOSS	2.595.211	2.045.134
11.1	Change in fair value of marketable securities (Transfer to profit/loss)	369.244	63.393
11.2	Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	-	-
11.3	Transfer of hedge of net investments in foreign operations to income statement	-	-
11.4	Other	2.225.967	1.981.741
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	4.069.729	1.662.802

The accompanying notes are an integral part of these unconsolidated financial statements.

# TÜRKİYE HALK BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

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

	Note	Effect of inflation adjustments on paid in capital	Share cancellation profit	Legal reserves	Statutory reserves	Extra-ordinary reserves	Other reserves	Current period net income (loss)	Price period net income (loss)	Valuation changes in marketable and int. sec.	Revaluation changes in assets	Reclassification shares from int. and shares from	Remains from Hedging funds	Value changes in PUP/term.op. held for sale	Total shareholders' equity
<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>															
I. Balance at end of prior period	1,250,000	1,220,451	-	610,282	-	2,186,397	47,181	2,010,393	-	115,724	-	-	4,252	-	7,444,680
II. Corrections according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 The effect of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 The effect of changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I + II)	1,250,000	1,220,451	-	610,282	-	2,186,397	47,181	2,010,393	-	115,724	-	-	4,252	-	7,444,680
IV. Increase/decrease generated by merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Valuation changes in marketable securities	-	-	-	-	-	-	-	-	-	(382,502)	-	-	-	-	(382,502)
VI. Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>6.1 Cash-flow hedge</b>															
6.2 Hedges for investment made in foreign countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Revaluation changes of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation changes of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares from investment and associates, banks shares from investment (business partners)	-	-	-	-	-	-	-	-	-	-	-	170	-	-	170
X. Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Changes after disposal of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes after reclassification of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Increase in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>14.1 Cash</b>															
14.1.1 From internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1.2 From external resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Issuance of share certificates at end of period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Net profit or losses	-	-	-	-	-	-	-	2,045,134	-	-	-	-	-	-	2,045,134
XX. Profit distribution	-	-	-	-	-	-	-	(2,010,993)	-	-	-	-	-	-	(67,886)
20.1 Dividends distributed	-	-	-	-	-	-	-	(467,486)	-	-	-	-	-	-	(467,486)
20.2 Transfers to legal reserves	-	-	-	-	-	-	-	(1,542,907)	-	-	-	-	-	-	(1,542,907)
20.3 Other	-	-	-	-	-	-	-	(2,010,393)	2,010,393	-	-	-	-	-	-
Closing balance	1,250,000	1,220,451	-	749,652	-	3,589,934	47,181	2,045,134	-	(266,778)	-	-	4,422	-	8,639,996
I January 2012 - 31 December 2012															
I. Balance at end of prior period	1,250,000	1,220,451	-	749,652	-	3,589,934	47,181	2,045,134	-	(266,778)	-	-	4,422	-	8,639,996
II. Changes within the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Increase or decrease generated by merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Valuation changes in marketable securities	-	-	-	-	-	-	-	-	-	1,466,302	-	-	-	-	1,466,302
V. Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedges for investments made in foreign countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Increase or decrease generated by disposal of equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation changes of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-	-	-	-	-	-	-	-	-	547	-	547
VIII. Foreign exchange differences	-	-	-	-	-	-	-	7,669	-	-	-	-	-	-	7,669
IX. Changes after disposal of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes after reclassification of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Increase in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>12.1 Cash</b>															
12.1.1 From internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1.2 From external resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of share certificates at end of period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to paid in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Net profit or losses	-	-	-	-	-	-	-	2,595,211	-	-	-	-	-	-	2,595,211
XVIII. Profit distribution	-	-	-	-	-	-	-	(2,045,134)	-	-	-	-	-	-	(386,770)
18.1 Dividends distributed	-	-	-	-	-	-	-	(1,638,720)	-	-	-	-	-	-	(1,638,720)
18.2 Transfers to legal reserves	-	-	-	-	-	-	-	(1,523,680)	-	-	-	-	-	-	(1,523,680)
18.3 Other	-	-	-	-	-	-	-	(2,045,134)	2,045,134	-	-	-	-	-	-
Closing balance	1,250,000	1,220,451	-	884,136	-	5,113,614	54,850	2,595,211	-	1,199,524	-	-	4,969	-	12,132,955

The accompanying notes are an integral part of these unconsolidated financial statements.

# TÜRKİYE HALK BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

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

VI. STATEMENT OF CASH FLOWS		Audited	Audited
		Current period	Prior period
		Note	31 December 2011
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
1.1	Operating profit before changes in operating assets and liabilities	4.044.084	1.055.248
1.1.1	Interest received	9.217.989	6.882.373
1.1.2	Interest paid	(4.432.574)	(3.697.552)
1.1.3	Dividend received	622	47.463
1.1.4	Fees and commissions received	1.023.432	839.956
1.1.5	Other income	187.941	315.188
1.1.6	Collections from previously written off loans	479.026	470.888
1.1.7	Cash payments to personnel and service suppliers	(870.456)	(910.104)
1.1.8	Taxes paid	(795.523)	(518.781)
1.1.9	Other	(1) (766.373)	(2.374.183)
1.2	Assets and Liabilities Subject to Banking Operations	(5.260.269)	1.619.776
1.2.1	Net decrease in financial assets held for sale	13.344	19.527
1.2.2	Net (increase) decrease in financial assets at fair value through profit or loss	-	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions	-	-
1.2.4	Net (increase) decrease in loans	(9.845.777)	(11.588.010)
1.2.5	Net (increase) decrease in other assets	(6.307.320)	(2.885.482)
1.2.6	Net increase (decrease) in bank deposits	451.160	3.529.348
1.2.7	Net increase (decrease) in other deposits	13.224.389	7.865.842
1.2.8	Net increase (decrease) in loans borrowed	1.011.237	2.446.321
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	(1) (3.807.302)	2.232.230
I.	Net cash provided from banking operations	(1.216.185)	2.675.024
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
II.	Net cash provided from/ (used in) investing activities	1.107.029	(3.229.155)
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	(88.882)	(167.910)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	1.512	-
2.3	Fixed assets purchases	(303.169)	(511.065)
2.4	Fixed assets sales	174.811	375.239
2.5	Cash paid for purchase of financial assets available for sale	(3.937.035)	(4.506.529)
2.6	Cash obtained from sale of financial assets available for sale	4.882.876	3.052.009
2.7	Cash paid for purchase of investment securities	(2.045.413)	(1.719.331)
2.8	Cash obtained from sale of investment securities	2.434.176	260.012
2.9	Other	(11.847)	(11.580)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
III.	Net cash used in financing activities	1.113.464	32.441
3.1	Cash obtained from loans borrowed and securities issued	2.736.132	498.675
3.2	Cash used for repayment of loans borrowed and securities issued	(1.235.320)	-
3.3	Bonds issued	-	-
3.4	Dividends paid	(386.770)	(467.486)
3.5	Payments for finance leases	(503)	(366)
3.6	Other	(75)	1.618
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(1) (516.724)	865.256
V.	Net increase/(decrease) in cash and cash equivalents	487.584	343.566
VI.	Cash and cash equivalents at beginning of the period	(4) 4.781.902	4.438.336
VII.	Cash and cash equivalents at end of the period	(5) 5.269.486	4.781.902

The accompanying notes are an integral part of these unconsolidated financial statements.

# TÜRKİYE HALK BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2012

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

VII. STATEMENT OF PROFIT DISTRIBUTION TABLE		Audited	Audited
		Current period	Prior period
		31 December 2012 <sup>(1)</sup>	31 December 2011
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>			
1.1.	Current Period Profit	3.329.139	2.636.696
1.2.	Taxes and Legal Duties Payables (-)	733.928	591.562
1.2.1.	Corporate Tax (Income Tax)	1.021.768	366.556
1.2.2.	Withholding Tax	-	-
1.2.3.	Other Taxes and Duties	(287.840)	225.006
A.	Net Profit For The Period (1.1-1.2)	2.595.211	2.045.134
1.3.	Accumulated Losses (-)	-	-
1.4.	First Legal Reserves (-)	-	102.257
1.5.	Other Statutory Reserves (-)	-	-
B.	Net Profit Available for Distribution [(A-(1.3+1.4+1.5))]	-	1.942.877
1.6.	First Dividend to shareholders (-)	-	62.500
1.6.1.	To Owners of Ordinary Shares	-	62.500
1.6.2.	To Owners of Privileged Shares	-	-
1.6.3.	To Owners of Redeemed Shares	-	-
1.6.4.	To Profit Sharing Bonds	-	-
1.6.5.	To Holders of Profit and Loss Sharing Certificates	-	-
1.7.	Dividends to personnel (-)	-	80.000
1.8.	Dividends to Board of Directors (-)	-	-
1.9.	Second Dividend to Shareholders (-)	-	244.270
1.9.1.	To Owners of Ordinary Shares	-	244.270
1.9.2.	To Owners of Privileged Shares	-	-
1.9.3.	To Owners of Redeemed Shares	-	-
1.9.4.	To Profit Sharing Bonds	-	-
1.9.5.	To Holders Of Profit And Loss Sharing Certificates	-	-
1.10.	Second Legal Reserves (-)	-	32.427
1.11.	Status Reserves (-)	-	-
1.12.	Extraordinary Reserves	-	1.523.680
1.13.	Other Reserves	-	-
1.14.	Special Funds	-	-
<b>II. Distribution of Reserves</b>			
2.1.	Appropriated Reserves	-	-
2.2.	Second Legal Reserves (-)	-	-
2.3.	Dividends to Shareholders (-)	-	-
2.3.1.	To Owners of Ordinary Shares	-	-
2.3.2.	To Owners of Privileged Shares	-	-
2.3.3.	To Owners of Redeemed Shares	-	-
2.3.4.	To Profit Sharing Bonds	-	-
2.3.5.	To Holders of Profit and Loss Sharing Certificates	-	-
2.4.	Dividends to Personnel (-)	-	-
2.5.	Dividends to Board of Directors (-)	-	-
<b>III. Earnings per Share</b>			
3.1.	To Owners of Ordinary Shares	2,07617	1,63611
3.2.	To Owners of Ordinary Shares (%)	%207,6	%163,6
3.3.	To Owners of Privileged Shares	-	-
3.4.	To Owners of Privileged Shares (%)	-	-
<b>IV. Dividend per Share</b>			
4.1.	To Owners of Ordinary Shares	-	0,24542
4.2.	To Owners of Ordinary Shares (%)	-	%24,54
4.3.	To Owners of Privileged Shares	-	-
4.4.	To Owners of Privileged Shares (%)	-	-

<sup>(1)</sup> As of the report date, Board of Directors meeting was not held.

The accompanying notes are an integral part of these unconsolidated financial statements.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(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.

28103 published in Official Gazette dated 2 November 2011, and entered into force with Decree Law No. 660 of Law No. 2499 TASB Additional article 1 of the establishment clause has been canceled and Public Oversight of Accounting and Auditing Standards Board (“The Authority”) is decided to establish by Council of Ministers. Existing regulations regarding to these issues will be continued to enforce until standards and regulations according to Temporary article 1 of this Decree-Law, come into force when released by the Authority This situation does not affect the “Basis of Presentation” for the current period.

Accounting policies applied and 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.

# **TÜRKİYE HALK BANKASI A.Ş.**

## **NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

### **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 are 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 the straight accrual method 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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 is recognized under the dividend income in the income statement. If these assets are disposed of prior to their maturity periods, loss or gain from the disposal is recognized in the income statement by using interest income/expense accounts under profit/loss from the capital market operations.

#### 2.2. Financial assets at fair value through profit and loss

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

The Bank has not any financial assets at fair value through profit and loss as of 31 December 2012 and 31 December 2011.

### 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

### 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.

### 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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 are determined with the valuation reports that are prepared by the independent valuation company, 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.

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 100% provision for the outstanding follow-up risk amount excluding the surety ship type of collaterals defined in the Article 9 of the related legislation. Specific provision rate for the standing non-cash loans extended to follow-up entities in order to cash ensuring is 100%, specific provision rate for other non-cash loans is 50%. 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.

# **TÜRKİYE HALK BANKASI A.Ş.**

## **NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

Other than specific allowances, the Bank provides “general allowances” for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The Bank is providing 0.5% general allowance for cash loans and other receivables; 0.1% 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.

### **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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

### 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.

### 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.

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## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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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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### 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.

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.

In accordance with the Act No: 5754 “Act about the amendments in Social Security and General Health Insurance Act and Some of Acts and Decrees” published in the Official Gazette dated 8 May 2008 and numbered 26870, bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution within three years beginning from the date of publication without any required further action. Three years transfer period would be extended by four years at most with the decision of Council of Ministers. Mentioned three years transfer period has been extended by four years with the decision of Council of Ministers dated 1 March 2012 and published in the 8 March 2012 dated 28227 numbered Official Gazette.

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 2012, no technical deficit has been reported.

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### 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 2011 has been paid in April 2012, accrued advance tax as of 31 December 2012 will be paid in February 2013.

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

##### Bahrain

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

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**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.

**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 Istanbul Stock Exchange 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.

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## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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### XXII. EXPLANATION ON OTHER MATTERS

The Bank changed accounting policy and began to record Turkish Lira denominated subsidiaries with their fair values in the current period. The amendment is not implemented retroactively due to the fair values of the Turkish Lira denominated subsidiaries not based on an observable price or information and the cumulative effect of these change are not calculated retroactively. Effect of the change in accounting policy related to the amount as follows:

	Subsidiaries	Marketable securities revaluation fund/ Shareholders' Equity
Cost	839.080	-
Effect of change in related accounting policies	809.721	809.721
<b>Financial assets at fair value</b>	<b>1.648.801</b>	<b>809.721</b>

### 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. The solo basis capital adequacy ratio of the Bank is 16,17 % as of 31 December 2012. The Bank did not recalculate the capital adequacy ratio related to prior periods, according to “Publicly Announced Communiqué on Financial Statements and Related Disclosures and Footnotes” published in Official Gazette dated 28 June 2012 and numbered 28337.

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.

# TÜRKİYE HALK BANKASI A.Ş.

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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.

### 1. Information on the unconsolidated capital adequacy ratio:

	Risk Weights							
	0%	10%	20%	50%	75%	100%	150%	200%
Surplus credit risk weighted	-	-	1.125.474	9.781.931	16.207.062	30.907.354	1.853.915	10.130.710
Risk classifications:								
Claims on sovereigns and Central Banks	24.075.410	-	787	2.685.080	-	-	-	-
Claims on regional governments or local authorities	4.968	-	310.528	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	651	-	41.194	-	-	58.646	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	636.524	-	4.482.971	891.073	-	46.804	-	-
Claims on corporates	385.981	-	156.806	-	-	27.422.636	-	-
Claims included in the regulatory retail portfolios	1.174.808	-	131.417	-	21.174.404	-	-	-
Claims secured by residential property	25.367	-	2.649	15.845.450	-	-	-	-
Overdue loans	-	-	-	119.461	-	223.547	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	1.235.943	5.065.355
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	2.713.731	-	501.019	22.798	435.012	3.155.721	-	-

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2. Capital adequacy ratio summary:

	Current Period
A Capital to be employed for credit risk (Amount subject to credit risk*0,08) (I)	5.600.516
B Capital to be employed for market risk (II)	133.905
C Capital to be employed for operational risk (III)	601.101
Shareholders' equity	12.808.583
Shareholders' equity/( I+II+III ) * 12.5*100	16,17

3. Information on equity items:

	Current period	Prior period
<b>CORE CAPITAL</b>		
Paid-in capital	1.250.000	1.250.000
<i>Nominal capital</i>	1.250.000	1.250.000
<i>Capital commitments (-)</i>	-	-
Adjustment to paid-in capital	1.220.451	1.220.451
Share premium	-	-
Share repeal	-	-
Legal reserves	6.052.800	4.386.767
Adjustment to legal reserves	-	-
Profit	2.595.211	2.045.134
<i>Net current period profit</i>	2.595.211	2.045.134
<i>Prior period profit</i>	-	-
Provisions for possible losses up to 25% of core capital	328.300	194.000
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 (-)	78.860	70.079
Intangible assets (-)	37.285	27.570
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-
<b>Total Core Capital</b>	<b>11.330.617</b>	<b>8.998.703</b>

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	Current period	Prior period
<b>SUPPLEMENTARY CAPITAL</b>		
General reserves	972.148	656.783
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	4.969	4.422
Primary subordinated loans which are ignored in the calculation of core capital	-	-
Secondary subordinated loans	-	-
45% of value increase fund of financial assets available for sale and associates and subsidiaries	539.786	(266.778)
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)	-	-
<b>Total Supplementary Capital</b>	<b>1.516.903</b>	<b>394.427</b>
<b>CAPITAL</b>	<b>12.847.520</b>	<b>9.393.130</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>38.937</b>	<b>40.457</b>
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-	8.819
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 with in five years in accordance with article 57 of the Law, but not yet disposed	36.311	28.350
Securitisation positions that is deducted -preferably- from the shareholders' equity	-	-
Other	2.626	3.288
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>12.808.583</b>	<b>9.352.673</b>

#### 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, market, 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.

# **TÜRKİYE HALK BANKASI A.Ş.**

## **NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

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

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

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

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

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

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

As of 31 December 2012, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 20,60% and 24,94% of its total cash loans.

As of 31 December 2012, receivables of the Bank from its top 100 and 200 non-cash loan customers are respectively 53,90% and 63,78% of its total non-cash loans.

As of 31 December 2012, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 15,89% and 19,79% of its total balance sheet and off-balance sheet assets.

As of 31 December 2012, 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 972.148 (31 December 2011: TRY 656.783).

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Risk Classifications:	Current Period Risk Amount <sup>(*)</sup>	Average Risk Amount <sup>(**)</sup>
Claims on sovereigns and Central Banks	26.761.277	25.986.450
Claims on regional governments or local authorities	315.496	324.404
Claims on administrative bodies and other non-commercial undertakings	100.491	128.696
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	6.057.372	3.988.414
Claims on corporates	27.965.423	27.872.984
Claims included in the regulatory retail portfolios	22.480.629	21.863.820
Claims secured by residential property	15.873.466	15.386.819
Overdue loans	343.008	325.161
Higher risk categories decided by the Board	6.301.298	5.675.638
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	6.828.281	6.192.812

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

(\*\*) Average risk amounts are the arithmetical average of the amounts after credit conversions in July- December period.

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## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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### Risk profile according to the geographical concentration:

	Risk Classifications <sup>(*)</sup>										
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Overdue loans	Total
<b>Current Period</b>											
1. Domestic	26.761.277	315.496	100.491	2.953.180	27.508.481	22.416.360	15.872.446	343.008	6.301.298	6.828.148	109.400.185
2. EU Countries <sup>(**)</sup>	-	-	-	525.275	75.245	-	-	-	-	-	600.520
3. OECD Countries	-	-	-	1.504.130	-	-	-	-	-	-	1.504.130
4. Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-
5. USA, Canada	-	-	-	364.053	-	-	-	-	-	-	364.053
6. Other Countries	-	-	-	201.653	280.620	64.269	1.020	-	-	133	547.695
7. Investment and associates, subsidiaries and joint ventures	-	-	-	509.081	101.077	-	-	-	-	-	610.158
8. Undistributed Assets/ Liabilities <sup>(***)</sup>	-	-	-	-	-	-	-	-	-	-	-
9. Total	26.761.277	315.496	100.491	6.057.372	27.965.423	22.480.629	15.873.466	343.008	6.301.298	6.828.281	113.026.741

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

<sup>(\*\*)</sup> OECD Countries other than the EU Countries, USA and Canada.

<sup>(\*\*\*)</sup> Includes loan classified under Uniform Accounting Standards –loans except in the first 3 columns-and compliant with Article 48 of the Banking Law.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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#### Risk Profile according to sectors:

	Risk Classifications <sup>(*)</sup>										TC	FC	Total
	Claims on sovereigns and Central Banks	Claims on regional and local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on intermediary institutions	Claims on banks and intermediary banks	Claims included in the regulatory portfolios	Claims secured by residential property	Overdue loans			
Agricultural	13	35	268	-	80.360	396.596	80.057	23.757	-	46.612	579.147	48.551	627.698
Farming and raising livestock	13	35	268	-	64.741	375.418	80.057	23.559	-	46.533	558.229	32.395	590.624
Forestry	-	-	-	-	-	3.197	-	184	-	79	3.460	-	3.460
Fishing	-	-	-	-	15.619	17.981	-	14	-	-	17.458	16.156	33.614
Manufacturing	-	172	63.114	-	14.153.640	3.530.064	4.051.443	121.683	-	120.669	9.962.329	12.078.456	22.040.785
Mining	-	56	38.433	-	169.749	97.691	49.141	2.167	-	-	153.705	203.532	357.237
Production	-	116	19.005	-	12.903.174	3.401.996	3.798.142	119.461	-	120.669	9.388.710	10.973.853	20.362.563
Electric, gas and water	-	-	5.676	-	1.080.717	30.377	204.160	55	-	-	419.914	901.071	1.320.985
Construction	-	41	-	-	2.479.756	706.926	703.917	25.593	-	331.503	2.817.195	1.430.541	4.247.736
Services	25.337.689	116.191	34.319	6.057.372	9.822.224	9.532.835	4.277.362	133.284	-	2.096.202	35.462.008	21.945.470	57.407.478
Wholesale and retail trade	-	226	16.000	-	4.494.235	5.307.990	2.983.195	94.898	-	5.192	10.649.846	2.251.890	12.901.736
Hotel, food and beverage services	-	10	-	-	1.014.906	320.943	245.458	4.086	-	91	513.728	1.071.766	1.585.494
Transportation and telecommunication	-	-	201	-	475.235	2.136.678	479.930	10.975	-	600	2.610.256	493.363	3.103.619
Financial institutions	25.329.375	-	-	6.057.372	541.565	35.370	-	403	-	1.881.809	18.555.046	15.290.848	33.845.894
Real estate and renting services	252	114.257	16.641	-	2.766.361	1.274.256	387.326	4.338	-	202.235	2.359.217	2.406.449	4.765.666
Self-employment services	-	6	-	-	363	295.845	54.427	1.229	-	6.195	357.858	207	358.065
Education services	254	2	1.391	-	88.491	51.267	25.680	242	-	3	143.223	24.107	167.330
Health and social services	7.808	1.690	86	-	441.068	110.486	101.346	17.113	-	77	272.834	406.840	679.674
Other	1.423.575	199.057	2.790	-	1.429.443	8.314.208	6.760.687	38.691	6.301.298	4.233.295	25.982.903	2.720.141	28.703.044
Total	26.761.277	315.496	100.491	6.057.372	27.965.423	22.480.629	15.873.466	343.008	6.301.298	6.828.281	74.803.582	38.223.159	113.026.741

<sup>(\*)</sup>Risk classifications in the "Regulator on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

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Distribution of maturity risk factors according to their outstanding maturities:

Risk Classifications	According to outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
1.Claims on sovereigns and Central Banks	4.083.391	5.375.373	2.096.707	3.434.728	11.719.059
2.Claims on regional governments or local authorities	4.823	4.074	1.671	79.163	224.732
3.Claims on administrative bodies and other non-commercial undertakings	66.840	3.875	14.794	7.239	7.791
4.Claims on banks and intermediary institutions	4.396.631	343.394	96.822	107.896	440.643
5.Claims on corporate	6.197.317	2.214.468	2.909.161	4.127.909	15.643.653
6.Claims included in the regulatory retail portfolios	2.682.391	1.907.608	2.615.226	4.832.015	26.979.466
7. Overdue loans	343.008	-	-	-	-
8. Other receivables	5.358.301	172.390	142.782	495.728	659.080
<b>Total</b>	<b>23.132.702</b>	<b>10.021.182</b>	<b>7.877.163</b>	<b>13.084.678</b>	<b>55.674.424</b>

(<sup>(1)</sup>) Commitments amounting TRY 3.236.592 are not included in the table above.

(<sup>(2)</sup>) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

(<sup>(3)</sup>) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporates and claims included in the regulatory retail portfolios.

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

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

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

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

Risk balances according to risk weights:

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	Deductions from the shareholders' equity
1. Pre-Amount of Credit Risk Mitigation	27.358.643	-	5.341.348	3.598.950	35.590.763	34.835.739	1.235.943	5.065.355	155.082
2. Amount after Credit Risk Mitigation	29.017.440	-	5.627.371	19.563.862	21.609.416	30.907.354	1.235.943	5.065.355	155.082

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Information according to sectors and counterparties:

Sectors/Counterparties	Loans			
	Non-performing loans	Over Due <sup>(*)</sup>	Value Adjustments	Provisions
Agricultural	103.642	15.318	640	79.885
<i>Farming and raising livestock</i>	95.758	14.982	627	72.199
<i>Forestry</i>	902	208	9	718
<i>Fishing</i>	6.982	128	4	6.968
Manufacturing	687.349	213.626	45.869	565.666
<i>Mining</i>	11.286	48.970	4.288	9.119
<i>Production</i>	675.152	163.468	41.570	555.691
<i>Electric, gas and water</i>	911	1.188	11	856
Construction	114.672	61.018	1.317	89.079
Services	669.673	304.923	10.220	536.389
<i>Wholesale and retail trade</i>	441.956	201.343	7.180	347.058
<i>Hotel, food and beverage services</i>	76.265	40.461	787	72.179
<i>Transportation and telecommunication</i>	53.495	32.550	860	42.520
<i>Financial institutions</i>	10.207	1.372	40	9.804
<i>Real estate and renting services</i>	28.188	15.558	847	23.850
<i>Self-employment services</i>	5.470	5.030	158	4.241
<i>Education services</i>	1.853	1.962	61	1.611
<i>Health and social services</i>	52.239	6.647	287	35.126
Other	384.310	237.151	7.758	345.619
<b>Total</b>	<b>1.959.646</b>	<b>832.036</b>	<b>65.804</b>	<b>1.616.638</b>

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

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

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Information about value adjustments and changes in the loan impairment:

	The opening balance	Provision amounts set aside during the period	The cancelation of the provisions	Other adjustments	Close out balance
1. Specific Provisions	1.401.737	382.808	167.907	-	1.616.638
2. General Provisions	656.783	315.365	-	-	972.148

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

Gross Maximum Exposure	Current Period	Prior Period
Due from banks	2.619.412	1.475.000
Money Market Receivables	12.355	-
Financial Assets at Fair Value through profit or loss	104.777	128.199
Financial Assets Available for Sale	9.383.212	9.207.310
Held to maturity Investments	13.455.515	13.997.928
Loans	65.893.838	56.216.404
<b>Total</b>	<b>91.469.109</b>	<b>81.024.841</b>
Contingent Liabilities	19.734.203	17.846.457
Commitments	14.156.031	11.256.067
<b>Total</b>	<b>33.890.234</b>	<b>29.102.524</b>
<b>Total Credit Risk Exposure</b>	<b>125.359.343</b>	<b>110.127.365</b>

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

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Corporate and Commercial Loans	Internal/External Valuation Grade	Total	Entrepreneur Firms	Internal/External Valuation Grade	Total
Risk rating group 1	AAA	85.361	High		
Risk rating group 2	AA	6.269.364	Risk rating group 1	1	1.146.803
Risk rating group 3	A	6.321.543	Risk rating group 2	2	1.728.652
Risk rating group 4	BBB	9.553.296	Standard		
Risk rating group 5	BB	7.583.121	Risk rating group 3	3	1.618.863
Risk rating group 6	B	8.226.354	Risk rating group 4	4	2.123.267
Risk rating group 7	CCC	2.769.230	Risk rating group 5	5	4.089.038
Risk rating group 8	CC	429.705	Below the standard		
Risk rating group 9	C	11.390	Risk rating group 6	6	3.569.916
			Risk rating group 7	7	4.020.528
<b>Total</b>		<b>41.249.364</b>	<b>Total</b>		<b>18.297.067</b>

<sup>(1)</sup> Loans for which the risk does not belong to the Bank amounting TRY 1.333.740 are not included the table above.

<sup>(2)</sup> Prepared in accordance with the internal grading results of the Bank.

<sup>(3)</sup> Only graded firms are included.

<sup>(4)</sup> Includes the total of cash and non cash loans.

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

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

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

	Current Period	Prior Period
Loans(1), (2)		
Corporate Loans	37.964	72.027
SME Loans	26.712	42.917
Consumer Loans	16.098	22.260
Other	152	201
<b>Total</b>	<b>80.926</b>	<b>137.405</b>

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

<sup>(2)</sup>Presents loans accounted under in restructured or rescheduled loan accounts.

The net value and type of collaterals of the loans amounting TRY 1.910.626 followed under loans and other receivables under close monitoring section is below: (31 December 2011 : TRY 641.037).

Collateral Types	Net Value of Collateral Current Period(1)	Net Value of Collateral Prior Period
Real estate mortgage	1.519.823	428.717
Salary pledge, vehicle pledge and pledge of commercial undertaking	75.401	53.484
Financial collaterals (cash, securities pledge, etc.)	14.047	33
Cheque /bills	11.204	5.090
Suretyship	188.735	92.888
Other	101.416	60.825
<b>Total</b>	<b>1.910.626</b>	<b>641.037</b>

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

<sup>(2)</sup> Income accruals amounting to TRY 22.411 (31 December 2011: TRY 8.280) are not included in the table.

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The net value and type of collaterals belongs to loans amounted TRY 1.959.646 followed under non performing loans section is below: (31 December 2011: TRY 1.668.695)

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Cash	1.845	2.045
Mortgage	511.841	494.886
Pledge	37.805	27.138
Cheque,bills	4.899	8.723
Suretyship	1.000.072	786.225
Bond	-	3
Other <sup>(2)</sup>	403.184	349.675
<b>Total</b>	<b>1.959.646</b>	<b>1.668.695</b>

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

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

### III. EXPLANATIONS RELATED TO THE MARKET RISK

In accordance with the Bank's risk management policy framework to avoid the effect of market risk, the Bank has determined the management activities and has taken necessary precautions within the framework of "Regulation On Measurement and Evaluation Of Capital Adequacy Of Banks" published in Official Journal No 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 standart method. The following table discloses the amounts that are calculated using the standart 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.

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a) Information related to market risk:

	Amount
(I) Capital requirement to be employed for general market risk	87.445
(II) Capital requirement to be employed for specific risk	13.498
(III) Capital requirement to be employed for specific risk in securitisation positions- Standard Method	-
(IV) Capital requirement to be employed for currency risk	30.714
(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	264
(VIII) Capital requirement to be employed for general market risk.	1.984
(IX) Total capital requirement to be employed for market risk	-
(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)	133.905
(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)	1.673.813

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

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	146.617	189.317	99.271	124.632	148.678	111.264
Share Risk	2.413	2.686	1.672	2.109	2.320	2.042
Currency Risk	26.365	37.330	18.235	17.345	38.424	9.342
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Options Risk	185	290	79	195	1.234	32
Counterparty Credit Risk	2.406	3.142	1.931	-	-	-
Amount Subject to Total Risk	177.986	232.765	121.188	144.281	190.656	122.680

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.

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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.

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

	Total*
Contracts based on Interest rate	-
Contracts based on currency	80.571
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	80.571
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	8.472
The net position of derivatives	80.571

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

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### 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 7.513.762 for the current period.

	2 PP Value	1 PP Value	CD Value	Total/Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	4.528.461	3.883.262	3.610.296	3	15	601.101
Amount subject to operational risk (Total*12,5)						7.513.762

### 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 risk have been closely followed. The Bank make derivative transactions against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Bank as at 31 December 2012 and the previous five working days in full TRY are as follows:

	24.12.2012	25.12.2012	26.12.2012	27.12.2012	28.12.2012	31.12.2012
USD	1,7750000	1,7700000	1,7700000	1,7700000	1,7700000	1,7650000
CHF	1,9371000	1,9329000	1,9378000	1,9332000	1,9345000	1,9262000
GBP	2,8590000	2,8111000	2,8545000	2,8513000	2,8528000	2,8628000
JPY	0,0209101	0,0208426	0,0207046	0,0205768	0,0205326	0,0203764
EURO	2,3428000	2,3343000	2,3434000	2,3401000	2,3401000	2,3284000

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 31 December 2012 are as follows:

	Monthly average
USD	1,7661905
CHF	1,9150381
GBP	2,8460238
JPY	0,0210508
EURO	2,3179190

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Information related to currency risk:

Current Period	EURO	USD	OTER FC	TOTAL
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	4.743.859	4.122.389	2.014.662	10.880.910
Banks	788.473	133.251	1.491.038	2.412.762
Financial assets at fair value through profit and loss <sup>(3)</sup>	2.263	39.585	73	41.921
Money market placements	2.328	-	-	2.328
Financial assets available-for-sale <sup>(5)</sup>	591.408	226.518	-	817.926
Loans <sup>(2)</sup>	6.739.339	11.077.006	50.002	17.866.347
Subsidiaries, associates and entities under common control <sup>(5)</sup>	-	-	-	-
Held-to-maturity investments	660.391	648.590	-	1.308.981
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	4	4
Intangible assets	-	-	-	-
Other assets <sup>(3)</sup>	20.984	37.074	23	58.081
<b>Total assets</b>	<b>13.549.045</b>	<b>16.284.413</b>	<b>3.555.802</b>	<b>33.389.260</b>
<b>Liabilities</b>				
Bank deposits	3.903.165	724.051	1.303.620	5.930.836
Foreign currency deposits	8.980.269	8.859.738	2.052.545	19.892.552
Money market balances	-	310.222	-	310.222
Funds provided from other financial institutions	4.035.647	2.721.984	506	6.758.137
Bonds issued	-	1.346.168	-	1.346.168
Sundry creditors	14.564	49.143	18	63.725
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities <sup>(3)</sup>	57.243	118.826	7.788	183.857
<b>Total liabilities</b>	<b>16.990.888</b>	<b>14.130.132</b>	<b>3.364.477</b>	<b>34.485.497</b>
<b>Net balance sheet position</b>	<b>(3.441.843)</b>	<b>2.154.281</b>	<b>191.325</b>	<b>(1.096.237)</b>
<b>Net off-balance sheet position</b>				
Financial derivative assets <sup>(4)</sup>	3.049.695	1.159.250	420.616	4.629.561
Financial derivative liabilities <sup>(4)</sup>	173.065	3.435.073	286.015	3.894.153
Non-cash loans <sup>(1)</sup>	3.354.802	6.353.553	266.590	9.974.945
<b>Prior period</b>				
Total assets	14.245.291	12.541.003	814.841	27.601.135
Total liabilities	15.897.497	10.795.083	2.374.837	29.067.417
<b>Net balance sheet position</b>	<b>(1.652.206)</b>	<b>1.745.920</b>	<b>(1.559.996)</b>	<b>(1.466.282)</b>
<b>Net off-balance sheet position</b>				
Financial derivative assets	1.483.014	744.174	1.716.874	3.944.062
Financial derivative liabilities	132.037	2.537.382	153.091	2.822.510
Non-cash loans <sup>(1)</sup>	2.804.096	6.050.101	167.153	9.021.350

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

<sup>(2)</sup> Includes TRY 44.365 of foreign currency indexed loans and their accruals. (31 December 2011: 55.515 TL)

<sup>(3)</sup> In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position/Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 51.873), prepaid expenses (TRY 32) in assets; and derivative financial instruments foreign currency expense accruals (TRY 45.427) and shareholders' equity (TRY 45.241) in liabilities are not taken into consideration in the currency risk measurement.

<sup>(4)</sup> Financial derivative assets include credit default swaps amounting to TRY 88.250 and forward precious metal purchase transactions amounted to TRY 314.800. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 222.683.

<sup>(5)</sup> Demirhalkbank NV (TRY 74.716), an associate operates in foreign currency, Macar Halkbank (TRY 2.063) International Garagum Bank (TRY 250), and a foreign currency subsidiary Halk 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

### Foreign currency sensitivity:

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

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

	Change in currency rate in %	Effect on profit /loss before taxation	
		Current period	Prior period
USD	% 10 increase	(12.154)	(4.729)
EURO	% 10 increase	(56.521)	(30.123)
Other	% 10 increase	32.593	379

The Bank's sensitivity to foreign currency rates has increased due to the change of foreign currency position in the current period.

### 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.

**TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

**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
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	11.589	-	-	-	-	12.476.154	12.487.743
Banks and financial institutions	1.010.057	2.003	-	-	-	1.607.352	2.619.412
Financial assets at fair value through profit and loss	30.465	7.977	52.239	14.096	-	-	104.777
Money market placements	12.355	-	-	-	-	-	12.355
Financial assets available-for-sale	2.179.536	1.541.433	2.810.717	1.763.026	1.088.500	10.450	9.393.662
Loans	27.333.503	10.996.400	10.914.302	12.703.211	2.584.788	1.018.626	65.550.830
Held-to-maturity investments	3.708.038	3.576.657	2.512.340	2.910.462	748.018	-	13.455.515
Other assets <sup>(1), (2)</sup>	88.356	2.725	12.980	37.270	9.634	4.506.377	4.657.342
<b>Total assets</b>	<b>34.373.899</b>	<b>16.127.195</b>	<b>16.302.578</b>	<b>17.428.065</b>	<b>4.430.940</b>	<b>19.618.959</b>	<b>108.281.636</b>
<b>Liabilities</b>							
Bank deposits	2.995.018	273.235	356.116	-	-	3.800.731	7.425.100
Other deposits	38.161.559	17.344.106	4.809.758	39.306	-	12.194.072	72.548.801
Money market balances	164.804	216.426	-	-	-	-	381.230
Sundry creditors	311.342	4.460	767.298	-	-	120.317	1.203.417
Bonds issued	717.874	-	31.423	1.289.141	-	-	2.038.438
Funds provided from other financial institutions <sup>(4)</sup>	1.882.526	2.500.125	2.012.148	555.893	345.726	6.917	7.303.335
Other liabilities <sup>(3)</sup>	1.570.354	740.462	350.953	-	-	14.719.546	17.381.315
<b>Total liabilities</b>	<b>45.803.477</b>	<b>21.078.814</b>	<b>8.327.696</b>	<b>1.884.340</b>	<b>345.726</b>	<b>30.841.583</b>	<b>108.281.636</b>
Balance sheet long position	-	-	7.974.882	15.543.725	4.085.214	-	27.603.821
Balance sheet short position	(11.429.578)	(4.951.619)	-	-	-	(11.222.624)	(27.603.821)
Off-balance sheet long position	20.368	113.612	11.125	-	-	-	145.105
Off-balance sheet short position	(20.368)	(25.362)	(70.225)	-	-	-	(115.955)
<b>Total position</b>	<b>(11.429.578)</b>	<b>(4.863.369)</b>	<b>7.915.782</b>	<b>15.543.725</b>	<b>4.085.214</b>	<b>(11.222.624)</b>	<b>29.150</b>

<sup>(1)</sup> TRY 224.281 of deferred tax assets is disclosed under the non interest bearing column in other assets.

<sup>(2)</sup> TRY 343.008 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	9.371	-	-	-	-	7.262.999	7.272.370
Banks and financial institutions	1.288.851	72.593	-	-	-	113.556	1.475.000
Financial assets at fair value through profit and loss	8.457	39.659	3.058	71.439	5.586	-	128.199
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	1.405.522	1.118.738	1.165.700	3.880.702	1.636.648	12.760	9.220.070
Loans	24.709.925	6.730.675	10.788.011	10.959.578	1.803.423	957.834	55.949.446
Held-to-maturity investments	3.422.441	3.669.329	2.602.180	2.967.603	1.336.375	-	13.997.928
Other assets <sup>(1),(2)</sup>	96.581	1.836	8.208	27.257	9.133	2.937.632	3.080.647
<b>Total assets</b>	<b>30.941.148</b>	<b>11.632.830</b>	<b>14.567.157</b>	<b>17.906.579</b>	<b>4.791.165</b>	<b>11.284.781</b>	<b>91.123.660</b>
<b>Liabilities</b>							
Bank deposits	3.707.469	64.098	37.641	130.671	-	3.040.575	6.980.454
Other deposits	31.963.953	13.216.381	3.860.121	32.229	-	10.193.796	59.266.480
Money market balances	4.234.296	332.118	338.118	-	-	-	4.904.532
Sundry creditors	21.111	-	-	-	-	1.107.409	1.128.520
Bonds issued	495.615	-	-	-	-	-	495.615
Funds provided from other financial institutions <sup>(4)</sup>	2.028.627	2.421.369	1.527.829	182.321	130.295	786	6.291.227
Other liabilities <sup>(3)</sup>	1.461.551	348.600	42.563	-	-	10.204.118	12.056.832
<b>Total liabilities</b>	<b>43.912.622</b>	<b>16.382.566</b>	<b>5.806.272</b>	<b>345.221</b>	<b>130.295</b>	<b>24.546.684</b>	<b>91.123.660</b>
Balance sheet long position	-	-	8.760.885	17.561.358	4.660.870	-	30.983.113
Balance sheet short position	(12.971.474)	(4.749.736)	-	-	-	(13.261.903)	(30.983.113)
Off-balance sheet long position	-	7.951	281.562	815	-	-	290.328
Off-balance sheet short position	-	(7.951)	(141.532)	(815)	(59.100)	-	(209.398)
<b>Total position</b>	<b>(12.971.474)</b>	<b>(4.749.736)</b>	<b>8.900.915</b>	<b>17.561.358</b>	<b>4.601.770</b>	<b>(13.261.903)</b>	<b>80.930</b>

<sup>(1)</sup> TRY 72.164 of deferred tax assets is disclosed under the non-interest bearing column in other assets.

<sup>(2)</sup> TRY 266.958 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

### 2. Average interest rates applied to financial instruments:

Current period	EURO	USD	JPY	TRY
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey <sup>(5)</sup>	0,50	-	-	5,00
Due from other banks and financial institutions <sup>(1)</sup>	0,57	0,34	-	5,74
Financial assets at fair value through profit and loss	-	2,10	-	6,14
Money market placements	1,75	-	-	8,50
Available-for-sale financial assets	4,59	5,33	-	8,43
Loans <sup>(2)</sup>	4,61	4,14	2,17	12,46
Held-to-maturity investments	6,42	5,99	-	9,07
<b>Liabilities</b>				
Bank deposits	0,02	1,18	-	3,15
Other deposits <sup>(4)</sup>	3,03	2,92	-	7,68
Money market borrowings	2,30	1,46	-	4,78
Sundry creditors <sup>(3)</sup>	-	-	-	4,13
Bonds issued	-	2,44	-	8,66
Funds provided from other financial institutions	1,46	1,97	-	7,67
<b>Prior Period</b>				
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey <sup>(5)</sup>	0,50	-	-	5,00
Due from other banks and financial institutions <sup>(1)</sup>	0,82	0,25	-	-
Financial assets at fair value through profit and loss	-	4,60	-	9,83
Money market placements	-	-	-	-
Available-for-sale financial assets	4,90	4,97	-	8,72
Loans <sup>(2)</sup>	4,55	3,82	-	12,46
Held-to-maturity investments	6,38	7,02	-	11,09
<b>Liabilities</b>				
Bank deposits	1,29	0,99	-	10,84
Other deposits	3,75	3,77	-	9,44
Money market borrowings	2,11	1,59	-	9,16
Sundry creditors	-	-	-	4,50
Bonds issued	-	-	-	8,82
Funds provided from other financial institutions <sup>(4)</sup>	2,35	1,60	-	6,90

(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 twelve months as of 31 December 2012.

(4) Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 December 2012.

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

Standard interest rate shock methods are being used in respect of measuring the risk arising from repricing 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 repricing dates are taken into account for flexible interest instruments. Non-performing loans are placed to relevant maturity periods except demand time interval that are not than not be less than six months by taking into account receiving durations are receivables ratios under other receivables and estimated receiving durations. Foreign currency indexed asset and liabilities are placed to related forms by taking into accounts their indexed currency types.

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

Currency	Applied Shock (+/- x basis points)	Gains/ Losses	Gains/Shareholders' Equity – Losses/ Shareholders' Equity
1 TRY	500	(1.261.829)	(9,849%)
	(400)	1.282.128	10,008%
2 EURO	200	303.520	2,369%
	(200)	(266.543)	(2,081%)
3 USD	200	4.701	0,037%
	(200)	12.343	0,096%
Total (For negative shocks)		1.027.928	8,023%
Total (For positive shocks)		(953.608)	(7,443%)

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

Information about position risk of shares:

Equities	Balance Sheet Value	Comparison	
		Fair Value Change	Market Value
1. Associates	92.888	-	-
Quoted in a stock exchange	-	-	-
2. Subsidiaries	1.794.160	1.648.801	-
Quoted in a stock exchange <sup>(1)</sup>	245.245	245.245	-

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

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

Portfolio	Revaluated appreciation in the fair value			Unrealised gains and losses		
	Realised 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 <sup>(1)</sup>	- 186.195		83.788	-	-	-
3. Other share certificates	- 623.526		280.587	-	-	-
4. Total	- 809.721		364.375	-	-	-

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

# **TÜRKİYE HALK BANKASI A.Ş.**

## **NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

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

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

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
<b>Assets</b>								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	1.562.475	2.713.399	4.978.853	3.177.168	55.532	316	-	12.487.743
Banks	1.607.352	1.010.057	2.003	-	-	-	-	2.619.412
Financial assets at fair value through profit and loss	-	30.426	7.975	52.239	14.137	-	-	104.777
Money market placements	-	12.355	-	-	-	-	-	12.355
Financial assets available-for-sale	-	565.547	230.082	2.326.652	3.188.150	3.072.781	10.450	9.393.662
Loans <sup>(2)</sup>	822.424	7.423.224	5.623.205	19.628.905	28.247.466	3.805.606	-	65.550.830
Held-to-maturity investments	-	474.771	395.318	2.350.827	7.968.702	2.265.897	-	13.455.515
Other assets <sup>(3)</sup>	495.250	35.557	8.271	60.233	37.270	9.634	4.011.127	4.657.342
<b>Total assets</b>	<b>4.487.501</b>	<b>12.265.336</b>	<b>11.245.707</b>	<b>27.596.024</b>	<b>39.511.257</b>	<b>9.154.234</b>	<b>4.021.577</b>	<b>108.281.636</b>
<b>Liabilities</b>								
Bank deposits	3.800.731	2.995.018	273.235	356.116	-	-	-	7.425.100
Other deposits	12.194.072	38.157.362	17.333.940	4.709.991	149.221	4.215	-	72.548.801
Funds provided from other financial institutions <sup>(4)</sup>	819	205.112	279.232	3.233.882	1.871.749	1.712.541	-	7.303.335
Money market balances	-	164.804	216.426	-	-	-	-	381.230
Bonds issued	-	717.874	-	31.423	1.289.141	-	-	2.038.438
Sundry creditors	127.386	334.107	57.673	230.654	453.597	-	-	1.203.417
Other liabilities <sup>(1)</sup>	2.888.291	235.752	845.808	636.135	231.156	221.218	12.322.955	17.381.315
<b>Total liabilities</b>	<b>19.011.299</b>	<b>42.810.029</b>	<b>19.006.314</b>	<b>9.198.201</b>	<b>3.994.864</b>	<b>1.937.974</b>	<b>12.322.955</b>	<b>108.281.636</b>
<b>Liquidity gap</b>	<b>(14.523.798)</b>	<b>(30.544.693)</b>	<b>(7.760.607)</b>	<b>18.397.823</b>	<b>35.516.393</b>	<b>7.216.260</b>	<b>(8.301.378)</b>	<b>-</b>
<b>Previous period</b>								
Total assets	1.878.276	7.693.160	8.658.309	21.392.904	40.058.563	8.789.998	2.652.450	91.123.660
Total liabilities	15.940.633	41.154.079	14.323.459	7.392.184	1.668.497	2.004.812	8.639.996	91.123.660
<b>Liquidity gap</b>	<b>(14.062.357)</b>	<b>(33.460.919)</b>	<b>(5.665.150)</b>	<b>14.000.720</b>	<b>38.390.066</b>	<b>6.785.186</b>	<b>(5.987.546)</b>	<b>-</b>

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

<sup>(2)</sup> TRY 343.008 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

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

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

**TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
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Analysis of non-derivative financial liabilities by remaining contractual maturities:

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Deposits	57.263.265	17.798.366	5.239.599	152.143	4.215	(483.687)	79.973.901
Funds provided from other financial institutions	220.812	278.567	3.333.610	2.091.966	1.854.599	(476.219)	7.303.335
Money market borrowings	164.825	216.968	-	-	-	(563)	381.230
Securities issued	726.147	-	32.266	1.581.881	-	(301.856)	2.038.438
Funds	618.814	98.686	280.166	228.713	239.295	(57.787)	1.407.887
Sundry Creditors	461.493	57.673	230.654	453.597	-	-	1.203.417
<b>Total</b>	<b>59.455.356</b>	<b>18.450.260</b>	<b>9.116.295</b>	<b>4.508.300</b>	<b>2.098.109</b>	<b>(1.320.112)</b>	<b>92.308.208</b>
<b>Prior Period</b>							
Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Deposits	49.018.994	13.449.613	3.940.195	263.650	2.515	(428.033)	66.246.934
Funds provided from other financial institutions	116.227	242.101	3.039.070	1.447.852	1.973.045	(527.068)	6.291.227
Money market borrowings	4.259.706	333.153	344.220	-	-	(32.547)	4.904.532
Securities issued	498.675	-	-	-	-	(3.060)	495.615
Funds	616.898	75.101	253.089	227.475	224.475	(51.804)	1.345.234
Sundry Creditors	521.687	49.772	183.988	373.067	6	-	1.128.520
<b>Total</b>	<b>55.032.187</b>	<b>14.149.740</b>	<b>7.760.562</b>	<b>2.312.044</b>	<b>2.200.041</b>	<b>(1.042.512)</b>	<b>80.412.062</b>

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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In accordance with the Communiqué on the “Measurement and Assessment of Liquidity of the Banks” published in the official gazette dated 1 November 2006 No: 26333, beginning from 1 June 2007 liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%. Liquidity ratio as at 31 December 2012 and 2011 are presented below:

	Current Period				Prior Period			
	First maturity Tranche(Weekly)		First maturity Tranche(Monthly)		First maturity Tranche(Weekly)		First maturity Tranche(Monthly)	
	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC
Average	174,60	196,96	126,02	123,65	154,91	154,98	104,30	106,78
Maximum	230,51	250,27	149,85	141,13	214,63	206,10	129,89	121,41
Minimum	131,56	154,38	106,25	104,22	119,96	136,93	81,85	100,23

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

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	657.762	503.262	156.391	349	-	1.317.764
Forward Contracts – Sell	654.690	594.598	156.378	374	-	1.406.040
Swaps – Buy	704.421	2.281.832	117.536	529.500	-	3.633.289
Swaps – Sell	705.785	2.258.622	117.605	514.175	-	3.596.187
Credit Default Swap – Buy	-	-	-	88.250	-	88.250
Credit Default Swap – Sell	-	-	-	59.100	-	59.100
Forward Precious Metal-Buy	-	314.800	-	-	-	314.800
Forward Precious Metal-Sell	-	222.683	-	-	-	222.683
Money Buy Options	540	95.317	44.711	-	-	140.568
Money Sell Options	540	95.340	44.686	-	-	140.566
<b>Total</b>	<b>2.723.738</b>	<b>6.366.454</b>	<b>637.307</b>	<b>1.191.748</b>	<b>-</b>	<b>10.919.247</b>

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	465.213	162.649	70.521	-	-	698.383
Forward Contracts – Sell	466.418	1.703.426	71.104	-	-	2.240.948
Swaps – Buy	1.670.280	153.225	-	93.000	-	1.916.505
Swaps – Sell	1.683.159	153.119	-	59.500	-	1.895.778
Credit Default Swap – Buy	-	186.000	-	93.000	-	279.000
Credit Default Swap – Sell	-	138.970	-	59.100	-	198.070
Forward Precious Metal-Buy	-	1.500.223	-	-	-	1.500.223
Forward Precious Metal-Sell	-	7.849	-	-	-	7.849
Money Buy Options	36.785	10.663	21.932	-	-	69.380
Money Sell Options	36.811	10.638	21.931	-	-	69.380
<b>Total</b>	<b>4.358.666</b>	<b>4.026.762</b>	<b>185.488</b>	<b>304.600</b>	<b>-</b>	<b>8.875.516</b>

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

Securitization positions:

None.

### **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 value of the mortgages is being revalued 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.

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Informations about guaranties according to risk classifications :

Risk Classifications	Amount	Financial guaranties	Other/ Physical guaranties	Guarantees and credit derivatives
Claims on sovereigns and Central Banks	26.761.277	-	-	-
Claims on regional governments or local authorities	315.496	9.201	-	-
Claims on administrative bodies and other non-commercial undertakings	100.491	2.270	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	6.057.372	-	-	-
Claims on corporates	27.965.423	529.004	-	7.235
Claims included in the regulatory retail portfolios	22.480.629	1.391.852	-	44.447
Claims secured by residential property	15.873.466	28.074	-	-
Overdue loans	343.008	-	-	-
Higher risk categories decided by the Board	6.301.298	-	-	-
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	6.828.281	-	-	-

(<sup>(4)</sup>In the determination of the amounts, the non-cash loans and other off-balance sheet items are taken into account after being multiplied by credit conversion rates.

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## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

#### Credit Risk:

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

In the process of credit assessment process, rating modules are used by the 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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**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.

**XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION**

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

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

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

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

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

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

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

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

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

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

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Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 December 2012 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury/ Investment <sup>(1)</sup>	Elimination <sup>(2)</sup>	Total
<b>OPERATING INCOME/EXPENSES</b>						
Interest income	1.276.590	1.005.258	9.552.764	7.470.001	(10.313.630)	8.990.983
Interest on loans	672.695	768.542	4.921.350	367.954	-	6.730.541
Interest income on marketable securities	-	-	-	2.238.713	-	2.238.713
Interest received from banks	-	-	-	12.181	-	12.181
Other interest income(2)	603.895	236.716	4.631.414	4.851.153	(10.313.630)	9.548
Interest expense	950.726	760.028	7.118.050	5.999.732	(10.313.630)	4.514.906
Interest on deposits	416.090	171.514	3.321.467	175.229	-	4.084.300
Interest on borrowings	2.808	13.023	10.784	122.640	-	149.255
Interest on money market borrowings	-	-	-	134.448	-	134.448
Interest on marketable bonds issued	-	-	-	96.597	-	96.597
Other interest expense <sup>(2)</sup>	531.828	575.491	3.785.799	5.470.818	(10.313.630)	50.306
Net interest income	325.864	245.230	2.434.714	1.470.269	-	4.476.077
Net fees and commissions income	187.774	150.501	453.469	66.680	-	858.424
Net trading profit/(loss)	-	-	-	554.644	-	554.644
Dividend income	-	-	-	64.024	-	64.024
Other income	1.142	24.124	218.983	115.993	-	360.242
Loans and other receivables' impairment loss	49.836	44.341	290.519	501.920	-	886.616
Other expenses	22.110	53.912	942.819	1.078.815	-	2.097.656
Income before taxes	442.834	321.602	1.873.828	690.875	-	3.329.139
Income tax provision	-	-	-	(733.928)	-	(733.928)
Net profit for the period	442.834	321.602	1.873.828	(43.053)	-	2.595.211
<b>SEGMENT ASSETS</b>						
Marketable securities	-	-	-	22.870.798	-	22.870.798
Derivative financial assets held for trading	-	-	-	83.156	-	83.156
Banks and money market receivables	-	-	-	2.631.767	-	2.631.767
Associates and subsidiaries (net)	-	-	-	1.887.048	-	1.887.048
Loans	10.349.116	9.552.386	40.585.669	5.406.667	-	65.893.838
Other assets <sup>(1)</sup>	597	8.554	713.351	14.192.527	-	14.915.029
<b>TOTAL ASSETS</b>	<b>10.349.713</b>	<b>9.560.940</b>	<b>41.299.020</b>	<b>47.071.963</b>	<b>-</b>	<b>108.281.636</b>
<b>SEGMENT LIABILITIES</b>						
Deposits	12.539.825	4.183.138	55.389.430	7.861.508	-	79.973.901
Derivative financial liabilities held for trading	-	-	-	50.666	-	50.666
Money market balances	-	-	-	381.230	-	381.230
Borrowing funding loans	8.155	219.674	220.342	6.855.164	-	7.303.335
Bonds issued	-	-	-	2.038.438	-	2.038.438
Other liabilities	33.071	86.758	2.556.752	1.206.009	-	3.882.590
Provisions and tax payable	16.217	18.851	90.809	2.202.644	-	2.328.521
Shareholders' equity	-	-	-	12.322.955	-	12.322.955
<b>TOTAL LIABILITIES</b>	<b>12.597.268</b>	<b>4.508.421</b>	<b>58.257.333</b>	<b>32.918.614</b>	<b>-</b>	<b>108.281.636</b>
<b>OFF BALANCE SHEET ITEMS</b>						
Guarantees and surety ships	9.919.066	5.156.066	11.084.441	78.479.206	-	104.638.779
Commitments	33.667	342.791	6.185.456	68.732.470	-	75.294.384
Derivative financial instruments	-	-	-	9.610.192	-	9.610.192

<sup>(1)</sup> Amounts arising from transactions of general directorate are presented under the treasury/investment column. In this context net of property, plant and equipment amounting TRY 1.123.165 (net) and deferred tax assets amounting TRY 224.281 in other assets are presented under the Treasury/Investment column.

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

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Prior Period	Corporate	Commercial	SME/ Integrated	Treasury/ Investment <sup>(1)</sup>	Elimination <sup>(2)</sup>	Total
<b>OPERATING INCOME/EXPENSES</b>						
Interest income	906.902	766.928	7.573.218	6.000.806	(7.969.194)	7.278.660
Interest on loans	478.406	598.862	3.863.407	305.226	-	5.245.901
Interest income on marketable securities	-	-	-	2.018.505	-	2.018.505
Interest received from banks	-	-	-	9.229	-	9.229
Other interest income <sup>(2)</sup>	428.496	168.066	3.709.811	3.667.846	(7.969.194)	5.025
Interest expense	673.738	540.020	5.458.666	5.102.187	(7.969.194)	3.805.417
Interest on deposits	295.061	113.428	2.539.616	224.087	-	3.172.192
Interest on borrowings	2.612	11.229	5.651	107.023	-	126.515
Interest on money market borrowings	-	-	-	453.091	-	453.091
Interest on imported tangible assets	-	-	-	17.310	-	17.310
Other interest expense <sup>(2)</sup>	376.065	415.363	2.913.399	4.300.676	(7.969.194)	36.309
Net interest income	233.164	226.908	2.114.552	898.619	-	3.473.243
Net fees and commissions income	71.346	97.301	484.841	74.679	-	728.167
Net trading profit/(loss)	-	-	-	207.539	-	207.539
Dividend income	-	-	-	48.531	-	48.531
Other income	4.861	29.863	326.791	232.936	-	594.451
Loans and other receivables' impairment loss	3.433	45.545	168.136	472.870	-	689.984
Other expenses	14.508	50.787	850.320	809.636	-	1.725.251
Income before taxes	291.430	257.740	1.907.728	179.798	-	2.636.696
Income tax provision	-	-	-	(591.562)	-	(591.562)
Net profit for the period	291.430	257.740	1.907.728	(411.764)	-	2.045.134
<b>SEGMENT ASSETS</b>						
Marketable securities	-	-	-	23.252.231	-	23.252.231
Derivative financial assets held for trading	-	-	-	93.966	-	93.966
Banks and money market receivables	-	-	-	1.475.000	-	1.475.000
Associates and subsidiaries (net)	-	-	-	927.476	-	927.476
Loans	7.267.113	8.298.222	35.063.374	5.587.695	-	56.216.404
Other assets <sup>(1)</sup>	671	160.081	933.226	8.064.605	-	9.158.583
<b>TOTAL ASSETS</b>	<b>7.267.784</b>	<b>8.458.303</b>	<b>35.996.600</b>	<b>39.400.973</b>	<b>-</b>	<b>91.123.660</b>
<b>SEGMENT LIABILITIES</b>						
Deposits	7.143.940	2.813.885	46.615.466	9.673.643	-	66.246.934
Derivative financial liabilities held for trading	-	-	-	65.358	-	65.358
Money market balances	-	-	-	4.904.532	-	4.904.532
Borrowing funding loans	35.746	204.493	159.670	5.891.318	-	6.291.227
Bonds issued	-	-	-	495.615	-	495.615
Other liabilities	25.354	47.019	2.126.270	845.340	-	3.043.983
Provisions and tax payable	6.812	13.866	80.975	1.334.362	-	1.436.015
Shareholders' equity	-	-	-	8.639.996	-	8.639.996
<b>TOTAL LIABILITIES</b>	<b>7.211.852</b>	<b>3.079.263</b>	<b>48.982.381</b>	<b>31.850.164</b>	<b>-</b>	<b>91.123.660</b>
<b>OFF BALANCE SHEET ITEMS</b>						
Guarantees and surety ships	9.672.659	3.959.359	4.160.754	53.685	-	17.846.457
Commitments	23.890	213.890	5.328.820	65.674.431	-	71.241.031
Derivative financial instruments	-	-	-	8.198.431	-	8.198.431

<sup>(1)</sup> Amounts arising from transactions of general directorate are presented under the treasury/investment column. In this context net of property, plant and equipment amounting TRY1.011.022 (net) and deferred tax assets amounting TRY 72.164 in other assets are presented under the Treasury/Investment column.

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

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>103.613.844</b>	<b>88.030.253</b>	<b>100.084.905</b>	<b>85.745.919</b>
Cash and Balances with the Central Bank of Turkey	12.487.743	7.272.370	12.487.743	7.272.370
Financial assets fair value changes reflected to income statement	104.777	128.199	104.777	128.199
Banks	2.619.412	1.475.000	2.619.412	1.475.000
Money market placements	12.355	-	12.355	-
Available for sale financial assets <sup>(1)</sup>	9.383.212	9.207.310	9.383.212	9.207.310
Held to maturity investments	13.455.515	13.997.928	13.336.577	13.721.824
Loans <sup>(2)</sup>	65.550.830	55.949.446	62.140.829	53.941.216
<b>Financial Liabilities</b>	<b>90.952.227</b>	<b>79.134.004</b>	<b>90.644.050</b>	<b>78.685.712</b>
Deposits	79.973.901	66.246.934	80.086.060	66.349.901
Derivative financial liabilities held for trading	50.666	65.358	50.666	65.358
Funds provided from other financial institutions	7.303.335	6.291.227	6.946.820	5.858.089
Money market borrowings	381.230	4.904.532	381.230	4.904.532
Securities issued	2.038.438	495.615	2.038.438	495.615
Miscellaneous payables	1.203.417	1.128.520	1.139.596	1.010.399
Leasing payables	1.240	1.818	1.240	1.818

<sup>(1)</sup> As of 31 December 2012 TRY 10.450 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2011: TRY 12.760).

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

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

i- The fair value of the held to maturity assets is determined by market places, when the market prices are not available, quoted market prices of other marketable securities which are subject to redemption with the same terms of interest maturity and other similar conditions have been used.

ii- The applicable interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial institutions and sundry creditors.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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### Classification of Fair Value Measurement

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

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit/loss:</b>				
Financial assets held for trading purpose <sup>(2)</sup>	19.018	83.156	-	102.174
<i>Debt securities</i>	19.018	-	-	19.018
<i>Derivative financial assets held for trading purpose</i>	-	83.156	-	83.156
Available-for-sale financial assets <sup>(1)</sup>	9.383.212	-	-	9.383.212
<i>Debt securities</i>	9.383.212	-	-	9.383.212
<b>Total Financial Assets</b>	<b>9.402.230</b>	<b>83.156</b>	<b>-</b>	<b>9.485.386</b>
<b>Financial liabilities at fair value through profit/loss:</b>				
Derivative financial liabilities held for trading purpose	-	50.666	-	50.666
<b>Total Financial Liabilities</b>	<b>-</b>	<b>50.666</b>	<b>-</b>	<b>50.666</b>

<sup>(1)</sup>31 Aralık (1)As of 31 December 2012 share certificates amounting to TRY 10.450 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

<sup>(2)</sup> As of 31 December 2012, marketable securities amounting to TRY 2.603 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

**TÜRKİYE HALK BANKASI A.Ş.**  
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Prior Period	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit/loss:</b>				
Financial assets held for trading purpose <sup>(2)</sup>	32.136	93.966	-	126.102
<i>Debt securities</i>	32.136	-	-	32.136
<i>Derivative financial assets held for trading purpose</i>	-	93.966	-	93.966
<i>Bonds</i>	-	-	-	-
Available-for-sale financial assets <sup>(1)</sup>	9.207.310	-	-	9.207.310
<i>Debt securities</i>	9.207.310	-	-	9.207.310
<b>Total Financial Assets</b>	<b>9.239.446</b>	<b>93.966</b>	<b>-</b>	<b>9.333.412</b>
<b>Financial liabilities at fair value through profit/loss:</b>				
Derivative financial liabilities held for trading purpose	-	65.358	-	65.358
<b>Total Financial Liabilities</b>	<b>-</b>	<b>65.358</b>	<b>-</b>	<b>65.358</b>

<sup>(1)</sup>31 Aralık 2011(1) As of 31 December 2011 share certificates amounting to TRY 12.760 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

<sup>(2)</sup> As of 31 December 2011, marketable securities amounting to TRY 2.097 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

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

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

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	523.326	162.093	386.367	95.434
Central Bank of Turkey	1.083.507	10.718.803	2.124.824	4.665.730
Other	-	14	-	15
<b>Total</b>	<b>1.606.833</b>	<b>10.880.910</b>	<b>2.511.191</b>	<b>4.761.179</b>

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount <sup>(1)</sup>	1.076.051	876.801	2.120.213	705.092
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits <sup>(2)</sup>	7.456	9.842.002	4.611	3.960.638
<b>Total</b>	<b>1.083.507</b>	<b>10.718.803</b>	<b>2.124.824</b>	<b>4.665.730</b>

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

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

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% according to their maturities (31 December 2011: between 5% and 11% according to their maturities), foreign currency liabilities in USD, EUR and/or standard gold at the rates between 6% and 11,5% according to their maturities (31 December 2011: between 6% and 11 % 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.827 dated 16 July 2012 of TRNC Central Bank’s, required reserve ratio is between 5% and 8% for TRY liabilities and 8% for foreign currency liabilities.

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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(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	-	6.455	-	4.957
Swap transactions	-	76.658	-	88.970
Futures transactions	-	-	-	-
Options	5	38	37	2
Other	-	-	-	-
<b>Total</b>	<b>5</b>	<b>83.151</b>	<b>37</b>	<b>93.929</b>

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
<b>Banks</b>				
Domestic banks	169.258	473.232	24	602.661
Foreign banks	37.392	1.939.530	11.310	861.005
Branches and offices abroad	-	-	-	-
<b>Total</b>	<b>206.650</b>	<b>2.412.762</b>	<b>11.334</b>	<b>1.463.666</b>

b) Information on foreign banks:

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	322.998	795.651	-	-
USA and Canada	84.504	38.731	-	-
OECD Ülkeleri <sup>(1)</sup>	1.448.154	12.058	-	-
Offshore Banking Regions	-	-	-	-
Other	121.266	25.875	-	-
<b>Total</b>	<b>1.976.922</b>	<b>872.315</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada.

**TÜRKİYE HALK BANKASI A.Ş.**  
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(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	64.482	96.796	-	-
Total	64.482	96.796	-	-

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	
	TRY	FC	TRY	FC
Debt securities	9.385.785		9.317.482	
Quoted on a stock exchange	9.385.785		9.317.482	
Not quoted	-		-	
Share certificates	29.333		25.095	
Quoted on a stock exchange	-		-	
Not quoted	29.333		25.095	
Impairment provision(-)	21.456		122.507	
Total	9.393.662		9.220.070	

(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	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	126.697	-	117.787	-
Total	126.697	-	117.787	-

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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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)	Payment plan extensions	Agreement conditions modified	Loans and other receivables (Total)	Payment plan extensions	Agreement conditions modified
Cash loans			Other			Other
Non-specialized loans	50.866.985	535.864	-	1.759.468	1.067.322	-
<i>Corporation loans</i>	28.927.812	415.873	-	1.498.542	1.064.223	-
<i>Export loans</i>	2.173.099	80.226	-	34.460	1.732	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	1.678.983	20.000	-	-	-	-
<i>Consumer loans<sup>(1)</sup></i>	16.139.353	19.037	-	182.691	1.367	-
<i>Credit cards<sup>(2)</sup></i>	1.278.289	-	-	31.469	-	-
<i>Other</i>	669.449	728	-	12.306	-	-
Specialized lending	12.013.224	66.333	-	151.158	1.166	-
Other receivables	-	-	-	-	-	-
Accruals	737.584	7.064	-	22.411	12.533	-
<b>Total</b>	<b>63.617.793</b>	<b>609.261</b>	<b>-</b>	<b>1.933.037</b>	<b>1.081.021</b>	<b>-</b>

<sup>(1)</sup> Includes TRY 91.514 of personnel loans.

<sup>(2)</sup> Includes TRY 35.183 of personnel credit cards.

**TÜRKİYE HALK BANKASI A.Ş.**  
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	Standard Loans and Other Receivables <sup>(*)</sup>	Loans and Other Receivables Under Close Monitoring <sup>(**)</sup>
<b>Number of modifications made to extend payment plan</b>		
Extended by 1 or 2 times	509.109	1.059.929
Extended by 3,4 or 5 times	77.059	7.016
Extended by more than 5 times	16.029	1.543

<sup>(\*)</sup>Accruals amounting to TRY 7.064 are not included in the table above.

<sup>(\*\*)</sup>Accruals amounting to TRY 12.533 are not included in the table above.

	Standard Loans and Other Receivables <sup>(*)</sup>	Loans and Other Receivables Under Close Monitoring <sup>(**)</sup>
<b>Extended period of time</b>		
0-6 Months	425.088	1.056.026
6 Months-12 Months	128.464	7.039
1-2 Years	28.195	4.179
2-5 Years	19.346	634
5 Years and over	1.104	610

<sup>(\*)</sup>Accruals amounting to TRY 7.064 are not included in the table above.

<sup>(\*\*)</sup>Accruals amounting to TRY 12.533 are not included in the table above.

*c) Loans according to their maturity structure:*

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
<b>Short term loans and other receivables</b>	16.891.398	324.803	197.468	37.562
<i>Non-specialized loans</i>	16.580.920	310.067	193.945	37.122
<i>Specialized lending</i>	114.639	10.970	1.234	5
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	195.839	3.766	2.289	435
<b>Medium and long term loans and other receivables</b>	46.117.134	284.458	654.548	1.043.459
<i>Non-specialized loans</i>	33.750.201	225.797	498.201	1.030.200
<i>Specialized lending</i>	11.832.252	55.363	148.758	1.161
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	534.681	3.298	7.589	12.098

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## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	254.012	15.687.212	15.941.224
Real estate loans	5.280	6.582.838	6.588.118
Automobile loans	2.954	95.488	98.442
Consumer loans	245.766	8.979.858	9.225.624
Other	12	29.028	29.040
Consumer loans- Indexed to FC	-	133	133
Real estate loans	-	133	133
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans- FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual credit cards-TRY	1.162.796	1.249	1.164.045
Installment	413.507	-	413.507
Non-installment	749.289	1.249	750.538
Individual credit cards-FC	7	-	7
Installment	-	-	-
Non-installment	7	-	7
Personnel loans-TRY	5.062	86.452	91.514
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	5.062	86.452	91.514
Other	-	-	-
Personnel loans-Indexed to FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel credit cards-TRY	35.177	5	35.182
Installment	14.617	-	14.617
Non-installment	20.560	5	20.565
Personnel credit cards-FC	1	-	1
Installment	-	-	-
Non-installment	1	-	1
Overdraft accounts-TRY (Retail customer)	289.173	-	289.173
Overdraft accounts-FC (Retail customer)	-	-	-
<b>Total</b>	<b>1.746.228</b>	<b>15.775.051</b>	<b>17.521.279</b>

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

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*e) Information on commercial installments loans and corporate credit cards:*

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	5.641	610.695	616.336
<i>Business residential loans</i>	119	363.988	364.107
<i>Automobile loans</i>	5.522	246.707	252.229
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans-FC	-	37.474	37.474
<i>Business residential loans</i>	-	37.474	37.474
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Corporate credit cards-TRY	110.509	-	110.509
<i>Installment</i>	21.442	-	21.442
<i>Non-installment</i>	89.067	-	89.067
Corporate credit cards-FC	14	-	14
<i>Installment</i>	-	-	-
<i>Non-installment</i>	14	-	14
Overdraft accounts-TRY (Commercial customer)	278.988	-	278.988
Overdraft accounts-FC (Commercial customer)	-	-	-
<b>Total</b>	<b>395.152</b>	<b>648.169</b>	<b>1.043.321</b>

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

*f) Loan according to type of borrowers:*

	Current period	Prior period
Public	1.707.174	1.798.381
Private	63.843.656	54.151.065
<b>Total</b>	<b>65.550.830</b>	<b>55.949.446</b>

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*g) Domestic and foreign loans:*

	Current period	Prior period
Domestic loans	65.197.297	55.533.345
Foreign loans	353.533	416.101
<b>Total</b>	<b>65.550.830</b>	<b>55.949.446</b>

*h) Loans granted to subsidiaries and associates:*

	Current period	Prior period
Direct loans granted to subsidiaries and associates	299.727	144.642
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>299.727</b>	<b>144.642</b>

*i) Specific provisions provided against loans:*

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	210.052	89.188
Loans and receivables with doubtful collectability	87.200	22.057
Uncollectible loans and receivables	1.319.386	1.290.492
<b>Total</b>	<b>1.616.638</b>	<b>1.401.737</b>

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Current period</b>	<b>49.445</b>	<b>5.259</b>	<b>83.234</b>
(Gross amounts before the specific provisions) Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	49.445	5.259	83.234
<b>Prior period</b>	<b>36.628</b>	<b>7.817</b>	<b>129.380</b>
(Gross amounts before the specific provisions) Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	36.628	7.817	129.380

**TÜRKİYE HALK BANKASI A.Ş.**  
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*j.2. Information on the movement of non-performing loans:*

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior period end balance	144.159	30.608	1.493.928
Additions (+)	641.654	32.685	95.638
Transfers from other categories of loans under follow-up (+)	-	229.698	158.108
Transfers to other categories of loans under follow-up (-)	277.679	110.127	-
Collections (-)	158.838	37.916	282.272
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	349.296	144.948	1.465.402
<i>Specific provision (-)</i>	210.052	87.200	1.319.386
Net balance on balance sheet	139.244	57.748	146.016

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

None.

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period (Net)	139.244	57.748	146.016
Loans to granted real persons and legal entities (Gross)	349.189	144.658	1.426.581
Specific provisions (-)	209.945	86.910	1.280.565
Loans to granted real persons and legal entities (Net)	139.244	57.748	146.016
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	107	290	38.821
Specific provisions (-)	107	290	38.821
Other loans and receivables (Net)	-	-	-
Prior period (Net)	54.971	8.551	203.436
Loans to granted real persons and legal entities (Gross)	144.021	30.350	1.452.789
Specific provisions (-)	89.050	21.799	1.249.353
Loans to granted real persons and legal entities (Net)	54.971	8.551	203.436
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	138	258	41.139
Specific provisions (-)	138	258	41.139
Other loans and receivables (Net)	-	-	-

## TÜRKİYE HALK BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

#### l) Explanations on write-off policy:

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

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

Current Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
<b>Loans</b>				
Corporate Loans	8.766	5.624	14.545	28.935
SME Loans	80.765	32.350	20.697	133.812
Consumer Loans	15.657	5.919	3.913	25.489
Credit cards	100.296	15.219	6.770	122.285
<b>Total</b>	<b>205.484</b>	<b>59.112</b>	<b>45.925</b>	<b>310.521</b>

(\*)Only the overdue loans that subject to outstanding principal payment amounting to TRY 521.515 are included.

Prior Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
<b>Loans</b>				
Corporate Loans	244	1.483	1.451	3.178
SME Loans	79.147	26.178	13.677	119.002
Consumer Loans	12.901	4.792	2.236	19.929
Credit cards	79.797	13.358	4.216	97.371
<b>Total</b>	<b>172.089</b>	<b>45.811</b>	<b>21.580</b>	<b>239.480</b>

(\*)Only the overdue loans that subject to outstanding principal payment amounting to TRY 341.197 are included.

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(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	2.172.312	461.592	2.620.979	417.083
<b>Total</b>	<b>2.172.312</b>	<b>461.592</b>	<b>2.620.979</b>	<b>417.083</b>

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	62.980	333.509	4.004.244	895.666
<b>Total</b>	<b>62.980</b>	<b>333.509</b>	<b>4.004.244</b>	<b>895.666</b>

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

	Current period	Prior period
Government bonds	13.455.515	13.997.928
Treasury bills	-	-
Other public sector debt securities	-	-
<b>Total</b>	<b>13.455.515</b>	<b>13.997.928</b>

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	13.455.515	13.997.928
Quoted on a stock exchange	11.623.088	11.595.218
Not quoted	1.832.427	2.402.710
Impairment provision (-)	-	-
<b>Total</b>	<b>13.455.515</b>	<b>13.997.928</b>

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

	Current period	Prior period
Beginning balance	13.997.928	12.719.179
Foreign currency differences on monetary assets	(83.455)	328.614
Purchases during the year <sup>(1)</sup>	2.135.045	1.944.289
Disposals through sales and redemptions <sup>(2)</sup>	(2.594.003)	(994.154)
Impairment provision (-)/provision reversal (+)	-	-
<b>Balance at the of the period</b>	<b>13.455.515</b>	<b>13.997.928</b>

<sup>(1)</sup> Interest income accrual difference between 31 December 2012 amounting to TRY 815.308 and 31 December 2011 amounting to TRY 725.676 has been included in purchases row.

<sup>(2)</sup> In accordance with the tainting rules defined in paragraph 9 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2012, the Bank reclassified TRY 159.827 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.

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

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

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of Treasury of Republic of Turkey <sup>(2)</sup>	7.541.130	-	8.198.174	-	6.592.294	-	7.038.990	-
Obtained with the transfer	1.800.000	-	1.832.427	-	2.340.938	-	2.402.709	-
Reclassified from other securities portfolios <sup>(1)</sup>	2.049.330	254.067	2.115.933	270.795	2.424.517	1.229.627	2.554.706	1.289.865
Other	-	995.680	-	1.038.186	-	684.876	-	711.658
<b>Total</b>	<b>11.390.460</b>	<b>1.249.747</b>	<b>12.146.534</b>	<b>1.308.981</b>	<b>11.357.749</b>	<b>1.914.503</b>	<b>11.996.405</b>	<b>2.001.523</b>

<sup>(1)</sup> While paragraph 54 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB") permit reclassification of financial assets from Available for Sale Financial Assets to Held to Maturity Portfolio, with the Communiqué 105, dated 31 October 2008 and published in the Official Gazette 27040, TASB, made an amendment related to Article 50 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement and also permitted the reclassification of financial assets recognized as Financial Assets at Fair Value Through Profit and Loss Portfolio to Held to Maturity Financial Assets Portfolio within a certain period identified in the amendments. In order to avoid the effect of market fluctuations on financial assets portfolio, on 3 October 2008 and 8 October 2008, the Bank reclassified from Financial Assets at Fair Value Through Profit and Loss from Available for Sale Financial Assets to Held to Maturity Investments.

<sup>(2)</sup> The Bank has not reclassified any financial assets from other portfolios to held to maturity investment portfolio during 2012. The additions for the period and financial assets are shown under "Obtained from Under Secretariat of Treasury of Republic of Turkey" row.

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### (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	Holland	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	32,26
4. Bileşim Alternatif Dağ. Kan. AŞ	Istanbul	24,00	24,00
5. Kredi Kayıt Bürosu AŞ	Istanbul	18,18	18,18
6. Bankalararası Kart Merkezi AŞ	Istanbul	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.	4.212.101	494.562	26.982	86.999	28.387	30.181	7.822	-
2.	46.695	46.488	127	-	-	909	1.933	-
3.	28.297	13.131	4.542	446	88	1.400	2.379	-
4.	75.321	57.644	4.076	1.299	-	23.655	12.265	-
5.	28.465	22.672	13.462	-	-	4.189	3.179	-

<sup>(1)</sup> No investment is listed on the stock exchange.

<sup>(2)</sup> The information is presented from financial statements as 30 September 2012.

#### c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	96.105	143.527
Movements during the period	(3.217)	(47.422)
<i>Purchases</i>	-	1.000
<i>Bonus shares obtained profit from current year's share</i>	-	1.238
<i>Dividends from current year income</i>	-	-
<i>Sales<sup>(2)</sup></i>	(717)	-
<i>Transfers<sup>(1)</sup></i>	(3.006)	(49.660)
<i>Revaluation decrease (-)/increase</i>	-	-
<i>Provision for impairment (-)/reversals (+)</i>	506	-
<b>Balance at the end of the period</b>	<b>92.888</b>	<b>96.105</b>
Capital commitments	-	1.000
Share percentage at the end of the period (%)	-	0,00

<sup>(1)</sup>In the current period, Kredi Garanti Fonu AŞ is classified as financial assets available for sale.

<sup>(2)</sup> Fintek A.Ş. with cost of TRY 717 was sold for TRY 1.512 on 28 December 2012.

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*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	20.337

*e) Associates quoted to a stock exchange:*

None.

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

*a) Information on subsidiaries:*

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Banka AD, Skopje	Halk Faktoring AŞ
<b>CORE CAPITAL</b>								
Paid in Capital	46.000	40.000	72.000	477.000	93.950	5.000	74.250	20.000
Effect of Inflation Adjustment on Paid in Capital	-	3	-	-	482	-	-	-
Share Premiums	-	-	-	-	-	-	11.633	-
Legal Reserves	5.555	13.785	11.435	24.474	16.688	-	2.009	-
Extraordinary Reserves	-	-	606	-	43	-	(10.010)	-
Profit/Loss	6.268	3.843	38.163	17.699	24.577	36	703	108
Net Profit	6.080	12.102	34.225	9.922	15.720	275	428	108
Prior Period Profit/Loss	188	(8.259)	3.938	7.777	8.857	(239)	275	-
Leasehold Improvements (-)	-	-	1.763	205	518	-	-	-
Intangible Assets (-)	226	1.736	448	13	451	10	1.006	300
<b>Total Core Capital</b>	<b>57.597</b>	<b>55.895</b>	<b>119.993</b>	<b>518.955</b>	<b>134.771</b>	<b>5.026</b>	<b>77.579</b>	<b>19.808</b>
<b>SUPPLEMENTARY CAPITAL</b>								
	-	-	6.122	-	-	-	3.998	-
<b>CAPITAL</b>	<b>57.597</b>	<b>55.895</b>	<b>126.115</b>	<b>518.955</b>	<b>134.771</b>	<b>5.026</b>	<b>81.577</b>	<b>19.808</b>
<b>NET AVAILABLE CAPITAL(1)</b>	<b>57.597</b>	<b>55.895</b>	<b>126.115</b>	<b>518.955</b>	<b>134.771</b>	<b>5.026</b>	<b>81.577</b>	<b>19.808</b>

<sup>(1)</sup>The information is presented from financial statements subject to consolidation as of 30 September 2012.

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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.

### 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	99,94	99,96
2. Halk Sigorta AŞ	İstanbul	89,18	89,18
3. Halk Hayat ve Emeklilik AŞ	İstanbul	94,40	99,46
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul	99,84	99,99
5. Halk Finansal Kiralama AŞ	İstanbul	99,99	99,99
6. Halk Portföy Yönetimi AŞ	İstanbul	55,99	98,71
7. Halk Banka AD, Skopje	Macedonia	98,78	98,78
8. Halk Faktoring AŞ	İstanbul	95,00	100,00

### c) Information related to the subsidiaries as sorted in (b):

	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.	270.975	57.823	2.212	11.016	455	6.080	8.669	78.753
2.	290.741	57.631	4.178	8.321	3.119	12.102	(8.259)	245.245
3.	363.723	128.326	2.738	22.164	14.023	34.225	25.644	485.216
4.	679.652	519.173	608.002	1.561	71	9.922	27.456	614.016
5.	1.159.165	135.740	1.252	59.602	-	15.720	5.648	200.980
6.	5.174	5.036	88	365	6	275	(160)	3.482
7.	467.228	78.792	20.966	19.786	2.116	428	(172)	-
8.	20.272	20.108	347	603	-	108	-	21.109

(1) The information is presented from financial statements subject to consolidation as 30 September 2012.

(2) The information is presented from valuation reports as 31 December 2012.

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### d) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period	831.371	596.081
Movements during the period	962.789	235.290
Purchases <sup>(1)</sup>	88.882	166.910
Bonus shares obtained profit from current year's share	64.186	-
Dividends from current year income	-	-
Sales	-	-
Transfer	-	49.660
Revaluation increase	809.721	-
Reversal of provision for impairment (-)	-	18.720
<b>Balance at the end of the period</b>	<b>1.794.160</b>	<b>831.371</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(1)</sup> Purchases amounting to TRY 19.000 consists capital payments to Halk Faktoring AŞ established in current period and 95% of which is owned by the Bank. The payment of TRY 25.970 was made for the increase in capital of the Halk Sigorta A.Ş. and the payment of TRY 43.912 was made for the shares of Ziraat Banka AD, Skopje after the merger of Halk Banka AD, Skopje and Ziraat Banka AD, Skopje through the transfer of shares on 1 October 2012.

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

	Current period	Prior period
Banks	145.359	101.447
Insurance companies	730.461	77.460
Factoring companies	21.109	-
Leasing companies	200.980	131.043
Financing companies	-	-
Other financial subsidiaries	696.251	521.421

### f) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock <sup>(1)</sup>	245.245	-
Quoted foreign stock exchange	-	-

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

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(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:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
<b>Cost:</b>					
Immovables	634.189	18.395	5.152	(16.880)	630.552
Tangible assets purchased through financial lease	40.474	220	3.870	-	36.824
Office machines	194.274	64.738	23.410	-	235.602
Fixed assets obtained due to non-performing loans	356.167	166.263	131.840	65.094	455.684
Lease hold improvements costs	218.474	18.486	3.074	-	233.886
Other	119.829	35.067	7.356	-	147.540
<b>Total Cost</b>	<b>1.563.407</b>	<b>303.169</b>	<b>174.702</b>	<b>48.214</b>	<b>1.740.088</b>
<b>Accumulated depreciation:</b>					
Immovables	188.714	12.660	1.596	(4.441)	195.337
Tangible assets purchased through financial lease	37.329	748	3.866	-	34.211
Office machines	90.667	34.055	11.095	-	113.627
Fixed assets obtained due to non-performing loans	6.343	5.113	2.736	142	8.862
Lease hold improvements costs	167.383	16.458	2.152	-	181.689
Other	49.750	25.742	6.812	-	68.680
<b>Total accumulated depreciation</b>	<b>540.186</b>	<b>94.776</b>	<b>28.257</b>	<b>(4.299)</b>	<b>602.406</b>
<b>Provision for impairment (-)</b>					
Immovables	7.183	-	597	(66)	6.520
Tangible assets purchased through financial lease	-	-	-	-	-
Office machines	-	-	-	-	-
Fixed assets obtained due to non-performing loans	5.016	4.105	1.124	-	7.997
Other	-	-	-	-	-
<b>Total provision for impairment (-)</b>	<b>12.199</b>	<b>4.105</b>	<b>1.721</b>	<b>(66)</b>	<b>14.517</b>
<b>Net Book Value</b>	<b>1.011.022</b>	<b>204.288</b>	<b>144.724</b>	<b>52.579</b>	<b>1.123.165</b>

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Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
<b>Cost:</b>					
Immovables	661.377	22.051	(34.077)	(15.162)	634.189
Tangible assets purchased through financial lease	45.895	2.846	(8.267)	-	40.474
Office machines	177.635	107.969	(91.330)	-	194.274
Fixed assets obtained due to non-performing loans	308.856	333.416	(198.727)	(87.378)	356.167
Lease hold improvements costs	100.608	29.019	(9.798)	-	119.829
Other	208.739	15.764	(6.029)	-	218.474
<b>Total Cost</b>	<b>1.503.110</b>	<b>511.065</b>	<b>(348.228)</b>	<b>(102.540)</b>	<b>1.563.407</b>
<b>Accumulated depreciation:</b>					
Immovables	185.735	12.864	(5.144)	(4.741)	188.714
Tangible assets purchased through financial lease	42.154	3.273	(8.098)	-	37.329
Office machines	105.265	23.940	(38.538)	-	90.667
Fixed assets obtained due to non-performing loans	11.949	3.924	(11.039)	1.509	6.343
Lease hold improvements costs	34.440	21.519	(6.209)	-	49.750
Other	155.602	16.318	(4.537)	-	167.383
<b>Total accumulated depreciation</b>	<b>535.145</b>	<b>81.838</b>	<b>(73.565)</b>	<b>(3.232)</b>	<b>540.186</b>
<b>Provision for impairment (-)</b>					
Immovables	8.457	24	(1.008)	(290)	7.183
Tangible assets purchased through financial lease	-	-	-	-	-
Office machines	-	-	-	-	-
Fixed assets obtained due to non-performing loans	14.140	4.326	(13.450)	-	5.016
Other	-	-	-	-	-
<b>Total provision for impairment (-)</b>	<b>22.597</b>	<b>4.350</b>	<b>(14.458)</b>	<b>(290)</b>	<b>12.199</b>
<b>Net Book Value</b>	<b>945.368</b>	<b>424.877</b>	<b>(260.205)</b>	<b>(99.018)</b>	<b>1.011.022</b>

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(13) Information on intangible assets:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
<b>Cost:</b>					
Other intangible assets	30.944	14.303	(2.282)	-	42.965
<b>Total Cost</b>	<b>30.944</b>	<b>14.303</b>	<b>(2.282)</b>	<b>-</b>	<b>42.965</b>
<b>Accumulated Depreciation:</b>					
Other intangible assets	3.374	2.456	(150)	-	5.680
<b>Total Accumulated Depreciation</b>	<b>3.374</b>	<b>2.456</b>	<b>(150)</b>	<b>-</b>	<b>5.680</b>
<b>Net Book Value</b>	<b>27.570</b>	<b>11.847</b>	<b>(2.132)</b>	<b>-</b>	<b>37.285</b>
Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
<b>Cost:</b>					
Other intangible assets	20.627	12.388	(2.071)	-	30.944
<b>Total Cost</b>	<b>20.627</b>	<b>12.388</b>	<b>(2.071)</b>	<b>-</b>	<b>30.944</b>
<b>Accumulated Depreciation:</b>					
Other intangible assets	2.962	1.727	(1.315)	-	3.374
<b>Total Accumulated Depreciation</b>	<b>2.962</b>	<b>1.727</b>	<b>(1.315)</b>	<b>-</b>	<b>3.374</b>
<b>Net Book Value</b>	<b>17.665</b>	<b>10.661</b>	<b>(756)</b>	<b>-</b>	<b>27.570</b>

(14) Information on investment property:

None

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(15) Information on deferred tax assets:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions <sup>(1)</sup>	99.430	76.851
Revaluation of Financial Assets	125.769	(4.513)
Other	(918)	(174)
Deferred Tax (Asset) /Liability:	224.281	72.164
Deferred tax accounted in shareholders' equity	(102.987)	32.737
Fair value differences for available for sale financial assets	(102.987)	32.737

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

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

	Current period	Prior period
Cost	3.788	84.009
Accumulated Depreciation (-) <sup>(1)</sup>	(812)	(1.837)
Net Book Value	2.976	82.172
Opening Balance	82.172	98.131
Acquisitions (Transfers) (Net)	(48.214)	102.540
Disposals (Net)	(31.924)	(116.712)
Impairment Charge/Cancellation	(83)	50
Amortization Charge <sup>(1)</sup>	1.025	(1.837)
Net Book Value	2.976	82.172

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

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(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 1.039.579 and does not exceed 10% of the balance sheet total (31 December 2011: TRY 693.285).

**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	2.563.522	-	335.368	20.810.899	2.373.604	406.168	681.048	114.646	27.285.255
Foreign currency deposits	2.945.516	-	1.268.870	8.688.674	1.953.360	1.061.284	2.041.097	11.144	17.969.945
Residents in Turkey	2.380.868	-	1.239.838	8.490.388	1.827.781	785.953	1.434.000	11.006	16.169.834
Residents abroad	564.648	-	29.032	198.286	125.579	275.331	607.097	138	1.800.111
Public sector deposits	2.212.833	-	602.583	4.195.036	374.235	17.313	34.467	-	7.436.467
Commercial inst. deposits	2.158.531	-	1.338.364	7.007.998	2.151.522	173.019	65.477	-	12.894.911
Other inst. deposits	391.063	-	2.538.913	1.050.647	668.795	317.580	72.618	-	5.039.616
Precious metals	1.922.607	-	-	-	-	-	-	-	1.922.607
Interbank deposits	3.800.731	-	2.331.665	542.250	139.224	437.281	173.949	-	7.425.100
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	3.461	-	87.708	82.230	135.683	81.040	-	-	390.122
Foreign banks	3.713.932	-	2.243.957	460.020	3.541	356.241	173.949	-	6.951.640
Participation banks	83.338	-	-	-	-	-	-	-	83.338
<b>Total</b>	<b>15.994.803</b>	<b>-</b>	<b>8.415.763</b>	<b>42.295.504</b>	<b>7.660.740</b>	<b>2.412.645</b>	<b>3.068.656</b>	<b>125.790</b>	<b>79.973.901</b>

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*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	2.134.100	-	487.067	18.873.956	2.058.919	317.385	852.893	90.331	24.814.651
Foreign currency deposits	1.967.562	-	2.768.560	7.020.355	2.135.441	765.194	1.676.911	10.818	16.344.841
<i>Residents in Turkey</i>	1.877.351	-	1.718.473	6.534.438	1.306.222	463.508	1.182.384	10.813	13.093.189
<i>Residents abroad</i>	90.211	-	1.050.087	485.917	829.219	301.686	494.527	5	3.251.652
Public sector deposits	1.732.329	-	728.399	2.569.662	540.507	32.252	652	-	5.603.801
Commercial inst. deposits	1.957.764	-	2.393.350	3.507.912	403.463	62.920	41.787	-	8.367.196
Other inst. deposits	335.851	-	32.901	992.193	432.832	256.614	19.410	-	2.069.801
Precious metals	2.066.190	-	-	-	-	-	-	-	2.066.190
Interbank deposits	3.040.575	-	3.012.839	740.105	31.037	25.230	130.668	-	6.980.454
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	4.502	-	2.816.026	37.006	30.030	4.139	-	-	2.891.703
<i>Foreign banks</i>	2.826.223	-	196.813	703.099	1.007	21.091	130.668	-	3.878.901
<i>Participation banks</i>	209.850	-	-	-	-	-	-	-	209.850
<b>Total</b>	<b>13.234.371</b>	<b>-</b>	<b>9.423.116</b>	<b>33.704.183</b>	<b>5.602.199</b>	<b>1.459.595</b>	<b>2.722.321</b>	<b>101.149</b>	<b>66.246.934</b>

*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	13.331.212	12.713.126	13.891.236	12.046.510
Foreign currency saving deposits	3.820.318	3.663.365	7.099.773	5.963.493
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	80.179	66.115	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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*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	130.342		151.869	
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	2.553		3.734	
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	-		-	

(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	-	5.086	-	45.829
Swap transactions	-	45.427	-	19.443
Future transactions	-	-	-	-
Options	14	139	44	42
Other	-	-	-	-
<b>Total</b>	<b>14</b>	<b>50.652</b>	<b>44</b>	<b>65.314</b>

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	227.349	248.874	221.380	216.162
Foreign banks, institutions and funds	317.849	6.509.263	157.703	5.695.982
<b>Total</b>	<b>545.198</b>	<b>6.758.137</b>	<b>379.083</b>	<b>5.912.144</b>

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### b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	197.901	3.498.043	182.627	2.829.244
Medium and long-term	347.297	3.260.094	196.456	3.082.900
<b>Total</b>	<b>545.198</b>	<b>6.758.137</b>	<b>379.083</b>	<b>5.912.144</b>

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

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

Main liability of the Bank is deposit, which is composed of 35% of saving deposits and 24% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Bank's 80% of banks deposits and 27% of other deposits consist of foreign currency deposits.

#### Information on funds provided from repurchase agreement transactions:

	Current period		Prior period	
	TRY	FC	TRY	FC
<b>From domestic transactions</b>	<b>70.718</b>	<b>-</b>	<b>3.947.963</b>	<b>-</b>
<i>Financial inst. and organizations</i>	7.697	-	3.891.146	-
<i>Other institutions and organizations</i>	36.784	-	26.422	-
<i>Real persons</i>	26.237	-	30.395	-
<b>From overseas transactions</b>	<b>278</b>	<b>308.654</b>	<b>101.445</b>	<b>842.706</b>
<i>Financial inst. and organizations</i>	-	308.654	101.257	842.706
<i>Other institutions and organizations</i>	-	-	-	-
<i>Real persons</i>	278	-	188	-
Accruals	12	1.568	7.194	5.224
<b>Total</b>	<b>71.008</b>	<b>310.222</b>	<b>4.056.602</b>	<b>847.930</b>

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(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills <sup>(1)</sup>	692.270	-	495.615	-
Bonds <sup>(2)</sup>	-	1.346.168	-	-
<b>Total</b>	<b>692.270</b>	<b>1.346.168</b>	<b>495.615</b>	<b>-</b>

<sup>(1)</sup>As of 20 July 2012, the treasury bills amounting to TRY 750.000 with maturity of 175 days are issued by the Bank.

<sup>(2)</sup>As of 19 July 2012, the bonds amounting to USD 750.000 with maturity of 5 years 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.

a) Maturity structure of funds:

Current period		Prior Period	
Short-term	Long-term	Short-term	Long-term
9.624	1.398.263	2.719	1.342.515

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 1.270.046 and does not exceed 10% of the balance sheet total (31 December 2011: TRY 568.411).

(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.

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*b) Explanation on finance lease payables:*

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years <sup>(1)</sup>	1.737	1.240	2.754	1.818
More than 4 years	-	-	-	-
<b>Total</b>	<b>1.737</b>	<b>1.240</b>	<b>2.754</b>	<b>1.818</b>

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

*c) Explanations regarding operational leases:*

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

*(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	972.148	656.783
Provisions for first group loans and receivables	844.129	596.273
<i>Additional provisions for the loans with extended payment plan</i>	28.583	25.131
Provisions for second group loans and receivables	65.804	7.145
<i>Additional provisions for the loans with extended payment plan</i>	53.421	3.661
Provisions for non cash loans	62.215	53.365
Other	-	-

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

None.

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

As of 31 December 2012, the Bank's specific provision for unindemnified non-cash loans balance is TRY 62.896 (31 December 2011: TRY 41.419). The Bank provides 50% of provision for these non cash loans. TRY 2.483 (31 December 2011: TRY 2.525) 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 452.941 (31 December 2011: TRY 277.156) consists of TRY 62.896 (31 December 2011: TRY 41.419) for specific provisions for unindemnified non cash loans, TRY 26.870 (31 December 2011: TRY 21.437) for legal cases filed against the Bank, TRY 328.300 (31 December 2011: TRY 194.000) provision for prudence in consideration for any changes that may arise in the economy and the market, TRY 34.875 (31 December 2011: TRY 20.300) of other provisions.

### d.1.) Movement of employee termination benefits:

Severance indemnity provision is calculated by an independent company by using the Severance indemnity provision as of 31 December 2012 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation, according to TAS 19, is as follows;

	Current Period <sup>(1)</sup>	Prior Period
Discount Rate	7,63%	Değişken
Inflation Rate	5,00%	Değişken
Wage growth	2,63%	Değişken
Estimated Real Wage Growth Rate	5,20%	%2

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

	Current Period	Prior Period
As of January 1	225.930	203.258
Charge for the year	16.877	14.725
Interest Expense	21.201	19.756
Actuarial gain/loss	49.210	12.962
Payment/The limitation of benefits/ Loss ( Gain) because of discharge	7.700	8.776
Benefits paid within the period(-)	(27.494)	(33.547)
<b>Total</b>	<b>293.424</b>	<b>225.930</b>

As of 31 December 2012, unused vacation provision is TRY 101.715. and severance indemnity provision for outsource firms is TRY 6.609. This amount is followed under employee benefits provision under liabilities (31 December 2011: TRY 87.110 TL for unused vacation provision; TRY 4.974 for severance indemnity provision for outsource firms).

Actuarial gains and losses are recognized and accounted in current period.

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### 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 2012 and 31 December 2011, no technical deficit has been reported. Besides, no technical deficit for T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported as of 31 December 2012 and 31 December 2011.

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

#### a) Information on current tax liability:

##### a.1. Information on tax provision:

As of 31 December 2012, the Bank's corporate tax payable is amounting to TRY 375.625 after setting off TRY 646.143 of prepaid taxes from TRY 1.021.768 of corporate tax liabilities tax provision.

##### a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	375.625	86.320
Income on securities tax	65.518	50.386
Property income tax	626	507
Banking and insurance transactions tax (BITT)	32.614	25.179
Foreign exchange transactions tax	3	2
Value added tax payable	-	196
Other	15.631	12.740
<b>Total</b>	<b>490.017</b>	<b>175.330</b>

##### a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	14	10
Social insurance premiums-employer	15	13
Bank social aid pension fund premium-employee	4.462	3.386
Bank social aid pension fund premium-employer	6.211	4.609
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	-	-
Unemployment insurance-employer	-	-
Other	965	714
<b>Total</b>	<b>11.667</b>	<b>8.732</b>

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*b) Explanations regarding 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.

(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.

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*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)	809.721	-	-	-
Revaluation difference	344.562	45.241	76.746	(343.524)
Exchange rate difference	-	-	-	-
<b>Total</b>	<b>1.154.283</b>	<b>45.241</b>	<b>76.746</b>	<b>(343.524)</b>

*i) Information on legal reserves:*

	Current period	Prior period
First Legal Reserves	498.255	395.998
Second Legal Reserves	384.225	352.151
Legal reserves appropriated in accordance with the law	1.856	1.503
<b>Total</b>	<b>884.336</b>	<b>749.652</b>

*j) Information on the extraordinary reserves*

	Current period	Prior period
Reserves appropriated by General Assembly	5.113.614	3.589.934
Retained Earnings	54.850	47.181
Accumulated Reserves	-	-
Foreign Currency Translation Differences (-)	-	-
<b>Total</b>	<b>5.168.464</b>	<b>3.637.115</b>

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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	6.013.182	4.614.215
Payment commitments for cheques	4.575.929	3.976.513
Loan granting commitments	1.053.442	890.035
Two days forward foreign exchange buy/sell transactions	1.309.055	677.085
Commitments for credit cards and banking services promotions	30.707	26.857
Tax and fund liabilities from export commitments	13.903	11.389
Share capital commitments to associates and subsidiaries <sup>(1)</sup>	-	1.000
Other irrevocable commitments	1.159.813	1.058.973
<b>Total</b>	<b>14.156.031</b>	<b>11.256.067</b>

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

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

	Current period	Prior period
Bank acceptance loans	2.808.022	4.080.511
Letters of credit	1.183.307	627.992
Other guarantees	551.962	423.056
<b>Total</b>	<b>4.543.291</b>	<b>5.131.559</b>

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

	Current period	Prior period
Letters of certain guarantees	7.205.696	5.993.331
Letters of advance guarantees	1.715.752	1.660.373
Letters of tentative guarantees	1.036.387	948.430
Letters of guarantee given to customs offices	399.607	324.948
Other letters of guarantee	4.833.470	3.787.816
<b>Total</b>	<b>15.190.912</b>	<b>12.714.898</b>

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### c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	352.259	160.706
Within one year or less original maturity	495	674
Within more than one year maturity	351.764	160.032
Other non-cash loans	19.381.944	17.685.751
<b>Total</b>	<b>19.734.203</b>	<b>17.846.457</b>

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

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	15.850	0,16	7.564	0,08	9.191	0,10	14.280	0,16
<i>Farming and raising livestock</i>	13.616	0,14	7.405	0,07	8.840	0,10	14.280	0,16
<i>Forestry</i>	311	0,00	-	0,00	110	-	-	-
<i>Fishing</i>	1.923	0,02	159	0,00	241	-	-	-
Manufacturing	2.497.573	25,59	5.429.819	54,43	2.899.659	32,86	4.911.296	54,44
<i>Mining</i>	52.277	0,54	117.185	1,17	33.649	0,38	173.010	1,92
<i>Production</i>	1.913.354	19,61	5.055.379	50,68	2.592.261	29,38	4.454.421	49,37
<i>Electric, gas and water</i>	531.942	5,45	257.255	2,58	273.749	3,10	283.865	3,15
Construction	2.911.411	29,83	2.221.757	22,27	2.447.520	27,73	2.088.187	23,15
Services	4.231.887	43,36	2.266.499	22,72	3.426.793	38,83	1.802.737	19,98
<i>Wholesale and retail trade</i>	1.724.829	17,67	1.139.607	11,42	1.393.864	15,80	824.833	9,14
<i>Hotel, food and beverage services</i>	52.285	0,54	9.808	0,10	56.007	0,63	10.480	0,11
<i>Transportation and telecommunication</i>	111.747	1,15	37.707	0,38	106.658	1,21	56.650	0,63
<i>Financial Institutions</i>	1.951.977	20,00	573.612	5,75	1.606.045	18,20	358.091	3,97
<i>Real estate and renting services</i>	351.881	3,61	490.056	4,91	239.586	2,71	546.387	6,06
<i>Self-employment services</i>	8.836	0,09	327	0,00	5.339	0,06	344	-
<i>Education services</i>	5.348	0,05	2.698	0,03	2.842	0,03	5.357	0,06
<i>Health and social services</i>	24.984	0,26	12.684	0,13	16.452	0,19	595	0,01
Other	102.537	1,05	49.306	0,49	41.944	0,48	204.850	2,27
<b>Total</b>	<b>9.759.258</b>	<b>100,00</b>	<b>9.974.945</b>	<b>100,00</b>	<b>8.825.107</b>	<b>100,00</b>	<b>9.021.350</b>	<b>100,00</b>

**TÜRKİYE HALK BANKASI A.Ş.**  
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*c.2) Non-cash loans classified in Group I and II:*

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	9.673.959	9.870.795	85.299	104.150
Letters of guarantee	9.362.824	5.645.258	85.299	97.531
Bank acceptances	31.047	1.152.260	-	-
Letters of credit	1.661	2.799.742	-	6.619
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	278.427	273.535	-	-

*c.3) Information on derivative financial instruments:*

	Derivative transactions according to purposes			
	Trading		Risk Management	
	Current period	Prior period	Current period	Prior period
Types of trading transactions				
Foreign currency related derivative transactions (I)	8.925.359	6.213.289	-	-
Forward foreign currency buy/sell transactions	1.414.749	2.262.246	-	-
Currency buy/sell swap	7.229.476	3.812.283	-	-
Currency futures	-	-	-	-
Currency put/call options	281.134	138.760	-	-
Interest related derivative transactions (II)	-	-	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	-	-	-	-
Interest rate put/call options	-	-	-	-
Interest rate buy/sell futures	-	-	-	-
Other trading derivative transactions (III) <sup>(1)</sup>	684.833	1.985.142	-	-
A. Total trading derivative transactions (I+II+III)	9.610.192	8.198.431	-	-
Types of derivative transactions for risk management	-	-	-	-
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B. Total derivative transactions for hedging	-	-	-	-
Total derivative transactions (A+B)	9.610.192	8.198.431	-	-

<sup>(1)</sup> Other trading derivatives include credit default swap purchases and sale transactions amounting TRY 88.250 and TRY 59.100 respectively and forward precious metal purchase and sale transactions amounting TRY 314.800, TRY 222.683 respectively.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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### d) Information on contingent liabilities and assets:

The Bank has provided TRY 26.870 (31 December 2011: TRY 21.437) of provision for the disputed legal cases filed by various persons and institutions.

On the other hand, according to the decision numbered 11-55/1438 dated 2 November 2011 of the Competition Board, investigation on some enterprises in banking sector, including 12 banks and 2 financial services institutions, including the parent bank, allegedly violating the fourth substance of Law numbered 4054 is continuing. As determined by Bank's management all activities subject to investigation is in conformity with the legislation, therefore, provided no provision as of 31 December 2012.

### e) Services supplied on behalf of others:

None.

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

### (1) Information on interest income:

#### a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
<b>Interest on loans<sup>(1)</sup></b>				
Short term loans	1.971.246	168.548	1.623.275	192.604
Medium and long term loans	3.668.294	842.744	2.670.376	627.530
Interest on non-performing loans	79.709	-	132.115	1
Premiums from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>5.719.249</b>	<b>1.011.292</b>	<b>4.425.766</b>	<b>820.135</b>

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

#### b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	6.274	1.386	53	737
Overseas banks	1.347	3.174	751	7.688
Head office and branches	-	-	-	-
<b>Total</b>	<b>7.621</b>	<b>4.560</b>	<b>804</b>	<b>8.425</b>

**TÜRKİYE HALK BANKASI A.Ş.**  
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*c) Interest income on marketable securities:*

	Current Period		Prior Period	
	DC	FC	DC	FC
Financial Assets Held for Trading	1.104	543	4.703	549
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	736.397	69.895	653.163	69.605
Held-to-Maturity Investments	1.317.630	113.144	1.173.705	116.780
<b>Total</b>	<b>2.055.131</b>	<b>183.582</b>	<b>1.831.571</b>	<b>186.934</b>

*d) Interest income from subsidiaries and associates:*

	Current period		Prior period	
Interest income from subsidiaries and associates		8.716		5.749

(2) Information on interest expenses:

*a) Information on interest expense on funds borrowed:*

	Current period		Prior period	
	TRY	FC	TRY	FC
<b>Banks</b>	<b>23.594</b>	<b>112.906</b>	<b>15.631</b>	<b>101.950</b>
<i>Central Bank of Turkey</i>	-	-	-	-
<i>Domestic banks</i>	18.956	7.129	15.631	5.466
<i>Overseas banks</i>	4.638	105.777	-	96.484
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	12.755	-	8.934	-
<b>Total</b>	<b>36.349</b>	<b>112.906</b>	<b>24.565</b>	<b>101.950</b>

**TÜRKİYE HALK BANKASI A.Ş.**  
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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

*b) Interest expenses to subsidiaries and associates:*

	Current period	Prior period
Interest expenses to subsidiaries and associates	33.160	28.193

*c) Information on interest expenses to marketable securities issued:*

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	66.938	29.659	17.310	-
Total	66.938	29.659	17.310	-

*d) Maturity structure of interest expenses on deposits:*

Account name	Demand deposits	Time deposits					Cumulative deposit	Total
		Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
<b>TRY</b>								
Bank deposits	91	65.320	15.757	906	737	-	-	82.811
Saving deposits	6	23.851	1.831.250	214.020	32.512	75.019	8.354	2.185.012
Public deposits	437	35.271	269.660	27.380	10.248	2.932	-	345.928
Commercial deposits	20	129.788	463.854	107.403	16.268	4.340	-	721.673
Other deposits	31	32.937	128.489	45.573	43.978	2.997	-	254.005
7 days call accounts	-	-	-	-	-	-	-	-
Total	585	287.167	2.709.010	395.282	103.743	85.288	8.354	3.589.429
<b>Foreign currency</b>								
Deposits	153	52.317	269.060	63.052	26.348	60.763	-	471.693
Bank deposits	-	23.178	-	-	-	-	-	23.178
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
Total	153	75.495	269.060	63.052	26.348	60.763	-	494.871
Grand total	738	362.662	2.978.070	458.334	130.091	146.051	8.354	4.084.300

**TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(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	622	620
Other	63.402	47.911
<b>Total</b>	<b>64.024</b>	<b>48.531</b>

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

	Current period	Prior period
<b>Profit</b>	<b>8.284.069</b>	<b>6.953.400</b>
Profit from the capital market operations	388.537	104.991
Profit on derivative financial instruments	1.454.742	1.677.612
Foreign exchange gains	6.440.790	5.170.797
<b>Loss (-)</b>	<b>7.729.425</b>	<b>6.745.861</b>
Loss from the capital market operations	3.263	8.943
Loss on derivative financial instruments	1.662.579	1.521.514
Foreign exchange losses	6.063.583	5.215.404

b) Information on derivative financial instruments:

	Current period	Prior period
<b>Profit on derivative financial instruments</b>	<b>1.454.742</b>	<b>1.677.612</b>
Effect of the change in foreign exchange on profit	1.454.742	1.615.952
Effect of the change in interest rate on profit	-	61.660
<b>Loss on derivative financial instruments (-)</b>	<b>1.662.579</b>	<b>1.521.514</b>
Effect of the change in foreign exchange on loss	1.601.565	1.491.881
Effect of the change in interest rate on loss	61.014	29.633
<b>Profit/loss on derivative financial instruments</b>	<b>(207.837)</b>	<b>156.098</b>

**TÜRKİYE HALK BANKASI A.Ş.**  
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(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	195.388	436.493
-Specific provision reversals for Loans under follow up	173.030	284.483
-Other prior period expense reversals income	22.358	152.010
Receivable from the asset sale on credit terms	118.011	117.078
Rent income	6.016	6.276
Cheques	5.364	5.619
Provision for communication expenses	7.632	7.579
Other income	27.831	21.406
<b>Total</b>	<b>360.242</b>	<b>594.451</b>

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	382.808	211.056
Group-III loans and receivables	260.139	107.771
Group-IV loans and receivables	37.234	20.637
Group-V loans and receivables	85.435	82.648
General loan provision expenses	315.365	266.662
Provision expenses for possible losses	134.300	186.400
Marketable securities impairment losses	6.548	-
Financial assets at fair value through profit and loss	-	-
Financial assets available for sale	6.548	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
Associates	-	-
Subsidiaries	-	-
Jointly controlled entities (joint ventures)	-	-
Investments held-to-maturity	-	-
Other	47.595	25.866
<b>Total</b>	<b>886.616</b>	<b>689.984</b>

**TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
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(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	842.962	731.842
Reserve for employee termination benefits	96.623	58.201
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	24
Depreciation expenses of fixed assets	89.663	77.914
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	2.456	1.727
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	3.514	4.326
Amortization expenses of assets that will be disposed of	5.113	3.924
Impairment expense for property and equipment held for sale	7	-
Other operating expenses	756.866	592.951
<i>Operational leasing expenses</i>	108.667	84.621
<i>Maintenance expenses</i>	14.719	16.161
<i>Advertisement expenses</i>	95.942	54.869
<i>Other expenses</i>	537.538	437.300
Loss on sales of assets	337	2.100
Other	300.115	252.242
<b>Total</b>	<b>2.097.656</b>	<b>1.725.251</b>

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

The Bank's income before tax is due from continuing activities. TRY 4.476.077 of the income before tax consists of net interest income, TRY 858.424 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Bank is amounting to TRY 3.329.139.

**TÜRKİYE HALK BANKASI A.Ş.**  
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**(9) Information on tax provisions for continuing and discontinued operations:**

For the nine-month period ended 31 December 2012, the Bank's tax provision amounting to TRY 733.928 consists of TRY 1.021.768 of current tax charge and TRY 287.840 of deferred tax income.

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

For the nine-month period ended 31 December 2012; the Bank's net operating income after tax is amounting to TRY 2.595.211.

**(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 2012 and 31 December 2012.

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.

**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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

### 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 3.807.302 thousands for the year 2012. 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 766.373 thousands for the year 2012.

For the year ended 31 December 2012, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 516.724 decrease (31 December 2011: TRY 865.256, 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	7.272.370	4.649.560
<i>Cash in TRY and foreign currency</i>	481.801	379.280
<i>Central Bank and others<sup>(1)</sup></i>	6.790.569	4.270.280
Cash equivalents	1.475.000	1.109.419
<i>Demand and Time Deposits Up to 3 Months</i>	1.475.000	989.394
<i>Money Market Placements</i>	-	120.025
<b>Total cash and cash equivalents</b>	<b>8.747.370</b>	<b>5.758.979</b>
Reserve deposits in Central Bank of Turkey	(3.965.249)	(1.317.067)
Accruals on reserve deposits in Central Bank of Turkey	-	(3.498)
Accruals on money market placement	-	(25)
Accruals on banks	(219)	(53)
<b>Cash and Cash Equivalents</b>	<b>4.781.902</b>	<b>4.438.336</b>

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

(5) Period ending cash and cash equivalents balance:

	Current Period	Prior Period
Cash	12.487.743	7.272.370
Cash in TRY and foreign currency	685.419	481.801
Central Bank and others <sup>(1)</sup>	11.802.324	6.790.569
Cash Equivalents	2.631.767	1.475.000
Demand and Time Deposits Up to 3 Months	2.619.412	1.475.000
Money Market Placements	12.355	-
Cash and Banks	15.119.510	8.747.370
Reserve deposits in Central Bank of Turkey	(9.849.458)	(3.965.249)
Accruals on banks	(566)	(219)
<b>Total Cash and Cash Equivalents</b>	<b>5.269.486</b>	<b>4.781.902</b>

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

### 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	144.642	84.051	-	-	-	-
Closing balance	299.727	340.509	-	-	-	-
Interest and commissions income	8.716	1.824	-	-	-	-

**TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
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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	75.704	36.366	-	-	-	-
Closing balance	144.642	84.051	-	-	-	-
Interest and commissions income	5.581	168	-	-	-	-

c.1. 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	306.082	284.026	-	-	-	-
Closing Balance	579.099	306.082	-	-	-	-
Interest expense on deposits	33.160	28.193	-	-	-	-

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

### c.2. 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	62.206	-	-	-	-	-
Closing Balance	68.331	62.206	-	-	-	-
Total Profit/Loss	(384)	-	-	-	-	-

### (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 ile Halk Hayat ve Emeklilik AŞ and business agencies for Halk Yatırım Menkul Değerler AŞ. Besides, Halk Portföy Yönetimi AŞ is engaging in fund management of 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	299.727	%0,46
Non-cash loans	340.509	%1,73
Deposits	579.099	%0,73
Forward and option contracts	68.331	%0,71
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.

**TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
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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 6.399 as of 31 December 2012 (31 December 2011: TRY 5.253).

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

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

	Quantity	Number of employees	Country		
Domestic Branches	816	14.930			
Agencies Abroad	1	2	Tahran/IRAN		
				Total Assets	Legal Capital
Overseas Branches	4	19	Lefkoşa/KKTC	202.217	50.000
		9	Gazimagosa/KKTC	27.317	-
		6	Girne/KKTC	24.903	-
		2	Paşaköy/KKTC	434	-
Off-shore Branches	1	3	Manama/BAHREYN	4.448.351	-

(2) Explanations on branch and agency openings or closings of the Bank:

The Bank opened 50 domestic branches during the year.

 **TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

**IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS**

In addition to the existing bonds issuance, the Bank made an application to the Capital Markets Board (CMB) on 31 December 2012 related to bond issuance with collateral and without collateral along with the foreign countries up to value USD 2 billion or equivalently in other foreign currencies with the different maturities and different currencies. Bond issuance amounting to nominal value USD 750 million with the maturity of 7 years was approved by Capital Markets Board (CMB) on 22 January 2013 and the bond issuance was carried out by the Bank on 5 February 2013.

The Bank made an application to the Capital Markets Board (CMB) regarding to the issuance of treasury bills up to TRY 3.000.000 million with different maturities on 7 December 2012. Treasury bills amounting to nominal value TRY 750 million with the maturity of 175 days was approved by Capital Markets Board (CMB) on 4 January 2013 and the issuance was carried out by the Bank on 11 January 2013.

**TÜRKİYE HALK BANKASI A.Ş.**  
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**SECTION VI: OTHER EXPLANATIONS AND NOTES**

**I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS**

None.

**SECTION VII: INDEPENDENT AUDITORS' REPORT**

**I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT**

The unconsolidated financial statements as of and for the year ended 31 December 2012 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 13 February 2013 is presented in the introduction of this report.

**II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS**

None.



Türkiye Halk Bankası  
Anonim Şirketi

Consolidated Financial Statements  
As of and For the Year Ended 31 December 2012  
With Independent Auditors' Report Thereon  
(Convenience Translation of Consolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)





**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**  
Kavacak Rüzgarlı Bahçe Mah.  
Kavak Sok. No:3  
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Convenience Translation of the Independent Auditors' Report Originally Prepared and  
Issued in Turkish (See Section 3.I)

INDEPENDENT AUDITORS' REPORT  
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2012

To the Board of Directors of Türkiye Halk Bankası AŞ;

We have audited the consolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") and its financial affiliates (together "the Group") as of 31 December 2012 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the consolidated financial statements.

Management's responsibility for the Financial Statements:

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

Disclosure for the Responsibility of the Authorized Audit Firm:

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

The accompanying consolidated financial statements as of 31 December 2012 include a general reserve amounting to TRY 328.300 thousands, TRY 194.000 thousands of which had been recognized as expense in the prior periods and TRY 134.300 thousands of which was charged to the income statement as expense in the current period, provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

In our opinion, except for the effect of the matter described in the fourth paragraph above on the consolidated financial statements, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ and its financial affiliates as of 31 December 2012 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 and Article 38 of (Turkish) Banking Law No 5411 and the other regulations, communiqués and circulars in respect of accounting and financial reporting made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

Istanbul,  
1 March 2013

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

Erdal Tıkmak  
Partner

Additional paragraph for convenience translation to English:

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

# TÜRKİYE HALK BANKASI AŞ

## THE CONSOLIDATED FINANCIAL REPORT

### AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2012

1. The Bank's Headquarter Address:  
Söğütözü Mahallesi 2. Cadde No:63 Ankara
2. The Bank's Contact Phone and Facsimile:  
Phone : 0312 289 20 00  
Facsimile : 0312 289 30 48
3. The Bank's Website and E-mail Address:  
Website: www.halkbank.com.tr

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

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

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

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

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures as of and for the year ended 31 December 2012 are prepared in thousand Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Ankara, 1 Mart 2013

Hasan Cebeci  
Chairman of the Board of Directors

Süleyman Aslan  
Member of the Board of Directors,  
Chief Executive Office

Sabahattin Birdal  
Member of the Board of Directors,  
Member of the Audit Committee

Hikmet Aydın Simit  
Member of the Board of Directors,  
Member of the Audit Committee

Mustafa Savaş  
Financial Management and Planning  
Vice Chief Executive Officer

Yusuf Duran Ocak  
Financial Accounting and  
Reporting Department Head

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

Name/Title : Gönül Özdemir / Manager  
Tel No : 0312 289 30 1  
Fax No : 0312 289 30 50

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# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

### SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

As of 31 December 2012 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	31 December		31 December	
	2012	%	2011	%
Prime Ministry Privatization Administration <sup>(1,2)</sup>	638.276	51,06	937.276	74,98
Public shares <sup>(2)</sup>	611.266	48,90	312.263	24,98
Other shareholders	458	0,04	461	0,04
<b>Total</b>	<b>1.250.000</b>	<b>100,00</b>	<b>1.250.000</b>	<b>100,00</b>

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

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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	32
Mehmet Emin ÖZCAN	Vice Chairman of the Board of Directors	24.5.2010	Ankara University, Faculty of Political Sciences – Department of Economics and Finance.	29
Süleyman ASLAN	Member of the Board of Directors, Chief Executive Officer	15.7.2011	METU Faculty of Economic and Administrative Sciences- International Relations Department.	20
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.3.2003	Doctor's Degree: Washington International University- Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU – Faculty of Engineering - Mechanical Engineering.	29
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.4.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree: Marmara Uni. Banking and Insurance Ins. – International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	23
Dr. Ahmet YARIZ	Member of the Board of Directors	9.4.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department. Bachelor Degree: Istanbul Uni. - Business Administration.	21
Sabahattin BİRDAL	Member of the Board of Directors	27.10.2010	Istanbul Uni. Faculty of Economics Business Administration-Finance	28
Ahmet KAHRAMAN	Member of the Board of Directors	18.4.2012	Istanbul University – Department of Law	-
Hikmet Aydın SİMİT	Member of the Board of Directors	18.4.2012	Ankara University, Faculty of Political Sciences - Business Administration	22
Faruk ÖZÇELİK	Member of the Audit Committee	24.5.2010	Master's Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	2
Ali ARSLAN	Member of the Audit Committee	18.4.2012	Master's Degree: Cleveland State University Business School(MBA) Bachelor Degree: Çukurova University, Faculty of Economic and Administrative Sciences-Business Administration	21
Yakup DEMİRCİ	Executive Vice President	11.6.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	23
Mustafa SAVAŞ	Executive Vice President	12.8.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	21
Erol GÖNCÜ	Executive Vice President	14.6.2005	METU Faculty of Arts and Sciences-Mathematics Department.	23
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.6.2005	Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department. Master's Degree: Marmara University, Banking and Insurance Ins.- Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	21
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.	23
Mehmet Akif AYDEMİR	Executive Vice President	4.3.2010	Ankara University, Faculty of Political Sciences –Economics.	26
Taner AKSEL	Executive Vice President	26.3.2010	Anadolu University, Faculty of Economic and Administrative Sciences -Economics.	26
Ufuk Hacer DENİZCİ YÜCE	Executive Vice President	12.10.2010	Istanbul Technical University Business Administration Faculty- Business Engineering.	23
Mürsel ERTAŞ	Executive Vice President	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences- Foreign Trade & Exchange.	26
İsmail Hakkı İMAMOĞLU	Executive Vice President	28.3.2011	Ankara Eco. Com. Science (ECS) Academy – Faculty of Management Sciences – Department of Social Politics.	28
Atalay TARDUŞ	Executive Vice President	4.8.2011	METU Faculty of Economic and Administrative Sciences- Department of Economics.	20
Mehmet Hakan ATILLA	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.	17
Murat UYSAL	Executive Vice President	11.11.2011	Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department Bachelor Degree: Istanbul Uni. - Faculty of Economic and Administrative Sciences- Department of Economics	14

People mentioned above do not own any shares in the Parent Bank's capital.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

a) The professionals to the Parent Bank's top management who have assigned to their position in 2012 are listed with titles and dates of assignment.

Name	Title	Assignment Date
Hikmet Aydın SİMİT	Member of the Board of Directors	18 April 2012
Ahmet KAHRAMAN	Member of the Board of Directors	18 April 2012
Ali ARSLAN	Member of the Audit Committee	18 April 2012

b) The professionals from the Parent Bank's top management who have left their position in 2012 are listed with titles and dates of leaving.

Name	Title	Assignment Date
İbrahim Hakkı TUNCAY	Member of the Board of Directors	18 April 2012
Salim ALKAN	Member of the Board of Directors	18 April 2012
Yusuf DAĞCAN	Member of the Audit Committee	18 April 2012

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

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

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

a) General information about the Parent Bank:

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

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

e) The Parent Bank's service activities and operating areas: The Parent Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations. As of 31 December 2012, the Parent Bank operates with a total of 821 branches consisting of 816 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 25 satellite branches and 2 financial services branches. The Parent Bank has also 1 representative office in Iran.

**TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

**VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION**

The Parent Bank and its subsidiaries;

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

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

The Parent Bank's associates;

- Demir-Halkbank NV
- Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ

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

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

Halk Finansal Kiralama AŞ ("Halk Leasing"), was an associate of the Parent Bank with 47,75% of the shares and consolidated according to the equity method until 27 May 2011. The Group obtained the control of Halk Leasing by acquiring 52,24% of the shares and voting interests in the company as of 27 May 2011. As a result, the Group's equity interest in Halk Leasing has increased from 47,75% to 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 Parent Bank. The Group obtained the control of Halk Banka AD, Skopje by acquiring 98,12% of the shares and voting interests of the company as of 8 April 2011 and 8 August 2011. Halk Banka AD Skopje has taken over Ziraat Banka AD Skopje which is a Turkish capital bank that operates in Macedonia, through the merger as of 1 October 2012. As a result, the Group's equity interest in Halk Banka AD, Skopje has increased from 98,12% to 98,78%. Halk 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 A.Ş.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

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

Halk Faktoring AŞ (“Halk Faktoring”), was a subsidiary of the Parent Bank with capital payments of amounting to TRY 19.000 and 95% of shares. After, it was registered to trade registry on 6 June 2012, establishment has been completed. Halk Faktoring’s main line of business is to provide factoring services, that include legitimate commercial lending for all domestic and international trade operation.

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

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

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial associate, Bileşim Alternatif Dağ. Kan. AŞ, is accounted in the consolidated financial statements prepared in accordance with International Financial Reporting Standarts based on equity method of accounting.

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

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

Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ are not consolidated in the financial statements since the Parent Bank has no control and significant influence over them and are recorded at cost since the reliable fair values of these associates can not be determined.



**TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

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

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

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

**TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

**SECTION II: CONSOLIDATED FINANCIAL STATEMENTS**

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

# TÜRKİYE HALK BANKASI A.Ş.

## CONSOLIDATED BALANCE SHEET AS OF

### 31 DECEMBER 2012

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

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)							
	Note	Audited Current period			Audited Prior period		
		31 December 2012			31 December 2011		
		TRY	FC	Total	TRY	FC	Total
<b>ASSETS</b>							
I.							
CASH AND BALANCES WITH THE CENTRAL BANK	(1)	1.606.841	10.910.237	12.517.078	2.511.197	4.776.536	7.287.733
II.							
FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)	(2)	53.997	95.750	149.747	39.599	109.900	149.499
2.1							
Trading financial assets		53.997	95.750	149.747	39.599	109.900	149.499
2.1.1							
Public sector debt securities		41.068	10.532	51.600	22.435	10.413	32.848
2.1.2							
Share certificates		1.435	-	1.435	-	-	-
2.1.3							
Financial assets held for trading		5	82.807	82.812	37	92.902	92.939
2.1.4							
Other marketable securities		11.489	2.411	13.900	17.127	6.585	23.712
2.2							
Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1							
Public sector debt securities		-	-	-	-	-	-
2.2.2							
Share certificates		-	-	-	-	-	-
2.2.3							
Loans		-	-	-	-	-	-
2.2.4							
Other marketable securities		-	-	-	-	-	-
III.							
BANKS	(3)	208.068	2.380.369	2.588.437	38.568	1.500.137	1.538.705
IV.							
MONEY MARKET PLACEMENTS		160.206	2.328	162.534	33.313	-	33.313
4.1							
Interbank money market placements		10.027	2.328	12.355	-	-	-
4.2							
Istanbul Stock Exchange Money Market placements		150.055	-	150.055	32.394	-	32.394
4.3							
Receivables from reverse repurchase agreements		124	-	124	919	-	919
V.							
FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	8.777.685	877.980	9.655.665	7.770.489	1.619.931	9.390.420
5.1							
Share certificates		12.506	3.521	16.027	5.476	10.095	15.571
5.2							
Public sector debt securities		8.759.105	874.459	9.633.564	7.765.013	1.609.836	9.374.849
5.3							
Other marketable securities		6.074	-	6.074	-	-	-
VI.							
LOANS AND RECEIVABLES	(5)	47.978.449	17.940.792	65.919.241	38.597.858	17.685.745	56.283.603
6.1							
Loans and receivables		47.635.441	17.938.757	65.574.198	38.330.900	17.682.932	56.013.832
6.1.1							
Loans extended to risk group of the Bank		-	-	-	-	-	-
6.1.2							
Public sector debt securities		-	-	-	-	-	-
6.1.3							
Other		47.635.441	17.938.757	65.574.198	38.330.900	17.682.932	56.013.832
6.2							
Loans under follow-up		1.959.646	14.427	1.974.073	1.668.695	12.189	1.680.884
6.3							
Specific provisions (-)		1.616.638	12.392	1.629.030	1.401.737	9.376	1.411.113
VII.							
FACTORING RECEIVABLES		463	-	463	-	-	-
VIII.							
HELD TO MATURITY INVESTMENTS (Net)	(6)	12.181.601	1.461.490	13.643.091	12.019.233	2.045.225	14.064.458
8.1							
Public sector debt securities		12.174.516	1.461.490	13.636.006	12.019.233	2.045.225	14.064.458
8.2							
Other marketable securities		7.085	-	7.085	-	-	-
IX.							
INVESTMENTS IN ASSOCIATES (Net)	(7)	20.978	155.676	176.654	24.215	131.273	155.488
9.1							
Accounted under equity method		14.324	155.676	170.000	14.344	131.273	145.617
9.2							
Unconsolidated associates		6.654	-	6.654	9.871	-	9.871
9.2.1							
Financial investments		-	-	-	8.819	-	8.819
9.2.2							
Non-financial investments		6.654	-	6.654	1.052	-	1.052
X.							
INVESTMENTS IN SUBSIDIARIES (Net)	(8)	-	-	-	-	-	-
10.1							
Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2							
Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
XI.							
JOINT VENTURES (Net)	(9)	-	-	-	-	-	-
11.1							
Accounted under equity method		-	-	-	-	-	-
11.2							
Unconsolidated joint ventures		-	-	-	-	-	-
11.2.1							
Financial joint ventures		-	-	-	-	-	-
11.2.2							
Non-financial joint ventures		-	-	-	-	-	-
XII.							
FINANCE LEASE RECEIVABLES (Net)	(10)	138.722	935.495	1.074.217	124.961	764.572	889.533
12.1							
Finance lease receivables		168.939	1.078.830	1.247.769	159.285	889.299	1.048.584
12.2							
Operating lease receivables		-	-	-	-	-	-
12.3							
Other		-	-	-	-	-	-
12.4							
Unearned income (-)		30.217	143.335	173.552	34.324	124.727	159.051
XIII.							
DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT	(11)	-	-	-	-	-	-
13.1							
Fair value risk hedging		-	-	-	-	-	-
13.2							
Cash flow risk hedging		-	-	-	-	-	-
13.3							
Net foreign investment risk hedging		-	-	-	-	-	-
XIV.							
TANGIBLE ASSETS (Net)	(12)	1.488.288	29.053	1.517.341	1.292.527	22.334	1.314.861
XV.							
INTANGIBLE ASSETS (Net)	(13)	40.796	15.211	56.007	29.508	16.035	45.543
15.1							
Goodwill		-	-	-	-	-	-
15.2							
Other		40.796	15.211	56.007	29.508	16.035	45.543
XVI.							
INVESTMENT PROPERTIES (Net)	(14)	28.156	-	28.156	-	-	-
XVII.							
TAX ASSET	(15)	236.438	39	236.477	106.486	97	106.583
17.1							
Current tax asset		216	39	255	12.815	97	12.912
17.2							
Deferred tax asset		236.222	-	236.222	93.671	-	93.671
XVIII.							
ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	6.009	-	6.009	85.623	-	85.623
18.1							
Held for sale purpose		6.009	-	6.009	85.623	-	85.623
18.2							
Held from discontinued operations		-	-	-	-	-	-
XIX.							
OTHER ASSETS	(17)	1.247.121	76.494	1.323.615	744.739	70.556	815.295
TOTAL ASSETS		74.173.818	34.880.914	109.054.732	63.418.316	28.742.341	92.160.657

The accompanying notes are an integral part of these consolidated financial statements.

**TÜRKİYE HALK BANKASI A.Ş.**  
**CONSOLIDATED BALANCE SHEET AS OF**  
**31 DECEMBER 2012**

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

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)		Audited			Audited			
		Current period			Prior period			
		31 December 2012			31 December 2011			
LIABILITIES AND SHAREHOLDERS' EQUITY		Note	TRY	FC	Total	TRY	FC	Total
I.	DEPOSITS	(1)	53.632.847	26.166.676	79.799.523	44.029.636	22.198.874	66.228.510
1.1	Deposits Held by the Risk Group of the Bank		23.690	-	23.690	69.408	14.622	84.030
1.2	Other		53.609.157	26.166.676	79.775.833	43.960.228	22.184.252	66.144.480
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	14	50.268	50.282	44	65.314	65.358
III.	FUNDS BORROWED	(3)	585.053	7.446.017	8.031.070	435.310	6.575.035	7.010.345
IV.	MONEY MARKET BALANCES		405.054	310.222	715.276	4.093.779	847.930	4.941.709
4.1	Interbank money market borrowings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange Takasbank borrowings		297.857	-	297.857	37.177	-	37.177
4.3	Funds from repurchase agreements	(3)	107.197	310.222	417.419	4.056.602	847.930	4.904.532
V.	MARKETABLE SECURITIES ISSUED (Net)	(4)	772.811	1.346.168	2.118.979	495.611	-	495.611
5.1	Treasury bills		685.137	-	685.137	495.611	-	495.611
5.2	Asset-backed securities		-	-	-	-	-	-
5.3	Bonds		87.674	1.346.168	1.433.842	-	-	-
VI.	FUNDS	(5)	1.407.887	-	1.407.887	1.345.234	-	1.345.234
6.1	Borrower Funds		27.221	-	27.221	32.847	-	32.847
6.2	Other		1.380.666	-	1.380.666	1.312.387	-	1.312.387
VII.	SUNDRY CREDITORS		1.194.903	78.773	1.273.676	1.084.441	86.946	1.171.387
VIII.	OTHER LIABILITIES	(6)	1.148.634	193.519	1.342.153	397.572	184.256	581.828
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	FINANCE LEASE PAYABLES	(7)	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operating lease payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred finance lease expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(8)	-	-	-	-	-	-
11.1	Fair value risk hedging		-	-	-	-	-	-
11.2	Cash flow risk hedging		-	-	-	-	-	-
11.3	Net foreign investment risk hedging		-	-	-	-	-	-
XII.	PROVISIONS	(9)	2.276.332	21.186	2.297.518	1.547.395	19.890	1.567.285
12.1	General loan provisions		972.148	4.067	976.215	656.783	3.131	659.914
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Employee benefits provisions		405.522	143	405.665	320.290	-	320.290
12.4	Insurance technical reserves (Net)		460.154	-	460.154	309.277	-	309.277
12.5	Other provisions		438.508	16.976	455.484	261.045	16.759	277.804
XIII.	TAX LIABILITY	(10)	516.105	2.007	518.112	190.674	1.846	192.520
13.1	Current tax liability		515.652	4	515.656	190.674	23	190.697
13.2	Deferred tax liability		453	2.003	2.456	-	1.823	1.823
XIV.	LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
14.1	Held for sale purpose		-	-	-	-	-	-
14.2	Held from discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED CAPITAL	(12)	-	-	-	-	-	-
XVI.	SHAREHOLDERS' EQUITY	(13)	11.378.918	121.338	11.500.256	8.848.336	(287.466)	8.560.870
16.1	Paid-in capital		1.250.000	-	1.250.000	1.250.000	-	1.250.000
16.2	Capital reserves		1.577.835	49.710	1.627.545	1.297.443	(354.964)	942.479
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Marketable securities revaluation fund		357.153	49.710	406.863	76.761	(354.964)	(278.203)
16.2.4	Tangible assets revaluation reserves		-	-	-	-	-	-
16.2.5	Intangible assets revaluation reserves		-	-	-	-	-	-
16.2.6	Revaluation reserves of real estate for investment purpose		-	-	-	-	-	-
16.2.7	Bonus shares of subsidiaries, associates and joint ventures		231	-	231	231	-	231
16.2.8	Hedging Funds (effective portion)		-	-	-	-	-	-
16.2.9	Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10	Other capital reserves		1.220.451	-	1.220.451	1.220.451	-	1.220.451
16.3	Profit reserves		5.927.553	12.069	5.939.622	4.260.209	19.859	4.280.068
16.3.1	Legal reserves		914.952	-	914.952	765.200	-	765.200
16.3.2	Statutory reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		4.957.790	-	4.957.790	3.447.828	-	3.447.828
16.3.4	Other profit reserves		54.811	12.069	66.880	47.181	19.859	67.040
16.4	Profit/Loss		2.620.256	58.071	2.678.327	2.035.430	46.053	2.081.483
16.4.1	Prior years income/loss		(10.483)	46.463	35.980	8.731	45.373	54.104
16.4.2	Period profit/loss		2.630.739	11.608	2.642.347	2.026.699	680	2.027.379
16.5	Minority shares	(14)	3.274	1.488	4.762	5.254	1.586	6.840
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			73.318.558	35.736.174	109.054.732	62.468.032	29.692.625	92.160.657

The accompanying notes are an integral part of these consolidated financial statements.

**TÜRKİYE HALK BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**  
**AS OF 31 DECEMBER 2012**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS		Audited			Audited			
		Current period			Prior period			
OFF BALANCE SHEET		Note	TRY	FC	Total	TRY	FC	Total
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)		84.907.740	20.116.776	105.024.516	80.613.586	16.627.863	97.241.449
L.	GUARANTEES AND SURETYSHIPS	(1)	9.759.258	9.999.607	19.758.865	8.825.107	9.030.170	17.855.277
1.1	Letters of guarantee		9.448.123	5.765.736	15.213.859	7.625.151	5.097.170	12.722.321
1.1.1	Guarantees subject to public procurement law		613.927	4.505.391	5.119.318	543.113	4.062.660	4.605.773
1.1.2	Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3	Other letters of guarantee		8.834.196	1.260.345	10.094.541	7.082.038	1.034.510	8.116.548
1.2	Bank loans		31.047	1.152.260	1.183.307	5.620	622.372	627.992
1.2.1	Import acceptances		-	198.974	198.974	-	147.772	147.772
1.2.2	Other bank acceptances		31.047	953.286	984.333	5.620	474.600	480.230
1.3	Letters of credit		1.661	2.808.076	2.809.737	988.711	3.093.197	4.081.908
1.3.1	Documentary letters of credit		1.661	2.808.076	2.809.737	988.711	3.093.197	4.081.908
1.3.2	Other letters of credit		-	-	-	-	-	-
1.4	Guaranteed prefinancings		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to Central Bank of Turkish Republic		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Purchase guarantees on marketable security issuance		-	-	-	-	-	-
1.7	Factoring guarantees		-	-	-	-	-	-
1.8	Other guarantees		278.197	273.535	551.732	205.395	217.431	422.826
1.9	Other suretyships		230	-	230	230	-	230
II.	COMMITMENTS	(1)	74.062.004	1.627.404	75.689.408	70.356.620	893.328	71.249.948
2.1	Irrevocable commitments		12.923.651	1.507.949	14.431.600	10.371.656	893.328	11.264.984
2.1.1	Forward asset purchase commitments		114.683	1.194.372	1.309.055	154.699	522.386	677.085
2.1.2	Forward deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3	Capital commitments to subsidiaries and associates		-	-	-	1.000	-	1.000
2.1.4	Loan granting commitments		820.602	232.840	1.053.442	528.010	362.025	890.035
2.1.5	Securities underwriting commitments		-	-	-	-	-	-
2.1.6	Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7	Payment commitments for cheques		4.575.929	-	4.575.929	3.976.513	-	3.976.513
2.1.8	Tax and fund liabilities from export commitments		13.903	-	13.903	11.389	-	11.389
2.1.9	Commitments for credit card expenditure limits		6.013.182	8.223	6.021.405	4.614.215	4.369	4.618.584
2.1.10	Commitments for credit cards and banking services promotions		30.707	-	30.707	26.857	-	26.857
2.1.11	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12	Payables for short sale commitments		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		1.354.645	72.514	1.427.159	1.058.973	4.548	1.063.521
2.2	Revocable commitments		61.138.353	119.455	61.257.808	59.984.964	-	59.984.964
2.2.1	Revocable loan granting commitments		61.138.353	119.455	61.257.808	59.984.964	-	59.984.964
2.2.2	Other revocable commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		1.086.478	8.489.765	9.576.243	1.431.859	6.704.365	8.136.224
3.1	Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1	Fair value risk hedging transactions		-	-	-	-	-	-
3.1.2	Cash flow risk hedging transactions		-	-	-	-	-	-
3.1.3	Net foreign investment risk hedging transactions		-	-	-	-	-	-
3.2	Transactions for trading		1.086.478	8.489.765	9.576.243	1.431.859	6.704.365	8.136.224
3.2.1	Forward foreign currency buy/sell transactions		290.326	1.090.474	1.380.800	253.014	1.947.025	2.200.039
3.2.1.1	Forward foreign currency transactions-buy		137.840	507.551	645.391	107.162	222.569	329.731
3.2.1.2	Forward foreign currency transactions-sell		152.486	582.923	735.409	145.852	1.724.456	1.870.308
3.2.2	Currency and interest rate swaps		594.655	6.634.821	7.229.476	907.911	2.904.372	3.812.283
3.2.2.1	Currency swap-buy		-	3.633.289	3.633.289	37.792	1.878.713	1.916.505
3.2.2.2	Currency swap-sell		594.655	3.001.532	3.596.187	870.119	1.025.659	1.895.778
3.2.2.3	Interest rate swap-buy		-	-	-	-	-	-
3.2.2.4	Interest Rate swap-sell		-	-	-	-	-	-
3.2.3	Currency, interest rate and marketable securities options		142.397	138.737	281.134	72.864	65.896	138.760
3.2.3.1	Currency call options		71.195	69.373	140.568	36.410	32.970	69.380
3.2.3.2	Currency put options		71.202	69.364	140.566	36.454	32.926	69.380
3.2.3.3	Interest rate call options		-	-	-	-	-	-
3.2.3.4	Interest rate put options		-	-	-	-	-	-
3.2.3.5	Marketable securities call options		-	-	-	-	-	-
3.2.3.6	Marketable securities put options		-	-	-	-	-	-
3.2.4	Currency futures		-	-	-	-	-	-
3.2.4.1	Currency futures-buy		-	-	-	-	-	-
3.2.4.2	Currency futures-sell		-	-	-	-	-	-
3.2.5	Interest rate buy/sell futures		-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-	-	-	-
3.2.6	Other		59.100	625.733	684.833	198.070	1.787.072	1.985.142
B.	CUSTODY AND PLEDGED ASSETS (IV+V+VI)		704.741.097	371.861.692	1.076.602.789	468.439.063	257.727.659	726.166.722
IV.	CUSTODIES		104.502.284	7.950.683	112.452.967	86.517.071	9.065.031	95.582.102
4.1	Assets under management		-	-	-	-	-	-
4.2	Custody marketable securities		35.132.148	261.407	35.393.555	30.685.555	300.524	30.986.079
4.3	Cheques in collection process		6.836.403	5.949.001	12.785.404	5.914.701	5.311.108	11.225.809
4.4	Commercial notes in collection process		44.209.012	264.451	44.473.463	32.414.352	274.624	32.688.976
4.5	Other assets in collection process		71	-	71	613	-	613
4.6	Underwritten securities		279	-	279	640	-	640
4.7	Other custodies		49.901	3.280	53.181	2.245	3.418	5.663
4.8	Custodians		18.274.470	1.472.544	19.747.014	17.498.965	3.175.357	20.674.322
V.	PLEDGED ASSETS		600.238.813	363.911.009	964.149.822	381.921.992	248.662.628	630.584.620
5.1	Marketable securities		1.944.632	89.705	2.034.337	1.528.764	221.573	1.750.337
5.2	Collateral notes		5.302.288	391.834	5.694.122	4.491.731	413.970	4.905.701
5.3	Commodity		25.830	-	25.830	25.830	-	25.830
5.4	Warranty		-	-	-	-	-	-
5.5	Land and buildings		119.592.505	37.487.018	157.079.523	78.511.399	35.516.868	114.028.267
5.6	Other pledged assets		470.862.982	325.350.131	796.213.113	294.494.533	212.035.121	506.529.654
5.7	Pledges		2.510.576	592.321	3.102.897	2.869.735	475.096	3.344.831
VI.	ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		789.648.837	391.978.468	1.181.627.305	549.052.649	274.355.522	823.408.171

The accompanying notes are an integral part of these consolidated financial statements.

**TÜRKİYE HALK BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

III. CONSOLIDATED STATEMENT OF INCOME		Audited	Audited
		Current period	Prior period
		1 January-	1 January-
		31 December 2012	31 December 2011
	INCOME AND EXPENSES	Note	
I.	INTEREST INCOME	(1)	
1.1	Interest on loans		
1.2	Interest received from reserve deposits		
1.3	Interest received from banks		
1.4	Interest received from money market placements		
1.5	Interest income on marketable securities		
1.5.1	Financial assets held for trading		
1.5.2	Financial assets at fair value through profit and loss		
1.5.3	Financial assets available-for-sale		
1.5.4	Investments held-to-maturity		
1.6	Finance lease income		
1.7	Other interest income		
II.	INTEREST EXPENSE	(2)	
2.1	Interest on deposits		
2.2	Interest on borrowings		
2.3	Interest on money market borrowings		
2.4	Interest on bonds issued		
2.5	Other interest expense		
III.	NET INTEREST INCOME [ I - II ]		
IV.	NET FEES AND COMMISSIONS INCOME		
4.1	Fees and commissions income		
4.1.1	Non-cash loans		
4.1.2	Other	(11)	
4.2	Fees and commissions expenses		
4.2.1	Non-cash loans		
4.2.2	Other		
V.	DIVIDEND INCOME	(3)	
VI.	NET TRADING PROFIT (NET)	(4)	
6.1	Profit/loss from capital market operations		
6.2	Profit/loss from financial derivative transactions		
6.3	Foreign exchange gains/losses		
VII.	OTHER OPERATING INCOME	(5)	
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		
IX.	LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	
X.	OTHER OPERATING EXPENSES(-)	(7)	
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		
XII.	AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		
XIII.	PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES		
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		
XV.	INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	
XVI.	TAX INCOME PROVISION (±)	(9)	
16.1	Current tax provision		
16.2	Deferred tax provision		
XVII.	NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		
18.1	Property and equipment income held for sale		
18.2	Sale profits from associates, subsidiaries and joint ventures (business partners)		
18.3	Other income from terminated operations		
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		
19.1	Property and equipment expense held for sale		
19.2	Sale losses from associates, subsidiaries and joint ventures (business partners)		
19.3	Other expenses from discontinued operations		
XX.	INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	
XXI.	PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)	(9)	
21.1	Current tax provision		
21.2	Deferred tax provision		
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)	(10)	
XXIII.	NET PROFIT/(LOSS) (XVII±XXII)	(11)	
	Group's profit/loss		
	Minority shares profit/loss		
	Earnings/losses per share (Full TRY)		

The accompanying notes are an integral part of these consolidated financial statements.

# TÜRKİYE HALK BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

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

IV. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		Audited Current period	Audited Prior period
		1 January- 31 December 2012	1 January- 31 December 2011
I.	ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	820.571	(468.026)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	(191)	19.859
V.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)		
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)		
VII.	THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS	-	170
IX.	DEFERRED TAX OF VALUATION DIFFERENCES	(135.486)	76.279
X.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	684.894	(371.718)
XI.	PROFIT/LOSS	2.643.044	2.026.699
11.1	Change in fair value of marketable securities (Transfer to profit/loss)	406.175	69.655
11.2	Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	-	-
11.3	Transfer of hedge of net investments in foreign operations to income statement	-	-
11.4	Other	2.236.869	1.957.044
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	3.327.938	1.654.981

The accompanying notes are an integral part of these consolidated financial statements.

# TÜRKİYE HALK BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

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

	Note	Effect of inflation adjustments on paid in capital	Share certificate premium	Share certificate profit reserves	Legal reserves	Statutory reserves	Extra-ordinary reserves	Other reserves	Current period net income (loss)	Price period net income (loss)	Valuation changes in market sec. int. assets	Revaluation changes in prop. and int. assets	Bonus shares	Hedging for equity instruments	Value change in res. and eq. held termly	Total equity	
<b>Y. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																	
<b>1 January 2011 – 31 December 2011</b>																	
I.	Balance at end of prior period	1.250.000	1.220.451	-	620.349	-	2.223.576	47.181	1.842.695	45.998	113.530	-	-	61	-	7.365.841	6.484.732.325
II.	Corrections according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	<b>The effect of corrections of errors</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	<b>The effect of changes in accounting policy</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New balance (I + II + 2.1 + 2.2)	1.250.000	1.220.451	-	620.349	-	2.223.576	47.181	1.842.695	45.998	113.530	-	-	61	-	7.365.841	6.484.732.325
Changes within the period																	
IV.	Share increase generated by merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.586	1.586
V.	Issuance of share certificates to bank's securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(391.733)	(391.733)
VI.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	<b>Cash flow hedge</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	<b>Hedges for investments made in foreign countries</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation changes of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Revaluation changes of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares from investment and associates of shares and joint ventures (business partners)	-	-	-	-	-	-	-	-	-	-	-	170	-	-	170	170
X.	Foreign exchange differences	-	-	-	-	-	-	19.859	-	-	-	-	-	-	-	19.859	19.859
XI.	Changes in fair value of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Change in fair value of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of changes in shareholders equity of investments and associates to bank's shareholders equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Increase in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	<b>Cash</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	<b>From internal resources</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Issuance of share certificates at end of period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Share cancellation to paid in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Net profit/losses	-	-	-	-	-	-	2.027.379	8.106	-	-	-	-	-	-	2.027.379	(680) 2.026.699
XX.	Profit distribution	-	-	-	-	-	-	(1.842.695)	(467.486)	(536)	(468.023)	-	-	-	-	(467.486)	(536) (468.023)
20.1	<b>Dividends distributed</b>	-	-	-	-	-	-	(1.842.695)	(467.486)	(536)	(468.023)	-	-	-	-	(467.486)	(536) (468.023)
20.2	<b>Transfers to legal reserves</b>	-	-	-	-	-	-	1.842.695	-	-	-	-	-	-	-	-	-
20.3	<b>Other</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing balance	1.250.000	1.220.451	-	765.200	-	3.447.828	67.040	2.027.379	54.104	(278.203)	-	-	231	-	8.554.030	6.840.850.870
<b>1 January 2012 – 31 December 2012</b>																	
I.	Balance at end of prior period	1.250.000	1.220.451	-	765.200	-	3.447.828	67.040	2.027.379	54.104	(278.203)	-	-	231	-	8.554.030	6.840.850.870
II.	Increase or decrease generated by merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Issuance of share certificates to bank's securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	<b>Cash flow hedge</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	<b>Hedges for investments made in foreign countries</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation changes of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation changes of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences	-	-	-	-	-	-	(160)	-	-	-	-	-	-	-	(160)	(31)
IX.	Changes in fair value of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes in fair value of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of changes in shareholders equity of investments and associates to bank's shareholders equity	-	-	-	-	-	-	842	-	-	-	-	-	-	-	842	(2.763) (1.921)
XII.	Increase in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	<b>Cash</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	<b>From internal resources</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Issuance of share certificates at end of period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share cancellation to paid in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Net profit/losses	-	-	-	-	-	-	2.642.347	(181.244)	-	-	-	-	-	-	2.642.347	697 2.643.044
XVIII.	Profit distribution	-	-	-	-	-	-	(2.027.379)	(386.720)	-	-	-	-	-	-	(386.720)	- (386.720)
18.1	<b>Dividends distributed</b>	-	-	-	-	-	-	(2.027.379)	(386.720)	-	-	-	-	-	-	(386.720)	- (386.720)
18.2	<b>Transfers to legal reserves</b>	-	-	-	-	-	-	1.509.120	-	-	-	-	-	-	-	-	-
18.3	<b>Other</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing balance	1.250.000	1.220.451	-	914.952	-	4.957.790	66.880	2.642.347	35.980	406.863	-	-	231	-	11.495.494	4.762.11.500.256

The accompanying notes are an integral part of these consolidated financial statements.

# TÜRKİYE HALK BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

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

VI . CONSOLIDATED STATEMENT OF CASH FLOWS		Audited	Audited
		Current period	Prior period
A.	CASH FLOWS FROM BANKING OPERATIONS	Note	31 December 2011
1.1	Operating profit before changes in operating assets and liabilities		4.078.095
1.1.1	Interest received		9.376.616
1.1.2	Interest paid		(4.455.076)
1.1.3	Dividend received		758
1.1.4	Fees and commissions received		1.006.174
1.1.5	Other income		560.961
1.1.6	Collections from previously written off loans		480.428
1.1.7	Cash payments to personnel and service suppliers		(918.017)
1.1.8	Taxes paid		(800.795)
1.1.9	Other	(1)	(1.172.954)
1.2	Assets and Liabilities Subject to Banking Operations		(5.203.576)
1.2.1	Net decrease in financial assets held for sale		(9.643)
1.2.2	Net (increase) decrease in financial assets at fair value through profit or loss		-
1.2.3	Net (increase) decrease in due from banks and other financial institutions		-
1.2.4	Net (increase) decrease in loans		(9.804.510)
1.2.5	Net (increase) decrease in other assets		(6.546.665)
1.2.6	Net increase (decrease) in bank deposits		446.329
1.2.7	Net increase (decrease) in other deposits		13.073.266
1.2.8	Net increase (decrease) in loans borrowed		1.019.854
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities	(1)	(3.382.207)
I.	Net cash provided from banking operations		(1.125.481)
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES		
II.	Net cash provided from/ (used in) investing activities		822.769
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries		(31.078)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries		1.512
2.3	Fixed assets purchases		(494.110)
2.4	Fixed assets sales		242.486
2.5	Cash paid for purchase of financial assets available for sale		(4.036.358)
2.6	Cash obtained from sale of financial assets available for sale		4.882.876
2.7	Cash paid for purchase of investment securities		(2.191.545)
2.8	Cash obtained from sale of investment securities		2.461.322
2.9	Other		(12.336)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash used in financing activities		1.294.485
3.1	Cash obtained from loans borrowed and securities issued		2.916.575
3.2	Cash used for repayment of loans borrowed and securities issued		(1.235.320)
3.3	Bonds issued		-
3.4	Dividends paid		(386.770)
3.5	Payments for finance leases		-
3.6	Other		-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(1)	(521.045)
V.	Net increase / (decrease) in cash and cash equivalents		470.728
VI.	Cash and cash equivalents at beginning of the period	(4)	4.783.966
VII.	Cash and cash equivalents at end of the period	(5)	5.254.694

The accompanying notes are an integral part of these consolidated financial statements.

**TÜRKİYE HALK BANKASI A.Ş.**  
**STATEMENT OF PROFIT DISTRIBUTION FOR**  
**THE YEAR ENDED 31 DECEMBER 2012**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

VII. STATEMENT OF PROFIT DISTRIBUTION TABLE <sup>(1)</sup>	Audited	
	Current period	Prior period
	31 December 2012	31 December 2011
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>		
1.1. Current Period Profit	3.329.139	2.636.696
1.2. Taxes and Legal Duties Payables (-)	733.928	591.562
1.2.1. Corporate Tax (Income Tax)	1.021.768	366.556
1.2.2. Withholding Tax	-	-
1.2.3. Other Taxes and Duties	(287.840)	225.006
A. Net Profit For The Period (1.1-1.2)	2.595.211	2.045.134
1.3. Accumulated Losses (-)	-	-
1.4. First Legal Reserves (-)	-	102.257
1.5. Other Statutory Reserves (-)	-	-
B. Net Profit Available for Distribution [(A-(1.3+1.4+1.5))]	-	1.942.877
1.6. First Dividend to shareholders (-)	-	62.500
1.6.1. To Owners of Ordinary Shares	-	62.500
1.6.2. To Owners of Privileged Shares	-	-
1.6.3. To Owners of Redeemed Shares	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.7. Dividends to personnel (-)	-	80.000
1.8. Dividends to Board of Directors (-)	-	-
1.9. Second Dividend to Shareholders (-)	-	244.270
1.9.1. To Owners of Ordinary Shares	-	244.270
1.9.2. To Owners of Privileged Shares	-	-
1.9.3. To Owners of Redeemed Shares	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-	-
1.10. Second Legal Reserves (-)	-	32.427
1.11. Status Reserves (-)	-	-
1.12. Extraordinary Reserves	-	1.523.680
1.13. Other Reserves	-	-
1.14. Special Funds	-	-
<b>II. Distribution of Reserves</b>		
2.1. Appropriated Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.3. Dividends to Shareholders (-)	-	-
2.3.1. To Owners of Ordinary Shares	-	-
2.3.2. To Owners of Privileged Shares	-	-
2.3.3. To Owners of Redeemed Shares	-	-
2.3.4. To Profit Sharing Bonds	-	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-	-
2.4. Dividends to Personnel (-)	-	-
2.5. Dividends to Board of Directors (-)	-	-
<b>III. Earnings per Share</b>		
3.1. To Owners of Ordinary Shares	2,07617	1,63611
3.2. To Owners of Ordinary Shares (%)	%207,6	%163,6
3.3. To Owners of Privileged Shares	-	-
3.4. To Owners of Privileged Shares (%)	-	-
<b>IV. Dividend per Share</b>		
4.1. To Owners of Ordinary Shares	-	0,24542
4.2. To Owners of Ordinary Shares (%)	-	%24,54
4.3. To Owners of Privileged Shares	-	-
4.4. To Owners of Privileged Shares (%)	-	-

<sup>(1)</sup> Due to regulations in Turkey, profit is not distributed over consolidated figures. Therefore, above table only includes the profit distribution of the Parent Bank. Profit distribution decisions are only made by Parent Bank's general assembly. General assembly has not been held yet as of the date when the Parent Bank's financial statements are formed.

The accompanying notes are an integral part of these consolidated financial statements.

# TÜRKiYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

### SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES

#### I. BASIS OF PRESENTATION

The consolidated financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards (“TAS”), 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.

28103 published in Official Gazette dated 2 November 2011, and entered into force with Decree Law No. 660 of Law No. 2499 TASB Additional article 1 of the establishment clause has been canceled and Public Oversight of Accounting and Auditing Standards Board (“The Authority”) is decided to establish by Council of Ministers. Existing regulations regarding to these issues will be continued to enforce until standards and regulations according to Temporary article 1 of this Decree-Law, come into force when released by the Authority This situation does not affect the “Basis of Presentation” for the current period.

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

#### [Additional paragraph for convenience translation to English](#)

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

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

#### 1. The Group’s strategy on financial instruments:

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

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

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

### III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION

#### 1. Basis of consolidation:

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

#### a. Basis of consolidation of subsidiaries:

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

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

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

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

**TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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**b. Basis of consolidation of associates:**

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

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

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

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

Accounting principles used by Demir Halkbank NV and Kobi Girişim Sermayesi AŞ which is a consolidated associate by the equity method of accounting, has the same accounting principles of the Parent Bank.

**c. Basis of consolidation of joint ventures:**

The Parent Bank does not have any joint ventures.

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

*Accounting for business combinations*

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

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

# **TÜRKİYE HALK BANKASI A.Ş.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

### *Acquisitions on or after 1 January 2010*

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

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

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

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

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

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

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

### *Acquisitions before 1 January 2010*

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

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

## **IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS**

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

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

**TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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## V. INTEREST INCOME AND EXPENSES

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

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

## VI. FEES AND COMMISSION INCOME AND EXPENSES

Banking service income is recorded in 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 the straight accrual method according to the loan maturity within the matching principle.

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

## VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

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

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

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

### 1. Cash and banks

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

# **TÜRKİYE HALK BANKASI A.Ş.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

### **2. Financial assets at fair value through profit and loss**

#### **a. Financial assets held for trading**

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

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

#### **b. Financial assets at fair value through profit and loss**

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

The Group has not any financial assets at fair value through profit and loss as of 31 December 2012 and 31 December 2011.

### **3. Investments held to maturity**

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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

#### 4. Financial assets available for sale

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

#### 5. Loans and receivables

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

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

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

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

Non-performing loans are classified in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No: 26333 dated 1 November 2006 and amended with the regulation published in the Official Gazette No: 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.

# **TÜRKİYE HALK BANKASI A.Ş.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

### **VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS**

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

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 incurrance, future expected losses are not recognized.

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

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

For loans and receivables; the Parent Bank’s management performs consistent loan portfolio reviews and if any doubts on the collectability of the loans arise, the related loans are classified in accordance with legislation on “Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions Communiqué published in the Official Gazette numbered 26333 and dated 1 November 2006. The Bank does not limit the provision amount for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting 100% provision for the outstanding follow-up risk amount excluding the surety ship type of collaterals defined in the Article 9 of the related legislation. Specific provision rate for the standing non-cash loans extended to follow-up entities in order to cash ensuring is 100%, specific provision rate for other non-cash loans is 50%. 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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

Other than specific allowances, the Bank provides “general allowances” for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The Bank is providing 0.5% general allowance for cash loans and other receivables; 0.1% 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 Parent 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.

#### **IX. OFFSETTING FINANCIAL ASSETS AND LIABILITIES**

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

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

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

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

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

# **TÜRKİYE HALK BANKASI A.Ş.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

### **XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

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

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

### **XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS**

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

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 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.

### **XIII. 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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.

#### XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

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

These are listed in the attached consolidated financial statements at acquisition costs less accumulated amortization and impairment provisions. The accounting policies mentioned for tangible assets are also valid for investment properties.

#### XV. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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

#### XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

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

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

# **TÜRKİYE HALK BANKASI A.Ş.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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### **XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS**

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

The provision for unearned premiums consists of the gross overlapping portion of accrued premiums for insurance contracts that are in effect to the subsequent period or periods of balance sheet date on a daily basis without a commission or any other discount.

In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision is recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer.

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

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

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

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

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

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

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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#### XVIII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

#### XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

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

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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 2012 and 31 December 2011, no technical deficit has been reported.

### **XX. EXPLANATIONS ON TAXATION**

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 31 December 2011 has been paid in April 2012, accrued advance tax as of 31 December 2012 has been paid in February 2013.

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

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

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

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority on each consolidated entity's non-consolidated financial statements. Deferred tax assets and liabilities are also offset.

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

**Turkish Republic of Northern Cyprus (TRNC)**

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

**Bahrain**

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

**Tax practices for the subsidiaries which are subject to consolidation**

**Halk Gayrimenkul Yatırım Ortaklığı AŞ**

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

**Halk Banka AD Skopje**

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

"Distributions" are split into two components:

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

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

### **(i) Tax on dividend distribution:**

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

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

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

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

### **(ii) Tax on non deductible items:**

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

### ***Recognition of tax provisions:***

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

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

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

## **XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS**

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

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

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**XXII. 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 Parent Bank.

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

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

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

**XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES**

As of 31 December 2012 , Halk Finansal Kiralama A.Ş.( consolidated entity) has an amount of TRY 37.997 of investment incentives which could be utilized (31 December 2011: TRY 91.585).

**XXV. EXPLANATIONS ON SEGMENT REPORTING**

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

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

**XXVI. EXPLANATION ON OTHER MATTERS**

None.

# **TÜRKİYE HALK BANKASI A.Ş.**

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#### **SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE**

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

The capital adequacy ratio calculations are made in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” published in Official Gazette No 28337 of 28 June 2012. The consolidated basis capital adequacy ratio of the Group is 15,32 % as of 31 December 2012. The Group did not recalculate the capital adequacy ratio related to prior periods, according to “Publicly Announced Communiqué on Financial Statements and Related Disclosures and Footnotes” published in Official Gazette dated 28 June 2012 and numbered 28337.

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

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

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

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

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

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**1. Information on the consolidated capital adequacy ratio:**

	Risk Weight															
	The Parent Bank					Consolidated										
	0%	10%	20%	50%	75%	100%	150%	200%	0%	10%	20%	50%	75%	100%	150%	200%
Surplus credit risk weighted	-	-	1.125.474	9.781.931	16.207.062	30.907.354	1.853.915	10.130.710	-	-	1.125.613	9.800.455	16.396.250	31.069.818	1.853.915	10.130.710
<b>Risk classifications:</b>																
Claims on sovereigns and Central Banks			24.075.410	-	787	2.685.080	-	-	-	24.262.986	-	787	2.685.080	-	21.438	-
Claims on regional governments or local authorities			4.968	-	310.528	-	-	-	-	4.968	-	310.528	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings			651	-	41.194	-	-	-	-	651	-	41.194	-	-	58.646	-
Claims on multilateral development banks			-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on international organizations			-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions			636.524	-	4.482.971	891.073	-	46.804	-	348.498	-	4.483.663	893.083	-	89.226	-
Claims on corporates			385.981	-	156.806	-	-	27.422.636	-	2981.87	-	156.807	-	-	28.643.620	-
Claims included in the regulatory retail portfolios			1.174.808	-	131.417	-	-	21.174.404	-	1.174.808	-	131.417	-	-	21.404.829	-
Claims secured by residential property			25.367	-	2.649.158	450	-	-	-	25.367	-	2.649.158	488	-	-	-
Overdue loans			-	-	119.461	-	-	223.547	-	-	-	119.461	-	-	281.581	-
Higher risk categories decided by the Board			-	-	-	-	-	1.235.943	5.065.355	-	-	-	-	-	1.235.943	5.065.355
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			2.713.731	-	501.019	22.798	435.012	3.155.721	-	2.721.883	-	501.019	22.798	456.837	1.975.307	-

<sup>(1)</sup> As of 31 December 2012, overdue finance lease receivables amounting to TRY 55.999 is included in the 100% risk weighted of overdue loans above.

**2. Consolidated Capital adequacy ratio summary:**

	The Parent Bank		Consolidated	
	Current Period		Current Period	
<b>A</b>	Capital to be employed for credit risk (Amount subject to credit risk*0.08) (I)	5.600.516	5.630.141	
<b>B</b>	Capital to be employed for market risk (II)	133.905	134.452	
<b>C</b>	Capital to be employed for operational risk (III)	601.101	623.657	
Shareholders' equity	12.808.583	12.235.539		
Shareholders' equity / (I+II+III) * 12.5*100	16,17	15,32		

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**3. Information on equity items:**

	The Parent Bank Current Period	Consolidated Current Period
<b>CORE CAPITAL</b>		
Paid-in capital	1.250.000	1.250.000
<i>Nominal capital</i>	1.250.000	1.250.000
<i>Capital commitments (-)</i>	-	-
Adjustment to paid-in capital	1.220.451	1.220.451
Share premium	-	-
Share repeal	-	-
Legal reserves	6.052.800	5.939.622
Adjustment to legal reserves	-	-
Profit	2.595.211	2.678.327
<i>Net current period profit</i>	2.595.211	2.642.347
<i>Prior period profit</i>	-	35.980
Provisions for possible losses up to 25% of core capital	328.300	328.300
Profit on sale of associates, subsidiaries and buildings	-	-
Primary subordinated loans	-	-
Minority shares	-	4.762
Loss that is not covered with reserves (-)	-	-
<i>Net current period loss</i>	-	-
<i>Prior period loss</i>	-	-
Development cost of operating lease (-)	78.860	80.513
Intangible assets (-)	37.285	56.007
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-
Goodwill (Net) (-)	-	-
<b>Total Core Capital</b>	<b>11.330.617</b>	<b>11.284.942</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General reserves	972.148	976.215
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	4.969	231
Primary subordinated loans which are ignored in the calculation of core capital	-	-
Secondary subordinated loans	-	-
45% of value increase fund of financial assets available for sale and associates and subsidiaries	539.786	183.088
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)	-	-
Minority shares	-	-
<b>Total Supplementary Capital</b>	<b>1.516.903</b>	<b>1.159.534</b>
<b>CAPITAL</b>	<b>12.847.520</b>	<b>12.444.476</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>38.937</b>	<b>208.937</b>
Equity Shares in Banks and Financial Institutions Which Are Excluded from the Consolidation	-	-
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated debt and debt instruments purchased from such parties qualified as primary or secondary subordinated debt	-	-
Shareholdings in the banks and financial institutions which are accounted for under the equity pick up method but the assets and liabilities are not consolidated	-	170.000
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-	-
The net book value of properties exceeding 50% of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	36.311	36.311
Securitization Positions to be Deducted from Equity	-	-
Other	2.626	2.626
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>12.808.583</b>	<b>12.235.539</b>

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

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

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

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

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

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

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

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

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

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As of 31 December 2012, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 20,26% and 24,53% of its total cash loans.

As of 31 December 2012, receivables of the Group from its top 100 and 200 non-cash loan customers are respectively 52,37% and 62,15% of its total non-cash loans.

As of 31 December 2012, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 15,42% and 19,24% of its total balance sheet and off-balance sheet assets.

As of 31 December 2012, general loan loss provision related to the credit risk incurred by the Group in accordance with the legislation on “Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” is TRY 976.215 (31 December 2011: TRY 659.914).

<b>Risk Classifications:</b>	<b>Current Period Risk Amount<sup>(*)</sup></b>	<b>Average Risk Amount<sup>(**)</sup></b>
Claims on sovereigns and Central Banks	26.970.291	26.380.463
Claims on regional governments or local authorities	315.496	316.454
Claims on administrative bodies and other non-commercial undertakings	100.491	106.290
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	5.814.470	4.972.610
Claims on corporates	29.098.614	28.941.880
Claims included in the regulatory retail portfolios	22.711.054	22.319.741
Claims secured by residential property	15.908.504	15.595.834
Overdue loans	401.042	364.345
Higher risk categories decided by the Board	6.301.298	5.912.692
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	5.677.844	5.266.217

<sup>(\*)</sup> Includes the risk amounts after credit conversions.

<sup>(\*\*)</sup> Average risk amounts are the arithmetical average of the amounts after credit conversions in July- December period.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### Risk profile according to the geographical concentration:

Risk Classifications <sup>(*)</sup>	Claims										Total	
	sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory portfolios	Claims secured by residential property	Overdue loans <sup>(*)</sup>	Higher risk categories decided by the Board	Other receivables		
<b>Current Period</b>												
1. Domestic	26.796.345	315.496	100.491	3.219.309	28.567.199	22.500.527	15.895.062	399.007	6.301.298	5.677.711	109.772.445	
2. EU Countries <sup>(**)</sup>	-	-	-	525.275	75.245	-	-	-	-	-	600.520	
3. OECD Countries	-	-	-	1.504.130	9.416	77	-	-	-	-	1.513.623	
4. Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-	
5. USA, Canada	-	-	-	364.053	-	-	-	-	-	-	364.053	
6. Other Countries	173.946	-	-	201.659	445.435	210.450	13.442	2.035	-	133	1.047.100	
7. Investment and associates, subsidiaries and joint ventures	-	-	-	44	1.319	-	-	-	-	-	1.363	
8. Undistributed Assets/Liabilities <sup>(***)</sup>	-	-	-	-	-	-	-	-	-	-	-	
<b>9. Total</b>	<b>26.970.291</b>	<b>315.496</b>	<b>100.491</b>	<b>5.814.470</b>	<b>29.098.614</b>	<b>22.711.054</b>	<b>15.908.504</b>	<b>401.042</b>	<b>6.301.298</b>	<b>5.677.844</b>	<b>113.299.104</b>	

<sup>(\*)</sup>As of 31 December 2012, overdue finance lease receivables amounting to TRY 55.999 is included in the overdue loans above.

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

<sup>(\*\*\*)</sup>OECD Countries other than the EU Countries, USA and Canada.

<sup>(\*\*\*\*)</sup>Includes loan classified under Uniform Accounting Standards -loans except in the first 3 columns-and compliant with Article 48 of the Banking Law.

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**Risk Profile according to sectors:**

	Risk Classifications <sup>(*)</sup>										Total		
	Claims on Banks and Central	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory portfolios	Claims secured by residential property	Overdue loans	Higher risk categories decided by the Board	Other receivables		TC	FC
Agricultural	13	35	268	-	97.907	401.163	80.752	23.757	-	46.612	599.361	51.146	650.507
Farming and raising livestock	13	35	268	-	81.881	379.861	80.733	23.559	-	46.533	577.893	34.990	612.883
Forestry	-	-	-	-	262	3.277	12	184	-	79	3.814	0	3.814
Fishing	-	-	-	-	15.764	18.025	7	14	-	0	17.654	16.156	33.810
Manufacturing	-	172	63.114	-	14.670.887	3.674.624	4.073.424	121.683	-	120.669	10.602.106	12.122.467	22.724.573
Mining	-	56	38.433	-	228.058	115.416	51.836	2.167	-	0	232.149	203.817	435.966
Production	-	116	19.005	-	13.360.181	3.528.279	3.817.344	119.461	-	120.669	9.947.600	11.017.455	20.965.055
Electric, gas and water	-	-	5.676	-	1.082.648	30.929	204.244	55	-	0	422.357	901.195	1.323.552
Construction	-	41	-	-	2.577.633	731.942	707.721	25.593	-	331.503	2.927.909	1.446.524	4.374.433
Services	25.546.703	116.191	34.319	5.814.470	10.011.161	9.587.890	4.285.734	133.284	-	302.042	33.761.303	22.070.491	55.831.794
Wholesale and retail trade	-	226	16.000	-	4.561.850	5.314.148	2.984.131	94.898	-	5.192	10.677.098	2.299.347	12.976.445
Hotel, food and beverage services	-	10	-	-	1.105.723	348.035	249.577	4.086	-	91	633.628	1.073.894	1.707.522
Transportation and telecommunication	-	-	201	-	530.393	2.145.511	481.273	10.975	-	600	2.649.348	519.605	3.168.953
Financial institutions	25.538.389	-	-	5.814.470	454.584	35.597	35	403	-	87.649	16.611.691	15.319.436	31.931.127
Real estate and renting services	252	114.257	16.641	-	2.788.136	1.277.556	387.828	4.338	-	202.235	2.373.821	2.417.422	4.791.243
Self-employment services	-	6	-	-	5.867	297.526	54.683	1.229	-	6.195	365.299	207	365.506
Education services	254	2	1.391	-	105.936	54.776	26.214	242	-	3	158.754	30.064	188.818
Health and social services	7.808	1.690	86	-	458.672	114.741	101.993	17.113	-	77	291.664	410.516	702.180
Other	1.423.575	199.057	2.790	-	1.741.026	8.315.435	6.760.873	96.725	6.301.298	4.877.018	26.831.548	2.886.249	29.717.797
Total	26.970.291	315.496	100.491	5.814.470	29.098.614	22.711.054	15.908.504	401.042	6.301.298	5.677.844	74.722.227	38.576.877	113.299.104

<sup>(\*)</sup> As of 31 December 2012, overdue finance lease receivables amounting to TRY 55,999 is included in the overdue loans above.

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

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Distribution of maturity risk factors according to their outstanding maturities:

Risk Classifications	According to outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
1.Claims on sovereigns and Central Banks	4.257.338	5.375.373	2.096.707	3.434.728	11.754.126
2.Claims on regional governments or local authorities	4.823	4.074	1.671	79.163	224.732
3.Claims on administrative bodies and other non-commercial undertakings	66.792	3.875	14.794	7.239	7.791
4.Claims on banks and intermediary institutions	4.339.337	343.394	96.822	107.896	255.036
5.Claims on corporate	6.198.322	2.226.029	2.915.786	4.181.982	16.436.713
6.Claims included in the regulatory retail portfolios	2.682.425	1.907.803	2.616.879	4.844.321	27.362.337
7. Overdue loans <sup>(*)</sup>	401.042	-	-	-	-
8. Other receivables	4.207.864	172.390	142.782	495.728	659.080
<b>Total</b>	<b>22.157.943</b>	<b>10.032.938</b>	<b>7.885.441</b>	<b>13.151.057</b>	<b>56.699.815</b>

(\*) Commitments amounting TRY 3.371.910 are not included in the table above.

(\*\*) As of 31 December 2012, overdue finance lease receivables amounting to TRY 55.999 is included in the overdue loans above.

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

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

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

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

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

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

Risk balances according to risk weights:

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	Reductions from the shareholders' equity
1. Pre-Amount of Credit Risk Mitigation	27.123.892	-	5.341.348	3.807.964	35.852.634	34.871.968	1.235.943	5.065.355	345.457
2. Amount after Credit Risk Mitigation	28.837.348	-	5.628.064	19.600.910	21.861.666	31.069.818	1.235.943	5.065.355	345.457

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Information according to sectors and counterparties::

Sectors / Counterparties	Loans			
	Non-performing loans <sup>(*)</sup>	Overdue <sup>(**)</sup>	Value Adjustments	Provisions <sup>(***)</sup>
<b>Agricultural</b>	103.642	15.318	640	79.885
<i>Farming and raising livestock</i>	95.758	14.982	627	72.199
<i>Forestry</i>	902	208	9	718
<i>Fishing</i>	6.982	128	4	6.968
<b>Manufacturing</b>	687.349	213.626	45.869	565.666
<i>Mining</i>	11.286	48.970	4.288	9.119
<i>Production</i>	675.152	163.468	41.570	555.691
<i>Electric, gas and water</i>	911	1.188	11	856
<b>Construction</b>	114.672	61.018	1.317	89.079
<b>Services</b>	669.673	304.923	10.220	536.389
<i>Wholesale and retail trade</i>	441.956	201.343	7.180	347.058
<i>Hotel, food and beverage services</i>	76.265	40.461	787	72.179
<i>Transportation and telecommunication</i>	53.495	32.550	860	42.520
<i>Financial institutions</i>	10.207	1.372	40	9.804
<i>Real estate and renting services</i>	28.188	15.558	847	23.850
<i>Self-employment services</i>	5.470	5.030	158	4.241
<i>Education services</i>	1.853	1.962	61	1.611
<i>Health and social services</i>	52.239	6.647	287	35.126
<b>Other</b>	398.737	251.448	7.758	358.011
<b>Total</b>	<b>1.974.073</b>	<b>846.333</b>	<b>65.804</b>	<b>1.629.030</b>

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

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

<sup>(\*\*\*)</sup> As of 31 December 2012, overdue finance lease receivables amounting to TRY 55.999 are not included in the overdue loans.

Information about value adjustments and changes in the loan impairment:

	The opening balance	Provision amounts set aside during the period	The cancellation of the provisions	Other adjustments	Close out balance
1. Specific Provisions	1.411.113	385.824	167.907	-	1.629.030
2. General Provisions	659.914	316.301	-	-	976.215

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

Gross Maximum Exposure	Current Period	Prior Period
Due from banks	2.588.437	1.538.705
Money Market Receivables	162.534	33.313
Financial Assets at Fair Value through profit or loss	148.312	149.499
Financial Assets Available for Sale	9.639.638	9.374.849
Held to maturity Investments	13.643.091	14.064.458
Loans	65.919.241	56.283.603
Finance Lease Receivables (Net)	1.074.217	889.533
Factoring Receivables	436	-
<b>Total</b>	<b>93.175.906</b>	<b>82.333.960</b>
Contingent Liabilities	19.758.865	17.855.277
Commitments	14.431.600	11.264.984
<b>Total</b>	<b>34.190.465</b>	<b>29.120.261</b>
<b>Total Credit Risk Exposure</b>	<b>127.366.371</b>	<b>111.454.221</b>

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

Corporate and Commercial Loans	Internal/External Valuation Grade	Total	Entrepreneur Firms	Internal/External Valuation Grade	Total
Risk rating group 1	AAA	85.361	High		
Risk rating group 2	AA	6.269.364	Risk rating group 1	1	1.146.803
Risk rating group 3	A	6.321.543	Risk rating group 2	2	1.728.652
Risk rating group 4	BBB	9.553.296	Standard		
Risk rating group 5	BB	7.583.121	Risk rating group 3	3	1.618.863
Risk rating group 6	B	8.226.354	Risk rating group 4	4	2.123.267
Risk rating group 7	CCC	2.769.230	Risk rating group 5	5	4.089.038
Risk rating group 8	CC	429.705	Below the standard		
Risk rating group 9	C	11.390	Risk rating group 6	6	3.569.916
			Risk rating group 7	7	4.020.528
<b>Total</b>		<b>41.249.364</b>	<b>Total</b>		<b>18.297.067</b>

<sup>(1)</sup> Loans for which the risk does not belong to the Bank amounting TRY 1.333.740 are not included the table above.

<sup>(2)</sup> Prepared in accordance with the internal grading results of the Parent Bank.

<sup>(3)</sup> Only graded firms are included.

<sup>(4)</sup> Includes the total of cash and non cash loans.

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

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

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

	Current Period	Prior Period
Loans <sup>(1), (2)</sup>		
Corporate Loans	37.964	72.027
SME Loans	26.712	42.917
Consumer Loans	16.098	22.260
Other	152	201
<b>Total</b>	<b>80.926</b>	<b>137.405</b>

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

<sup>(2)</sup>Presents loans accounted under in restructured or rescheduled loan accounts.

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The net value and type of collaterals of the loans amounting TRY 1.924.813 followed under loans and other receivables under close monitoring section is below: (31 December 2011 : TRY 660.783).

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Real estate mortgage	1.519.823	428.717
Salary pledge, vehicle pledge and pledge of commercial undertaking	75.401	53.484
Financial collaterals (cash, securities pledge, etc.)	14.047	33
Cheque /bills	11.204	5.090
Suretyship	188.735	92.888
Other	115.603	80.571
<b>Total</b>	<b>1.924.813</b>	<b>660.783</b>

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

<sup>(2)</sup> Income accruals amounting to TRY 22.521 (31 December 2011: TRY 8.280) are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 1.974.073 followed under non performing loans section is below: (31 December 2011: TRY 1.680.884)

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Cash	1.845	2.045
Mortgage	511.841	499.189
Pledge	37.805	28.854
Cheque,bills	4.899	8.723
Suretyship	1.000.072	786.225
Bond	-	3
Other <sup>(2)</sup>	417.611	355.845
<b>Total</b>	<b>1.974.073</b>	<b>1.680.884</b>

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

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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### III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK

In accordance with the Group's risk management policy framework to avoid the effect of market risk, the Bank has determined the management activities and has taken necessary precautions within the framework of "Regulation On Measurement and Evaluation Of Capital Adequacy Of Banks" published in Official Journal No 28337 of 28 June 2012 by.

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

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

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

#### a) Information related to consolidated market risk:

	Amount
(I) Capital requirement to be employed for general market risk	92.002
(II) Capital requirement to be employed for specific risk	17.037
(III) Capital requirement to be employed for specific risk in securitization positions- Standard Method	-
(IV) Capital requirement to be employed for currency risk	23.185
(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	264
(VIII) Capital requirement to be employed for general market risk.	1.964
(IX) Total capital requirement to be employed for market risk	-
(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)	134.452
(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)	1.680.650

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b) The Group's average market risk calculated as of the end of months in the related period:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	135.091	220.685	89.537	131.149	150.944	114.310
Share Risk	4.468	6.506	2.966	2.555	3.076	2.192
Currency Risk	22.079	30.026	16.833	16.237	38.424	8.936
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Options Risk	182	264	91	395	1.234	32
Counterparty Credit Risk	2.190	2.415	1.964	-	-	-
<b>Amount Subject to Total Risk</b>	<b>164.010</b>	<b>259.896</b>	<b>111.391</b>	<b>150.336</b>	<b>193.678</b>	<b>125.470</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 Group uses current exposure method in the calculation process of counterparty credit risk. The comprehensive financial collateral and simple financial collateral approaches are taken into account in the calculation process of counterparty credit risk of repo style transactions for trading and banking book activities, respectively.

Under the current exposure method, the Group calculates the current replacement cost by marking contracts to market, thus capturing the current exposure without any need for estimation, and then adding a factor ("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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Gross positive fair value of contracts, the securities which are held and the net position of derivatives are disclosed below.

	Amount*
Contracts based on Interest rate	-
Contracts based on currency	80.571
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	80.571
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	8.472
The net position of derivatives	80.571

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

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

In the calculation of the Group's operational risk, the "Basic Indicator Method" is used. The amount subject to operational risk is calculated once a year in accordance with the Regulation on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 28337 on 28 June 2012. In the Basic Indicator Method, the amount subject to operational risk is calculated by multiplying 15% of the Group's average gross revenue over the previous three years with 12,5. Amount subject to operational risk is TRY 7.795.467 for the current period.

	2 PP Value	1 PP Value	CD Value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	3.759.879	3.928.378	4.784.490	3	15	623.637
Amount subject to operational risk (Total*12,5)						7.795.467

# TÜRKİYE HALK BANKASI A.Ş.

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### FOR THE YEAR ENDED 31 DECEMBER 2012

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#### V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK

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

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

Announced current foreign exchange buying rates of the Parent Bank as at 31 December 2012 and the previous five working days in full TRY are as follows:

	24.12.2012	25.12.2012	26.12.2012	27.12.2012	28.12.2012	31.12.2012
USD	1,7750000	1,7700000	1,7700000	1,7700000	1,7700000	1,7650000
CHF	1,9371000	1,9329000	1,9378000	1,9332000	1,9345000	1,9262000
GBP	2,8590000	2,8111000	2,8545000	2,8513000	2,8528000	2,8628000
JPY	0,0209101	0,0208426	0,0207046	0,0205768	0,0205326	0,0203764
EURO	2,3428000	2,3343000	2,3434000	2,3401000	2,3401000	2,3284000

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 31 December 2012 are as follows:

	Monthly average
USD	1,7661905
CHF	1,9150381
GBP	2,8460238
JPY	0,0210508
EURO	2,3179190

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#### Information related to the consolidated currency risk:

Current Period	EURO	USD	OTER FC	TOTAL
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	4.766.255	4.122.773	2.021.209	10.910.237
Banks	714.916	136.531	1.528.922	2.380.369
Financial assets at fair value through profit and loss <sup>(3)</sup>	4.457	39.347	73	43.877
Money market placements	2.328	-	-	2.328
Financial assets available-for-sale <sup>(5)</sup>	612.594	226.675	36.398	875.667
Loans <sup>(2)</sup>	6.847.668	10.947.843	189.646	17.985.157
Subsidiaries, associates and entities under common control <sup>(5)</sup>	155.676	-	-	155.676
Held-to-maturity investments	660.391	648.590	152.509	1.461.490
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	29.053	29.053
Intangible assets	-	-	-	-
Other assets <sup>(3)</sup>	509.798	466.305	35.893	1.011.996
<b>Total assets</b>	<b>14.274.083</b>	<b>16.588.064</b>	<b>3.993.703</b>	<b>34.855.850</b>
<b>Liabilities</b>				
Bank deposits	3.898.676	724.069	1.303.641	5.926.386
Foreign currency deposits	9.111.060	8.833.703	2.295.527	20.240.290
Money market balances	-	310.222	-	310.222
Funds provided from other financial institutions	4.432.992	2.973.731	39.294	7.446.017
Bonds issued	-	1.346.168	-	1.346.168
Sundry creditors	27.746	50.987	40	78.773
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities <sup>(3)</sup>	86.908	119.819	14.826	221.553
<b>Total liabilities</b>	<b>17.557.382</b>	<b>14.358.699</b>	<b>3.653.328</b>	<b>35.569.409</b>
<b>Net balance sheet position</b>	<b>(3.283.299)</b>	<b>2.229.365</b>	<b>340.375</b>	<b>(713.559)</b>
<b>Net off-balance sheet position</b>				
<b>Financial derivative assets<sup>(4)</sup></b>	<b>2.860.331</b>	<b>(2.258.173)</b>	<b>134.601</b>	<b>736.759</b>
<b>Financial derivative liabilities<sup>(4)</sup></b>	<b>3.033.396</b>	<b>1.159.250</b>	<b>420.616</b>	<b>4.613.262</b>
<b>Non-cash loans<sup>(1)</sup></b>	<b>173.065</b>	<b>3.417.423</b>	<b>286.015</b>	<b>3.876.503</b>
<b>Non-cash loans<sup>(1)</sup></b>	<b>3.354.802</b>	<b>6.378.215</b>	<b>266.590</b>	<b>9.999.607</b>
<b>Prior period</b>				
<b>Total assets</b>	<b>14.853.627</b>	<b>12.873.718</b>	<b>1.013.780</b>	<b>28.741.125</b>
<b>Total liabilities</b>	<b>16.374.193</b>	<b>11.075.793</b>	<b>2.510.662</b>	<b>29.960.648</b>
<b>Net balance sheet position</b>	<b>(1.520.566)</b>	<b>1.797.925</b>	<b>(1.496.882)</b>	<b>(1.219.523)</b>
<b>Net off-balance sheet position</b>				
<b>Financial derivative assets</b>	<b>1.320.390</b>	<b>(1.761.588)</b>	<b>1.563.783</b>	<b>1.122.585</b>
<b>Financial derivative liabilities</b>	<b>1.452.427</b>	<b>744.174</b>	<b>1.716.874</b>	<b>3.913.475</b>
<b>Financial derivative liabilities</b>	<b>132.037</b>	<b>2.505.762</b>	<b>153.091</b>	<b>2.790.890</b>
<b>Non-cash loans</b>	<b>2.806.749</b>	<b>6.050.271</b>	<b>173.150</b>	<b>9.030.170</b>

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

(2) Includes TRY 44.365 of foreign currency indexed loans and their accruals. (31 December 2011: 55.515 TL)

(3) In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 51.873), foreign currency intangible assets (TRY 15.211), prepaid expenses (TRY 32) in assets; and derivative financial instruments foreign currency expense accruals (TRY 45.427) and shareholders' equity (TRY 121.338) and foreign currency minority shares (TRY 1.488) in liabilities are not taken into consideration in the currency risk measurement.

(4) Financial derivative assets include credit default swaps amounting to TRY 88.250 and forward precious metal purchase transactions amounted to TRY 314.800. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 222.683.

(5) Macar Halkbank (TRY 2.063) and International Garagum Bank (TRY 250), 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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#### Foreign currency sensitivity:

The Group is exposed to currency risk in EURO and USD terms in balance sheet and also utilizes from derivative instruments in order to compensate for currency risk.

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

	Change in currency rate in %	Effect on profit /loss before taxation	
		Current period	Prior period
USD	% 10 increase	(2.881)	3.634
EURO	% 10 increase	(42.297)	(20.018)
Other	% 10 increase	47.498	6.690

The Group's sensitivity to foreign currency rates has increased due to the change of foreign currency position in the current period.

#### VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK

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

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

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

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

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#### 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
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	33.026	-	-	-	-	12.484.052	12.517.078
Banks and financial institutions	971.370	2.003	-	-	-	1.615.064	2.588.437
Financial assets at fair value through profit and loss	34.018	33.139	67.874	13.281	-	1.435	149.747
Money market placements	162.534	-	-	-	-	-	162.534
Financial assets available-for-sale	2.208.349	1.588.181	2.829.910	1.869.932	1.143.266	16.027	9.655.665
Loans	27.348.206	11.026.850	10.893.353	12.810.027	2.477.136	1.018.626	65.574.198
Held-to-maturity investments	3.860.547	3.576.657	2.516.285	2.941.584	748.018	-	13.643.091
Other assets <sup>(1), (2)</sup>	116.902	59.363	260.312	634.961	201.925	3.490.519	4.763.982
<b>Total assets</b>	<b>34.734.952</b>	<b>16.286.193</b>	<b>16.567.734</b>	<b>18.269.785</b>	<b>4.570.345</b>	<b>18.625.723</b>	<b>109.054.732</b>
<b>Liabilities</b>							
Bank deposits	2.990.561	273.257	356.116	-	-	3.800.718	7.420.652
Other deposits	38.121.142	17.250.278	4.610.986	100.902	170	12.295.393	72.378.871
Money market balances	162.193	553.083	-	-	-	-	715.276
Sundry creditors	318.213	16.968	780.792	4.022	-	153.681	1.273.676
Bonds issued	710.741	-	31.423	1.376.815	-	-	2.118.979
Funds provided from other financial institutions <sup>(4)</sup>	1.922.042	2.719.001	2.228.287	797.451	345.910	18.379	8.031.070
Other liabilities <sup>(3)</sup>	1.570.354	740.462	349.713	-	-	14.455.679	17.116.208
<b>Total liabilities</b>	<b>45.795.246</b>	<b>21.553.049</b>	<b>8.357.317</b>	<b>2.279.190</b>	<b>346.080</b>	<b>30.723.850</b>	<b>109.054.732</b>
Balance sheet long position	-	-	8.210.417	15.990.595	4.224.265	-	28.425.277
Balance sheet short position	(11.060.294)	(5.266.856)	-	-	-	(12.098.127)	(28.425.277)
Off-balance sheet long position	20.368	113.612	11.125	-	-	-	145.105
Off-balance sheet short position	(20.368)	(25.362)	(70.225)	-	-	-	(115.955)
<b>Total position</b>	<b>(11.060.294)</b>	<b>(5.178.606)</b>	<b>8.151.317</b>	<b>15.990.595</b>	<b>4.224.265</b>	<b>(12.098.127)</b>	<b>29.150</b>

<sup>(1)</sup> TRY 236.222 of deferred tax assets is disclosed under the non interest bearing column in other assets.

<sup>(2)</sup> TRY 345.043 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

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Prior period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-interest bearing	Total
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	19.916	-	-	-	-	7.267.817	7.287.733
Banks and financial institutions	1.319.319	74.056	-	-	-	145.330	1.538.705
Financial assets at fair value through profit and loss	16.176	43.575	6.037	78.004	5.586	121	149.499
Money market placements	33.313	-	-	-	-	-	33.313
Financial assets available-for-sale	1.413.567	1.139.245	1.185.680	3.978.649	1.657.708	15.571	9.390.420
Loans	24.692.744	6.738.282	10.795.891	11.004.591	1.822.924	959.400	56.013.832
Held-to-maturity investments	3.466.143	3.669.329	2.602.180	2.990.431	1.336.375	-	14.064.458
Other assets <sup>(1),(2)</sup>	111.872	51.486	168.936	566.486	106.328	2.677.589	3.682.697
<b>Total assets</b>	<b>31.073.050</b>	<b>11.715.973</b>	<b>14.758.724</b>	<b>18.618.161</b>	<b>4.928.921</b>	<b>11.065.828</b>	<b>92.160.657</b>
<b>Liabilities</b>							
Bank deposits	3.707.469	64.100	37.665	130.671	-	3.040.932	6.980.837
Other deposits	31.983.368	13.175.156	3.841.321	49.707	90	10.198.031	59.247.673
Money market balances	4.271.473	332.118	338.118	-	-	-	4.941.709
Sundry creditors	21.112	-	-	-	-	1.150.275	1.171.387
Bonds issued	495.611	-	-	-	-	-	495.611
Funds provided from other financial institutions <sup>(4)</sup>	2.009.608	2.443.210	1.737.918	688.020	130.578	1.011	7.010.345
Other liabilities <sup>(3)</sup>	1.461.551	348.600	40.745	-	-	10.462.199	12.313.095
<b>Total liabilities</b>	<b>43.950.192</b>	<b>16.363.184</b>	<b>5.995.767</b>	<b>868.398</b>	<b>130.668</b>	<b>24.852.448</b>	<b>92.160.657</b>
Balance sheet long position	-	-	8.762.957	17.749.763	4.798.253	-	31.310.973
Balance sheet short position	(12.877.142)	(4.647.211)	-	-	-	(13.786.620)	(31.310.973)
Off-balance sheet long position	-	7.951	281.562	815	-	-	290.328
Off-balance sheet short position	-	(7.951)	(141.532)	(815)	(59.100)	-	(209.398)
<b>Total position</b>	<b>(12.877.142)</b>	<b>(4.647.211)</b>	<b>8.902.987</b>	<b>17.749.763</b>	<b>4.739.153</b>	<b>(13.786.620)</b>	<b>80.930</b>

<sup>(1)</sup> TRY 93.671 of deferred tax assets is disclosed under the non-interest bearing column in other assets.

<sup>(2)</sup> TRY 269.771 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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

#### 2. Average interest rates applied to financial instruments:

Current period	EURO	USD	JPY	TRY
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey <sup>(5)</sup>	0,1 – 0,50	-	-	5,00
Due from other banks and financial institutions <sup>(1)</sup>	0,57	0,34	-	5,74
Financial assets at fair value through profit and loss	-	2,10	-	6,14
Money market placements	1,75	-	-	8,50
Available-for-sale financial assets	4,59	5,33	-	8,43
Loans <sup>(2)</sup>	4,61	4,14	2,17	12,46
Held-to-maturity investments	6,42	5,99	-	9,07
<b>Liabilities</b>				
Bank deposits	0,02	1,18	-	3,15
Other deposits <sup>(4)</sup>	3,03	2,92	-	7,68
Money market borrowings	2,30	1,46	-	4,78
Sundry creditors <sup>(3)</sup>	-	-	-	4,13
Bonds issued	-	2,44	-	8,66
Funds provided from other financial institutions	1,46	1,97	-	7,67
<b>Prior Period</b>				
	EURO	USD	JPY	TRY
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey <sup>(5)</sup>	0,1 – 0,50	-	-	5,00
Due from other banks and financial institutions <sup>(1)</sup>	0,82	0,25	-	1,45
Financial assets at fair value through profit and loss	-	4,60	-	9,83
Money market placements	-	-	-	-
Available-for-sale financial assets	4,90	4,97	-	8,72
Loans <sup>(2)</sup>	4,55	3,82	-	12,46
Held-to-maturity investments	6,38	7,02	-	11,09
<b>Liabilities</b>				
Bank deposits	1,29	0,99	-	10,84
Other deposits	3,75	3,77	-	9,44
Money market borrowings	2,11	1,59	-	9,16
Sundry creditors	-	-	-	4,50
Bonds issued	-	-	-	8,82
Funds provided from other financial institutions <sup>(4)</sup>	2,35	1,60	-	6,90

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

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

<sup>(3)</sup> 75% of the declared maximum deposits interest rate with a maturity of twelve months as of 31 December 2012.

<sup>(4)</sup> Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 December 2012.

<sup>(5)</sup> Required reserve ratio of the Central Bank of TRNC and Central Bank of Macedonia.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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

The Parent Bank's standard interest rate shock methods are being used on a daily basis in respect of measuring the risk arising from repricing mismatch of asset and liability items. The duration within the limits are determined by BRSA that obtained from the calculation intended for demand deposits by using core deposit and duration analysis is taken into account.

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

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

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

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

	Currency	Applied Shock (+/- x basis points)	Gains/ Losses	Gains/Shareholders' Equity – Losses/ Shareholders' Equity
1	TRY	500	(1.261.829)	%(9,849)
		(400)	1.282.128	%10,008
2	EURO	200	303.520	%2,369
		(200)	(266.543)	%(2,081)
3	USD	200	4.701	%0,037
		(200)	12.343	%0,096
	Total (For negative shocks)		1.027.928	%8,023
	Total (For positive shocks)		(953.608)	%(7,443)

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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### VII. EXPLANATIONS RELATED TO THE CONSOLIDATED POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Balance Sheet Value	Comparison	
		Fair Value Change	Market Value
1. Associates	176.654	-	-
Quoted in a stock exchange	-	-	-
2. Subsidiaries	-	-	-
Quoted in a stock exchange	-	-	-

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

None

### VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK

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

Meeting the liquidity needs of the Parent Bank, domestic and foreign markets are being used. Due to the fact that the Bank's liquidity need is at low levels, the bank may provide funding easily (CB, 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 Parent Bank will be able to increase its market share if necessary. The money market borrowing facilities and the Eurobond portfolio of the Parent Bank provides an important potential funding opportunity to the Parent Bank.

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

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

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
<b>Assets</b>								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	1.583.921	2.713.399	4.978.852	3.177.168	55.532	8.206	-	12.517.078
Banks	1.615.064	971.370	2.003	-	-	-	-	2.588.437
Financial assets at fair value through profit and loss	-	33.979	32.322	67.874	14.137	-	1.435	149.747
Money market placements	-	162.534	-	-	-	-	-	162.534
Financial assets available-for-sale	-	594.360	276.830	2.345.845	3.295.056	3.127.547	16.027	9.655.665
Loans <sup>(2)</sup>	822.424	7.437.927	5.653.655	19.607.956	28.354.282	3.697.954	-	65.574.198
Held-to-maturity investments	152.509	474.771	395.318	2.354.772	7.999.824	2.265.897	-	13.643.091
Other assets <sup>(3)</sup>	495.250	64.103	64.909	307.565	634.961	201.925	2.995.269	4.763.982
<b>Total assets</b>	<b>4.669.168</b>	<b>12.452.443</b>	<b>11.403.889</b>	<b>27.861.180</b>	<b>40.353.792</b>	<b>9.301.529</b>	<b>3.012.731</b>	<b>109.054.732</b>
<b>Liabilities</b>								
Bank deposits	3.800.718	2.990.561	273.257	356.116	-	-	-	7.420.652
Other deposits	12.295.393	38.116.945	17.240.112	4.511.219	210.817	4.385	-	72.378.871
Funds provided from other financial institutions <sup>(4)</sup>	12.281	244.628	498.108	3.450.021	2.174.547	1.651.485	-	8.031.070
Money market balances	-	162.193	553.083	-	-	-	-	715.276
Bonds issued	-	710.741	-	31.423	1.376.815	-	-	2.118.979
Sundry creditors	143.068	346.037	70.181	244.149	457.619	-	12.622	1.273.676
Other liabilities <sup>(1)</sup>	2.931.818	239.879	845.809	634.895	231.156	221.218	12.011.433	17.116.208
<b>Total liabilities</b>	<b>19.183.278</b>	<b>42.810.984</b>	<b>19.480.550</b>	<b>9.227.823</b>	<b>4.450.954</b>	<b>1.877.088</b>	<b>12.024.055</b>	<b>109.054.732</b>
<b>Liquidity gap</b>	<b>(14.514.110)</b>	<b>(30.358.541)</b>	<b>(8.076.661)</b>	<b>18.633.357</b>	<b>35.902.838</b>	<b>7.424.441</b>	<b>(9.011.324)</b>	<b>-</b>
<b>Previous period</b>								
Total assets	1.951.913	7.835.902	8.766.509	21.553.744	40.759.299	8.894.467	2.398.823	92.160.657
Total liabilities	16.030.744	41.271.250	14.501.429	7.785.334	1.753.990	2.028.561	8.789.349	92.160.657
<b>Liquidity gap</b>	<b>(14.078.831)</b>	<b>(33.435.348)</b>	<b>(5.734.920)</b>	<b>13.768.410</b>	<b>39.005.309</b>	<b>6.865.906</b>	<b>(6.390.526)</b>	<b>-</b>

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

<sup>(2)</sup> TRY 345.043 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

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

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

**TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Deposits	57.319.699	17.704.559	5.040.828	213.739	4.385	(483.687)	79.799.523
Funds provided from other financial intuitions	271.528	509.062	3.550.644	2.414.272	1.832.033	(546.469)	8.031.070
Money market borrowings	162.214	553.647	-	-	-	(585)	715.276
Securities issued	719.014	-	32.266	1.669.657	-	(301.958)	2.118.979
Funds	618.814	98.686	280.166	228.713	239.295	(57.787)	1.407.887
Sundry Creditors	501.727	70.181	244.149	457.619	-	-	1.273.676
<b>Total</b>	<b>59.592.996</b>	<b>18.936.135</b>	<b>9.148.053</b>	<b>4.984.000</b>	<b>2.075.713</b>	<b>(1.390.486)</b>	<b>93.346.411</b>

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Deposits	49.042.356	13.408.764	3.921.640	276.747	7.040	(428.037)	66.228.510
Funds provided from other financial intuitions	255.752	458.066	3.370.828	1.463.648	1.989.147	(527.096)	7.010.345
Money market borrowings	4.296.885	333.153	344.220	-	-	(32.549)	4.941.709
Securities issued	498.671	-	-	-	-	(3.060)	495.611
Funds	616.898	75.101	253.089	227.475	224.475	(51.804)	1.345.234
Sundry Creditors	548.604	50.228	196.574	375.975	6	-	1.171.387
<b>Total</b>	<b>55.259.166</b>	<b>14.325.312</b>	<b>8.086.351</b>	<b>2.343.845</b>	<b>2.220.668</b>	<b>(1.042.546)</b>	<b>81.192.796</b>

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

In accordance with the Communiqué on the “Measurement and Assessment of Liquidity of the Banks” published in the official gazette dated 1 November 2006 No: 26333, beginning from 1 June 2007 liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%. Liquidity ratio as at 31 December 2012 and 2011 are presented below:

	Current Period				Prior Period			
	First maturity Tranche(Weekly)		First maturity Tranche(Monthly)		First maturity Tranche(Weekly)		First maturity Tranche(Monthly)	
	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC
Average	174,60	196,96	126,02	123,65	154,91	154,98	104,30	106,78
Maximum	230,51	250,27	149,85	141,13	214,63	206,10	129,89	121,41
Minimum	131,56	154,38	106,25	104,22	119,96	136,93	81,85	100,23

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	641.463	503.262	156.391	349	-	1.301.465
Forward Contracts – Sell	637.040	594.598	156.378	374	-	1.388.390
Swaps – Buy	704.421	2.281.832	117.536	529.500	-	3.633.289
Swaps – Sell	705.785	2.258.622	117.605	514.175	-	3.596.187
Credit Default Swap – Buy	-	-	-	88.250	-	88.250
Credit Default Swap – Sell	-	-	-	59.100	-	59.100
Forward Precious Metal – Buy	-	314.800	-	-	-	314.800
Forward Precious Metal – Sell	-	222.683	-	-	-	222.683
Money Buy Options	540	95.317	44.711	-	-	140.568
Money Sell Options	540	95.340	44.686	-	-	140.566
<b>Total</b>	<b>2.689.789</b>	<b>6.366.454</b>	<b>637.307</b>	<b>1.191.748</b>	<b>-</b>	<b>10.885.298</b>

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	434.626	162.649	70.521	-	-	667.796
Forward Contracts – Sell	434.798	1.703.426	71.104	-	-	2.209.328
Swaps – Buy	1.670.280	153.225	-	93.000	-	1.916.505
Swaps – Sell	1.683.159	153.119	-	59.500	-	1.895.778
Credit Default Swap – Buy	-	186.000	-	93.000	-	279.000
Credit Default Swap – Sell	-	138.970	-	59.100	-	198.070
Forward Precious Metal - Buy	-	1.500.223	-	-	-	1.500.223
Forward Precious Metal - Sell	-	7.849	-	-	-	7.849
Money Buy Options	36.785	10.663	21.932	-	-	69.380
Money Sell Options	36.811	10.638	21.931	-	-	69.380
<b>Total</b>	<b>4.296.459</b>	<b>4.026.762</b>	<b>185.488</b>	<b>304.600</b>	<b>-</b>	<b>8.813.309</b>

#### IX. EXPLANATIONS RELATED TO THE CONSOLIDATED SECURITIZATION POSITIONS:

Securitization positions:

None.

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

Credit risk mitigation techniques:

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

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

The value of the mortgages is being revalued during the credit period.

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

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

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

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

### Information about guaranties according to risk classifications:

Risk Classifications	Amount	Financial guaranties	Other/Physical guaranties	Guarantees and credit derivatives
Claims on sovereigns and Central Banks	26.970.291	-	-	-
Claims on regional governments or local authorities	315.496	9.201	-	-
Claims on administrative bodies and other non-commercial undertakings	100.491	2.270	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	5.814.470	-	-	-
Claims on corporate	29.098.614	529.004	-	7.235
Claims included in the regulatory retail portfolios	22.711.054	1.391.852	-	44.447
Claims secured by residential property	15.908.504	28.074	-	-
Overdue loans	401.042	-	-	-
Higher risk categories decided by the Board	6.301.298	-	-	-
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	5.677.844	-	-	-
<b>Total</b>	<b>113.299.104</b>	<b>1.960.401</b>	<b>-</b>	<b>51.682</b>

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

#### Risk management target and policies:

##### Credit Risk:

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

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

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

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

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

##### Foreign Exchange Risk:

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

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

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

##### Interest Rate Risk:

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

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

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

##### Liquidity Risk:

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

### XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION

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

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

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

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

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

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

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

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 December 2012 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment <sup>(1)</sup>	Other <sup>(3)</sup>	Elimination <sup>(2)</sup>	Total
<b>OPERATING INCOME / EXPENSES</b>							
Interest income	1.262.607	1.005.258	9.552.764	7.510.774	104.408	(10.313.630)	9.122.181
Interest on loans	658.712	768.542	4.921.350	392.577	-	-	6.741.181
Interest income on marketable securities	-	-	-	2.243.983	24.032	-	2.268.015
Interest received from banks	-	-	-	12.278	28	-	12.306
Other interest income <sup>(2)</sup>	603.895	236.716	4.631.414	4.861.936	80.348	(10.313.630)	100.679
Interest expense	921.226	760.028	7.118.050	6.017.422	34.414	(10.313.630)	4.537.510
Interest on deposits	386.590	171.514	3.321.467	184.487	-	-	4.064.058
Interest on borrowings	2.808	13.023	10.784	124.242	32.721	-	183.578
Interest on money market borrowings	-	-	-	137.742	-	-	137.742
Interest on marketable bonds issued	-	-	-	96.597	1.693	-	98.290
Other interest expense <sup>(2)</sup>	531.828	575.491	3.785.799	5.474.354	-	(10.313.630)	53.842
Net interest income	341.381	245.230	2.434.714	1.493.352	69.994	-	4.584.671
Net fees and commissions income	187.774	150.501	453.469	22.775	(3.786)	-	810.733
Net trading profit / (loss)	-	-	-	558.299	(2.408)	-	555.891
Dividend income	-	-	-	758	-	-	758
Other income	1.142	24.124	218.983	129.021	371.970	-	745.240
Loans and other receivables' impairment loss	49.836	44.341	290.519	504.420	11.783	-	900.899
Other expenses	22.110	53.912	942.819	1.097.231	280.561	-	2.396.633
Income before taxes	458.351	321.602	1.873.828	602.554	143.426	-	3.399.761
Income tax provision	-	-	-	(736.604)	(20.113)	-	(756.717)
Net profit for the period	458.351	321.602	1.873.828	(134.050)	123.313	-	2.643.044
<b>SEGMENT ASSETS</b>							
Marketable securities	-	-	-	23.127.317	238.374	-	23.365.691
Derivative financial assets held for trading	-	-	-	82.772	40	-	82.812
Banks and money market receivables	-	-	-	2.748.750	2.221	-	2.750.971
Associates and subsidiaries (net)	-	-	-	176.654	-	-	176.654
Loans	10.049.389	9.552.386	40.585.669	5.731.797	-	-	65.919.241
Other assets <sup>(1)</sup>	597	8.554	713.351	14.753.412	1.283.449	-	16.759.363
<b>TOTAL ASSETS</b>	<b>10.049.986</b>	<b>9.560.940</b>	<b>41.299.020</b>	<b>46.620.702</b>	<b>1.524.084</b>	<b>-</b>	<b>109.054.732</b>
<b>SEGMENT LIABILITIES</b>							
Deposits	11.909.003	4.183.138	55.389.430	8.317.952	-	-	79.799.523
Derivative financial liabilities held for trading	-	-	-	50.282	-	-	50.282
Money market balances	-	-	-	715.276	-	-	715.276
Borrowing funding loans	8.155	219.674	220.342	6.916.777	666.122	-	8.031.070
Bonds issued	-	-	-	2.031.305	87.674	-	2.118.979
Other liabilities	33.071	86.758	2.556.752	1.287.197	59.938	-	4.023.716
Provisions and tax payable	16.217	18.851	90.809	2.211.138	478.615	-	2.815.630
Shareholders' equity	-	-	-	11.416.329	83.927	-	11.500.256
<b>TOTAL LIABILITIES</b>	<b>11.966.446</b>	<b>4.508.421</b>	<b>58.257.333</b>	<b>32.946.256</b>	<b>1.376.276</b>	<b>-</b>	<b>109.054.732</b>
<b>OFF BALANCE SHEET ITEMS</b>							
Guarantees and surety ships	9.919.066	5.156.066	11.084.441	78.864.943	-	-	105.024.516
Commitments	33.667	342.791	6.185.456	69.127.494	-	-	75.689.408
Derivative financial instruments	-	-	-	9.576.243	-	-	9.576.243

<sup>(1)</sup> Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.517.341 (net) and deferred tax assets amounting TRY 236.222 in other assets are presented under the Treasury / Investment column.

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

<sup>(3)</sup> 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.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 December 2011 are presented in the table below.

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment <sup>(1)</sup>	Other <sup>(3)</sup>	Elimination <sup>(2)</sup>	Total
<b>OPERATING INCOME / EXPENSES</b>							
Interest income	901.228	766.928	7.573.218	6.019.369	47.713	(7.969.194)	7.339.262
Interest on loans	472.732	598.862	3.863.407	315.984	-	-	5.250.985
Interest income on marketable securities	-	-	-	2.019.637	14.003	-	2.033.640
Interest received from banks	-	-	-	9.892	184	-	10.076
Other interest income <sup>(2)</sup>	428.496	168.066	3.709.811	3.673.856	33.526	(7.969.194)	44.561
Interest expense	651.343	540.020	5.458.666	5.111.675	12.994	(7.969.194)	3.805.504
Interest on deposits	272.666	113.428	2.539.616	227.039	-	-	3.152.749
Interest on borrowings	2.612	11.229	5.651	108.359	12.994	-	140.845
Interest on money market borrowings	-	-	-	458.659	-	-	458.659
Interest on marketable bonds issued	-	-	-	17.308	-	-	17.308
Other interest expense <sup>(2)</sup>	376.065	415.363	2.913.399	4.300.310	-	(7.969.194)	35.943
Net interest income	249.885	226.908	2.114.552	907.694	34.719	-	3.533.758
Net fees and commissions income	71.346	97.301	484.841	51.679	(2.138)	-	703.029
Net trading profit / (loss)	-	-	-	207.253	3.006	-	210.259
Dividend income	-	-	-	5.534	139	-	5.673
Other income	4.861	29.863	326.791	192.389	265.733	-	819.637
Loans and other receivables' impairment loss	3.433	45.545	168.136	473.051	1.551	-	691.716
Other expenses	14.508	50.787	850.320	820.902	208.576	-	1.945.093
Income before taxes	308.151	257.740	1.907.728	70.596	91.332	-	2.635.547
Income tax provision	-	-	-	(595.971)	(12.877)	-	(608.848)
Net profit for the period	308.151	257.740	1.907.728	(525.375)	78.455	-	2.026.699
<b>SEGMENT ASSETS</b>							
Marketable securities	-	-	-	23.317.706	193.732	-	23.511.438
Derivative financial assets held for trading	-	-	-	92.939	-	-	92.939
Banks and money market receivables	-	-	-	1.544.906	27.112	-	1.572.018
Associates and subsidiaries (net)	-	-	-	155.488	-	-	155.488
Loans	7.122.471	8.298.222	35.063.374	5.799.536	-	-	56.283.603
Other assets <sup>(1)</sup>	671	160.081	933.226	8.447.531	1.003.662	-	10.545.171
<b>TOTAL ASSETS</b>	<b>7.123.142</b>	<b>8.458.303</b>	<b>35.996.600</b>	<b>39.358.106</b>	<b>1.224.506</b>	<b>-</b>	<b>92.160.657</b>
<b>SEGMENT LIABILITIES</b>							
Deposits	6.921.885	2.813.885	46.615.466	9.877.274	-	-	66.228.510
Derivative financial liabilities held for trading	-	-	-	65.358	-	-	65.358
Money market balances	-	-	-	4.941.709	-	-	4.941.709
Borrowing funding loans	35.746	204.493	159.670	5.944.379	666.057	-	7.010.345
Bonds issued	-	-	-	495.611	-	-	495.611
Other liabilities	25.354	47.019	2.126.270	850.994	48.812	-	3.098.449
Provisions and tax payable	6.812	13.866	80.975	1.341.073	317.079	-	1.759.805
Shareholders' equity	-	-	-	8.514.318	46.552	-	8.560.870
<b>TOTAL LIABILITIES</b>	<b>6.989.797</b>	<b>3.079.263</b>	<b>48.982.381</b>	<b>32.030.716</b>	<b>1.078.500</b>	<b>-</b>	<b>92.160.657</b>
<b>OFF BALANCE SHEET ITEMS</b>							
Guarantees and surety ships	9.672.659	3.959.359	4.160.754	53.685	8.820	-	17.855.277
Commitments	23.889	213.890	5.328.820	65.674.431	8.918	-	71.249.948
Derivative financial instruments	-	-	-	8.136.224	-	-	8.136.224

<sup>(1)</sup> Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY1.314.861 (net) and deferred tax assets amounting TRY 93.671 in other assets are presented under the Treasury / Investment column.

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

<sup>(3)</sup> Halk Hayat Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ and Halk Portföy Yönetimi AŞ transactions are shown in other column.

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>105.349.403</b>	<b>89.351.922</b>	<b>101.835.285</b>	<b>87.061.753</b>
Cash and Balances with the Central Bank of Turkey	12.517.078	7.287.733	12.517.078	7.287.733
Financial assets fair value changes reflected to income statement	149.747	149.499	149.747	149.499
<b>Banks</b>	<b>2.588.437</b>	<b>1.538.705</b>	<b>2.588.437</b>	<b>1.538.705</b>
Money market placements	162.534	33.313	162.534	33.313
Available for sale financial assets <sup>(1)</sup>	9.639.638	9.374.849	9.639.638	9.374.849
Held to maturity investments	13.643.091	14.064.458	13.524.153	13.788.354
Loans <sup>(2)</sup>	65.574.198	56.013.832	62.164.197	54.005.602
Finance Lease Receivables (Net)	1.074.217	889.533	1.089.038	883.698
Factoring Receivables	463	-	463	-
<b>Financial Liabilities</b>	<b>91.988.806</b>	<b>79.912.920</b>	<b>91.680.629</b>	<b>79.464.628</b>
Deposits	79.799.523	66.228.510	79.911.682	66.331.477
Derivative financial liabilities held for trading	50.282	65.358	50.282	65.358
Funds provided from other financial institutions	8.031.070	7.010.345	7.674.555	6.577.207
Money market borrowings	715.276	4.941.709	715.276	4.941.709
Securities issued	2.118.979	495.611	2.118.979	495.611
Miscellaneous payables	1.273.676	1.171.387	1.209.855	1.053.266

<sup>(1)</sup> As of 31 December 2012 TRY 16.027 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2011: TRY 15.571).

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

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

i- The fair value of the held to maturity assets is determined by market places, when the market prices are not available, quoted market prices of other marketable securities which are subject to redemption with the same terms of interest maturity and other similar conditions have been used.

ii- The applicable interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial intuitions and sundry creditors.

#### Classification of Fair Value Measurement

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

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Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;  
Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).  
Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit/loss:</b>				
<i>Financial assets held for trading purpose</i>	64.332	82.812	-	147.144
<i>Debt securities</i>	51.600	-	-	51.600
<i>Derivative financial assets held for trading purpose</i>	-	82.812	-	82.812
<i>Bonds</i>	1.435	-	-	1.435
<i>Other Securities<sup>(2)</sup></i>	11.297	-	-	11.297
<i>Available-for-sale financial assets<sup>(1)</sup></i>	9.639.638	-	-	9.639.638
<i>Debt securities</i>	9.633.564	-	-	9.633.564
<i>Other Securities</i>	6.074	-	-	6.074
<b>Total Financial Assets</b>	<b>9.703.970</b>	<b>82.812</b>	<b>-</b>	<b>9.786.782</b>
<b>Financial liabilities at fair value through profit/loss:</b>				
<i>Derivative financial liabilities held for trading purpose</i>	-	50.282	-	50.282
<b>Total Financial Liabilities</b>	<b>-</b>	<b>50.282</b>	<b>-</b>	<b>50.282</b>

<sup>(1)</sup> As of 31 December 2012 share certificates amounting to TRY 16.027 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

<sup>(2)</sup> As of 31 December 2012, marketable securities amounting to TRY 2.603 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

Prior Period	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit/loss:</b>				
<i>Financial assets held for trading purpose</i>	54.463	92.939	-	147.402
<i>Debt securities</i>	32.848	-	-	32.848
<i>Derivative financial assets held for trading purpose</i>	-	92.939	-	92.939
<i>Other Securities<sup>(2)</sup></i>	21.615	-	-	21.615
<i>Available-for-sale financial assets<sup>(1)</sup></i>	9.374.849	-	-	9.374.849
<i>Debt securities</i>	9.374.849	-	-	9.374.849
<i>Other Securities</i>	-	-	-	-
<b>Total Financial Assets</b>	<b>9.429.312</b>	<b>92.939</b>	<b>-</b>	<b>9.522.251</b>
<b>Financial liabilities at fair value through profit/loss:</b>				
<i>Derivative financial liabilities held for trading purpose</i>	-	65.358	-	65.358
<b>Total Financial Liabilities</b>	<b>-</b>	<b>65.358</b>	<b>-</b>	<b>65.358</b>

<sup>(1)</sup> 31 Aralık 2011<sup>(1)</sup> As of 31 December 2011 share certificates amounting to TRY 15.571 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

<sup>(2)</sup> As of 31 December 2011, marketable securities amounting to TRY 2.097 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

The Group does not engage in transaction based on trust.

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

##### I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

<sup>(1)</sup> a) Cash and balances with the Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	523.334	169.982	386.373	100.227
Central Bank of Turkey	1.083.507	10.740.241	2.124.824	4.676.294
Other	-	14	-	15
<b>Total</b>	<b>1.606.841</b>	<b>10.910.237</b>	<b>2.511.197</b>	<b>4.776.536</b>

Information on the account of Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount <sup>(1)</sup>	1.076.051	876.801	2.120.213	705.092
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits <sup>(2)</sup>	7.456	9.863.440	4.611	3.971.202
<b>Total</b>	<b>1.083.507</b>	<b>10.740.241</b>	<b>2.124.824</b>	<b>4.676.294</b>

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

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

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% according to their maturities (31 December 2011: between 5% and 11% according to their maturities), foreign currency liabilities in USD, EUR and/or standard gold at the rates between 6% and 11,5% according to their maturities (31 December 2011: between 6% and 11 % 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.827 dated 16 July 2012 of TRNC Central Bank's, required reserve ratio is between 5% and 8% for TRY liabilities and 8% for foreign currency liabilities.

Reserve deposits required by the Central Bank of Turkey are not interest bearing except those kept by the Central Banks of TRNC and Macedonia.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

The Group has been TRY of 685 financial assets at fair value through profit and loss blocked/given as collateral in the current period (31 December 2011: 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	-	6.111	-	3.930
Swap transactions	-	76.658	-	88.970
Futures transactions	-	-	-	-
Options	5	38	37	2
Other	-	-	-	-
<b>Total</b>	<b>5</b>	<b>82.807</b>	<b>37</b>	<b>92.902</b>

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

#### a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
<b>Banks</b>				
Domestic banks	170.513	474.417	27.258	602.919
Foreign banks	37.555	1.905.952	11.310	897.218
Branches and offices abroad	-	-	-	-
<b>Total</b>	<b>208.068</b>	<b>2.380.369</b>	<b>38.568</b>	<b>1.500.137</b>

#### b) Information on foreign banks::

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	326.443	813.392	-	-
USA and Canada	85.601	40.803	-	-
OECD Countries <sup>(1)</sup>	1.485.610	12.058	-	-
Offshore Banking Regions	-	-	-	-
Other	45.853	42.275	-	-
<b>Total</b>	<b>1.943.507</b>	<b>908.528</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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#### (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	191.490	96.796	90.932	-
<b>Total</b>	<b>191.490</b>	<b>96.796</b>	<b>90.932</b>	<b>-</b>

###### 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	
	TRY	FC	TRY	FC
Debt securities	9.642.209	-	9.485.019	-
<i>Quoted on a stock exchange</i>	9.642.209	-	9.485.019	-
<i>Not quoted</i>	-	-	-	-
Share certificates	34.929	-	27.925	-
<i>Quoted on a stock exchange</i>	-	-	-	-
<i>Not quoted</i>	34.929	-	27.925	-
Impairment provision(-)	21.473	-	122.524	-
<b>Total</b>	<b>9.655.665</b>	<b>-</b>	<b>9.390.420</b>	<b>-</b>

#### (5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash	Cash loans	Non-cash
		loans		loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	129.890	-	120.545	-
<b>Total</b>	<b>129.890</b>	<b>-</b>	<b>120.545</b>	<b>-</b>

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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		
	Agreement conditions modified	Agreement conditions modified		Loans and other receivables (Total)	Agreement conditions modified	
		Payment plan extensions	Other		Payment plan extensions	Other
<b>Cash loans</b>						
Non-specialized loans	50.873.679	535.864	-	1.773.655	1.067.322	-
<i>Corporation loans</i>	28.946.779	415.873	-	1.502.018	1.064.223	-
<i>Export loans</i>	2.173.099	80.226	-	34.460	1.732	-
<i>Import loans</i>		-	-	-	-	-
<i>Loans given to financial sector</i>	1.495.973	20.000	-	-	-	-
<i>Consumer loans<sup>(1)</sup></i>	16.278.512	19.037	-	190.186	1.367	-
<i>Credit cards<sup>(2)</sup></i>	1.287.608	-	-	32.883	-	-
<i>Other</i>	691.708	728	-	14.108	-	-
Specialized lending	12.013.224	66.333	-	151.158	1.166	-
Other receivables	-	-	-	-	-	-
Accruals	739.961	7.064	-	22.521	12.533	-
<b>Total</b>	<b>63.626.864</b>	<b>609.261</b>	<b>-</b>	<b>1.947.334</b>	<b>1.081.021</b>	<b>-</b>

<sup>(1)</sup> Includes TRY 94.416 of personnel loans.

<sup>(2)</sup> Includes TRY 35.474 of personnel credit cards.

	Standard Loans and Other Receivables <sup>(*)</sup>	Loans and Other Receivables Under Close Monitoring <sup>(**)</sup>
<b>Number of modifications made to extend payment plan</b>		
Extended by 1 or 2 times	509.109	1.059.929
Extended by 3,4 or 5 times	77.059	7.016
Extended by more than 5 times	16.029	1.543

<sup>(\*)</sup>Accruals amounting to TRY 7.064 are not included in the table above.

<sup>(\*\*)</sup>Accruals amounting to TRY 12.533 are not included in the table above.

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Extended period of time	Standard Loans and Other Receivables <sup>(*)</sup>	Loans and Other Receivables Under Close Monitoring <sup>(**)</sup>
0-6 Months	425.088	1.056.026
6 Months - 12 Months	128.464	7.039
1-2 Years	28.195	4.179
2-5 Years	19.346	634
5 Years and over	1.104	610

<sup>(\*)</sup>Accruals amounting to TRY 7.064 are not included in the table above.

<sup>(\*\*)</sup>Accruals amounting to TRY 12.533 are not included in the table above.

c) Loans according to their maturity structure:

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
Short term loans and other receivables	16.933.306	324.803	199.037	37.562
<i>Non-specialized loans</i>	16.622.471	310.067	195.502	37.122
<i>Specialized lending</i>	114.639	10.970	1.234	5
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	196.196	3.766	2.301	435
Medium and long term loans and other receivables	46.084.297	284.458	667.276	1.043.459
<i>Non-specialized loans</i>	33.715.344	225.797	510.831	1.030.200
<i>Specialized lending</i>	11.832.252	55.363	148.758	1.161
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	536.701	3.298	7.687	12.098

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	254.012	15.687.212	15.941.224
Real estate loans	5.280	6.582.838	6.588.118
Automobile loans	2.954	95.488	98.442
Consumer loans	245.766	8.979.858	9.225.624
Other	12	29.028	29.040
Consumer loans- Indexed to FC	-	133	133
Real estate loans	-	133	133
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans- FC	3.568	133.531	137.099
Real estate loans	75	11.116	11.191
Automobile loans	222	1.413	1.635
Consumer loans	3.164	115.282	118.446
Other	107	5.720	5.827
Individual credit cards-TRY	1.162.796	1.249	1.164.045
Installment	413.507	-	413.507
Non-installment	749.289	1.249	750.538
Individual credit cards-FC	7	10.302	10.309
Installment	-	10.302	10.302
Non-installment	7	-	7
Personnel loans-TRY	5.062	86.452	91.514
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	5.062	86.452	91.514
Other	-	-	-
Personnel loans-Indexed to FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	98	2.804	2.902
Real estate loans	2	1.176	1.178
Automobile loans	8	24	32
Consumer loans	86	1.575	1.661
Other	2	29	31
Personnel credit cards-TRY	35.177	5	35.182
Installment	14.617	-	14.617
Non-installment	20.560	5	20.565
Personnel credit cards-FC	1	291	292
Installment	-	291	291
Non-installment	1	-	1
Overdraft accounts-TRY (Retail customer)	289.173	-	289.173
Overdraft accounts-FC (Retail customer)	6.653	-	6.653
<b>Total</b>	<b>1.756.547</b>	<b>15.921.979</b>	<b>17.678.526</b>

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

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	5.641	610.695	616.336
<i>Business residential loans</i>	119	363.988	364.107
<i>Automobile loans</i>	5.522	246.707	252.229
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	33.158	170.024	203.182
<i>Business residential loans</i>	-	37.474	37.474
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	33.158	132.550	165.708
Corporate credit cards-TRY	110.509	-	110.509
<i>Installment</i>	21.442	-	21.442
<i>Non-installment</i>	89.067	-	89.067
Corporate credit cards-FC	14	140	154
<i>Installment</i>	-	140	140
<i>Non-installment</i>	14	-	14
Overdraft accounts-TRY (Commercial customer)	278.988	-	278.988
Overdraft accounts-FC (Commercial customer)	-	-	-
<b>Total</b>	<b>428.310</b>	<b>780.859</b>	<b>1.209.169</b>

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

f) Loan according to type of borrowers:

	Current period	Prior period
Public	1.710.467	1.798.381
Private	63.863.731	54.215.451
<b>Total</b>	<b>65.574.198</b>	<b>56.013.832</b>

**TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	64.897.570	55.388.703
Foreign loans	676.628	625.129
<b>Total</b>	<b>65.574.198</b>	<b>56.013.832</b>

h) Loans granted to subsidiaries and associates:

None.

i) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	212.374	90.410
Loans and receivables with doubtful collectability	88.113	22.897
Uncollectible loans and receivables	1.328.543	1.297.806
<b>Total</b>	<b>1.629.030</b>	<b>1.411.113</b>

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Current period</b>	<b>49.445</b>	<b>5.259</b>	<b>83.234</b>
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	49.445	5.259	83.234
<b>Prior period</b>	<b>36.628</b>	<b>7.817</b>	<b>129.380</b>
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	36.628	7.817	129.380

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior period end balance	147.078	31.768	1.502.038
Additions (+)	641.654	32.860	99.103
Transfers from other categories of loans under follow-up (+)	619	229.698	157.524
Transfers to other categories of loans under follow-up (-)	277.714	110.127	-
Collections (-)	158.999	37.922	283.507
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	352.638	146.277	1.475.158
Specific provision (-)	212.374	88.113	1.328.543
Net balance on balance sheet	140.264	58.164	146.615

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
<b>Current period</b>			
Balance at the end of the period	3.342	1.329	9.756
Specific provisions(-)	2.322	913	9.157
Net balance in the balance sheet	1.020	416	599
<b>Prior period</b>			
Balance at the end of the period	2.919	1.160	8.110
Specific provisions(-)	1.222	840	7.314
Net balance in the balance sheet	1.697	320	796

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	140.264	58.164	146.615
Loans to granted real persons and legal entities (Gross)	352.531	145.987	1.436.337
Specific provisions (-)	212.267	87.823	1.289.722
Loans to granted real persons and legal entities (Net)	140.264	58.164	146.615
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	107	290	38.821
Specific provisions (-)	107	290	38.821
Other loans and receivables (Net)	-	-	-
Prior period (Net)	56.668	8.871	204.232
Loans to granted real persons and legal entities (Gross)	146.940	31.510	1.460.899
Specific provisions (-)	90.272	22.639	1.256.667
Loans to granted real persons and legal entities (Net)	56.668	8.871	204.232
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	138	258	41.139
Specific provisions (-)	138	258	41.139
Other loans and receivables (Net)	-	-	-

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

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

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

**l) Explanations on write-off policy:**

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

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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

Current Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
<b>Loans</b>				
Corporate Loans	8.766	5.624	14.545	28.935
SME Loans	80.765	32.350	20.697	133.812
Consumer Loans	29.954	5.919	3.913	39.786
Credit cards	100.296	15.219	6.770	122.285
<b>Total</b>	<b>219.781</b>	<b>59.112</b>	<b>45.925</b>	<b>324.818</b>

<sup>(\*)</sup>Only the overdue loans those subject to outstanding principal payment amounting to TRY 521.515 are included.

Prior Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
<b>Loans</b>				
Corporate Loans	244	1.537	1.768	3.549
SME Loans	79.147	26.178	13.677	119.002
Consumer Loans	12.901	4.827	2.245	19.973
Credit cards	79.797	13.359	4.216	97.372
<b>Total</b>	<b>172.089</b>	<b>45.901</b>	<b>21.906</b>	<b>239.896</b>

<sup>(\*)</sup>Only the overdue loans those subject to outstanding principal payment amounting to TRY 341.197 are included.

#### (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	2.172.312	472.358	2.643.807	417.083
<b>Total</b>	<b>2.172.312</b>	<b>472.358</b>	<b>2.643.807</b>	<b>417.083</b>

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	62.980	333.509	4.004.244	895.666
<b>Total</b>	<b>62.980</b>	<b>333.509</b>	<b>4.004.244</b>	<b>895.666</b>

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

	Current period	Prior period
Government bonds	13.636.006	14.064.458
Treasury bills	-	-
Other public sector debt securities	-	-
<b>Total</b>	<b>13.636.006</b>	<b>14.064.458</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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#### c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	13.643.091	14.064.458
<i>Quoted on a stock exchange</i>	11.810.664	11.618.046
<i>Not quoted</i>	1.832.427	2.446.412
Impairment provision (-)	-	-
<b>Total</b>	<b>13.643.091</b>	<b>14.064.458</b>

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

	Current period	Prior period
Beginning balance	14.064.458	12.749.840
Foreign currency differences on monetary assets	(83.455)	329.521
Purchases during the year <sup>(1)</sup>	2.283.237	1.949.361
Disposals through sales and redemptions <sup>(2)</sup>	(2.621.149)	(1.007.966)
Impairment provision (-) / provision reversal (+)	-	-
Effect of the subsidiaries included in the consolidation	-	43.702
<b>Balance at the of the period</b>	<b>13.643.091</b>	<b>14.064.458</b>

<sup>(1)</sup> Interest income accrual difference between 31 December 2012 amounting to TRY 818.367 and 31 December 2011 amounting to TRY 726.675 has been included in purchases row.

<sup>(2)</sup> In accordance with the tainting rules defined in paragraph 9 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2012, the Parent Bank reclassified TRY 159.827 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.

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

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

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of Treasury of Republic of Turkey <sup>(2)</sup>	7.566.448	-	8.226.156	-	6.614.199	-	7.061.818	-
Obtained with the transfer	1.800.000	-	1.832.427	-	2.340.938	-	2.402.709	-
Reclassified from other securities portfolios <sup>(1)</sup>	2.049.330	254.067	2.115.933	270.795	2.424.517	1.229.627	2.554.706	1.289.865
Other	6.988	1.147.891	7.085	1.190.695	-	728.502	-	755.360
<b>Total</b>	<b>11.422.766</b>	<b>1.401.958</b>	<b>12.181.601</b>	<b>1.461.490</b>	<b>11.379.654</b>	<b>1.958.129</b>	<b>12.019.233</b>	<b>2.045.225</b>

<sup>(1)</sup> While paragraph 54 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB") permit reclassification of financial assets from Available for Sale Financial Assets to Held to Maturity Portfolio, with the Communiqué 105, dated 31 October 2008 and published in the Official Gazette 27040, TASB, made an amendment related to Article 50 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement and also permitted the reclassification of financial assets recognized as Financial Assets at Fair Value Through Profit and Loss Portfolio to Held to Maturity Financial Assets Portfolio within a certain period identified in the amendments. In order to avoid the effect of market fluctuations on financial assets portfolio, on 3 October 2008 and 8 October 2008, the Bank reclassified from Financial Assets at Fair Value Through Profit and Loss from Available for Sale Financial Assets to Held to Maturity Investments.

<sup>(2)</sup> The Bank has not reclassified any financial assets from other portfolios to held to maturity investment portfolio during 2012. The additions for the period and financial assets are shown under "Obtained from Under Secretariat of Treasury of Republic of Turkey" row.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

##### b) Information on unconsolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Bileşim Alternatif Dağ. Kan. AŞ	İstanbul	24,00	24,00
2. Kredi Kayıt Bürosu AŞ	İstanbul	18,18	18,18
3. Bankalararası Kart Merkezi AŞ	İstanbul	18,95	18,95

Information related to the associates as sorted above:

	Total Shareholders' assets	Total fixed equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior	Gerçeğe Uygun Değeri
1.	27.782	12.670	4.411	534	261	938	1.547	-
2.	79.837	67.450	45.453	2.016	-	33.184	18.566	-
3.	32.354	19.628	15.161	858	217	1.144	2.619	-

<sup>(1)</sup> No investment is listed on the stock exchange.

<sup>(2)</sup> The information is presented from financial statements subject to consolidation as of 31 December 2012.

##### c) Information on consolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demirhalkbank NV	Holland	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	32,26

Information related to the associates as sorted above:

	Total Shareholders' assets	Total fixed equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/ loss	Prior period profit/loss	Fair value
1.	4.213.875	524.209	27.242	197.954	38.883	39.992	3.125	-
2.	46.854	46.649	108	2.625	-	1.070	2.496	-

<sup>(1)</sup> No investment is listed on the stock exchange.

<sup>(2)</sup> The financial data of Demirhalkbank NV is obtained from 31 December 2012 unreviewed financial statements, and the financial data of Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ is obtained from 31 December 2012 reviewed financial statements

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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

#### d) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	155.488	187.922
Movements during the period	21.166	(32.434)
Purchases	-	1.000
Bonus shares obtained profit from current year's share	-	1.238
Dividends from current year income	11.978	905
Sales <sup>(2)</sup>	(717)	-
Transfers <sup>(1)</sup>	(3.006)	(51.490)
Revaluation decrease (-) / increase	12.405	15.913
Provision for impairment (-) / reversals (+)	506	-
Balance at the end of the period	176.654	155.488
Capital commitments	-	1.000
Share percentage at the end of the period (%)	-	0,00

<sup>(1)</sup> In the current period, Kredi Garanti Fonu AŞ is classified as financial assets available for sale.

<sup>(2)</sup> Fintek A.Ş. with cost of TRY 717 was sold for TRY 1.512 on 28 December 2012.

#### e) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	155.676	131.273
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	14.324	24.215

#### f) Associates quoted to a stock exchange:

None

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

##### a) Information on subsidiaries:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Banka AD, Skopje	Halk Faktoring AŞ
<b>CORE CAPITAL</b>								
Paid in Capital	46.000	70.000	72.000	477.000	93.950	5.000	109.685	20.000
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	482	-	-	-
Share Premiums	-	95	-	-	-	-	11.633	-
Legal Reserves	5.113	1.462	11.435	1.453	16.688	-	4.354	-
Extraordinary Reserves	442	12.280	606	23.020	43	-	(7.316)	-
Profit / Loss	10.119	6.659	50.172	19.843	30.754	237	3.507	(261)
Net Profit	9.931	14.828	46.234	12.066	21.897	476	1.119	(261)
Prior Period Profit/Loss	188	(8.259)	3.938	7.777	8.857	(239)	2.388	-
Leasehold Improvements (-)	-	-	-	395	479	-	2.153	108
Intangible Assets (-)	398	1.989	394	13	487	11	1.213	219
Total Core Capital	61.276	88.417	133.819	520.908	140.951	5.226	118.497	19.412
<b>SUPPLEMENTARY CAPITAL</b>								
	1.063	-	4.614	-	-	-	4.146	-
<b>CAPITAL</b>	<b>62.339</b>	<b>88.417</b>	<b>138.433</b>	<b>520.908</b>	<b>140.951</b>	<b>5.226</b>	<b>122.643</b>	<b>19.412</b>
<b>NET AVAILABLE CAPITAL</b>	<b>62.339</b>	<b>88.417</b>	<b>138.433</b>	<b>520.908</b>	<b>140.951</b>	<b>5.226</b>	<b>122.643</b>	<b>19.412</b>

<sup>(1)</sup> The information is presented from financial statements subject to consolidation as of 31 December 2012.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

None.

c) Information on unconsolidated subsidiaries:

None.

d) Information on subsidiaries: (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. HALK YATIRIM MENKUL DEĞERLER A.Ş.	İstanbul	99,94	99,96
2. HALK SİGORTA A.Ş.	İstanbul	89,18	96,04
3. HALK HAYAT VE EMEKLİLİK A.Ş.	İstanbul	94,40	99,80
4. HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.	İstanbul	99,84	99,99
5. HALK FİNANSAL KİRALAMA A.Ş.	İstanbul	99,99	99,99
6. HALK PORTFÖY YÖNETİMİ A.Ş.	İstanbul	55,99	98,71
7. HALK BANKA A.D., SKOPJE	Makedonya	98,78	98,78
8. HALK FAKTORİNG AŞ	İstanbul	95,00	100,00

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

### e) Information related to the subsidiaries as sorted above<sup>(1) (2)</sup>:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value <sup>(2)</sup>
1.	417.334	64.036	2.296	16.864	1.172	9.931	10.396	78.753
2.	380.491	90.406	4.293	11.773	4.382	14.828	(8.259)	245.245
3.	381.065	144.467	2.629	32.323	20.274	46.234	38.260	485.216
4.	679.034	521.316	584.801	1.812	152	12.066	30.422	614.016
5.	1.173.888	141.917	1.239	82.683	-	21.897	12.169	200.980
6.	5.388	5.237	94	469	7	476	(239)	3.482
7.	641.379	122.039	24.211	28.943	3.946	1.119	729	-
8.	19.951	19.739	450	978	-	(261)	-	21.109

<sup>(1)</sup> The information is presented from financial statements subject to consolidation as 31 December 2012.

<sup>(2)</sup> The information is presented from valuation reports as 31 December 2012.

### f) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period(before elimination)	831.371	596.081
Movements during the period	962.789	235.290
<i>Purchases<sup>(1)</sup></i>	88.882	166.910
<i>Bonus shares obtained profit from current year's share</i>	64.186	-
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer</i>	-	49.660
<i>Revaluation increase</i>	809.721	-
<i>Reversal of provision for impairment (-)</i>	-	18.720
Share capital elimination of subsidiaries	(1.794.160)	(831.371)
<b>Balance at the end of the period</b>	-	-
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(1)</sup> Purchases amounting to TRY 19.000 consists capital payments to Halk Faktoring AŞ established in current period and 95% of which is owned by the Bank. The payment of TRY 25.970 was made for the increase in capital of the Halk Sigorta A.Ş. and the payment of TRY 43.912 was made for the shares of Ziraat Banka AD, Skopje after the merger of Halk Banka AD, Skopje and Ziraat Banka AD, Skopje through the transfer of shares on 1 October 2012.

### g) Sectoral information on subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	145.359	101.447
Insurance companies	730.461	77.460
Factoring companies	21.109	-
Leasing companies	200.980	131.043
Financing companies	-	-
Other financial subsidiaries	696.251	521.421

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### h) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock <sup>(1)</sup>	245.245	-
Quoted foreign stock exchange	-	-

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

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

None

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

##### a) Maturity structure of investments on financial lease:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	330.266	259.213	277.392	204.216
Between 1-4 years	677.244	589.091	623.771	550.873
More than 4 years	240.259	225.913	147.421	134.444
<b>Total</b>	<b>1.247.769</b>	<b>1.074.217</b>	<b>1.048.584</b>	<b>889.533</b>

##### b) Information on gross investments of financial lease:

	Current period	Prior period
Gross financial lease investment	1.247.769	1.048.584
Unearned revenues from financial lease	(173.552)	(159.051)
<b>Total</b>	<b>1.074.217</b>	<b>889.533</b>

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

	Current period	Prior period
Financial lease receivables with limited collectability	7.876	2.608
Financial lease receivables with doubtful collectability	19.524	9.603
Uncollectible financial lease receivables	63.307	47.850
Specific provisions	(34.708)	(32.620)
<b>Total</b>	<b>55.999</b>	<b>27.441</b>

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

None.

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(12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Additions	Acquisitions through merger <sup>(*)</sup>	Disposals	Transfers	Balance at the end of the period
<b>Cost:</b>						
Immovables	936.476	190.908	5.533	(67.972)	(43.032)	1.021.913
Tangible assets purchased through financial lease	41.455	220	-	(4.851)	-	36.824
Office machines	198.778	78.597	900	(23.657)	-	254.618
Fixed assets obtained due to non-performing loans	356.167	166.263	-	(131.840)	65.094	455.684
Lease hold improvements costs	123.077	36.175	-	(8.824)	-	150.428
Other	248.429	21.947	1.117	(3.265)	-	268.228
<b>Total Cost</b>	<b>1.904.382</b>	<b>494.110</b>	<b>7.550</b>	<b>(240.409)</b>	<b>22.062</b>	<b>2.187.695</b>
<b>Accumulated depreciation(-)</b>						
Immovables	216.371	18.900	635	(1.596)	(4.441)	229.869
Tangible assets purchased through financial lease	94.543	41.877	738	(11.298)	-	125.860
Office machines	37.680	748	-	(4.217)	-	34.211
Fixed assets obtained due to non-performing loans	94.543	41.877	738	(11.298)	-	125.860
Lease hold improvements costs	171.932	16.481	1.038	(2.330)	-	187.121
Other	6.345	5.113	-	(2.738)	142	8.862
Lease hold improvements costs	50.451	26.315	-	(6.852)	-	69.914
Other	171.932	16.481	1.038	(2.330)	-	187.121
<b>Total accumulated depreciation</b>	<b>577.322</b>	<b>109.434</b>	<b>2.411</b>	<b>(29.031)</b>	<b>(4.299)</b>	<b>655.837</b>
<b>Provision for impairment (-)</b>						
Immovables	7.183	-	-	(597)	(66)	6.520
Fixed assets obtained due to non-performing loans	1.314.861	380.571	5.139	(209.657)	26.427	1.517.341
Other	5.016	4.105	-	(1.124)	-	7.997
<b>Total provision for impairment (-)</b>	<b>12.199</b>	<b>4.105</b>	<b>-</b>	<b>(1.721)</b>	<b>(66)</b>	<b>14.517</b>
<b>Net Book Value</b>	<b>1.314.861</b>	<b>380.571</b>	<b>5.139</b>	<b>(209.657)</b>	<b>26.427</b>	<b>1.517.341</b>

<sup>(\*)</sup> The effect of acquisitions through merger regarding the acquisition of Ziraat Bank AD Skopje which is a Turkish capital bank that operates in Macedonia by Halk Banka AD Skopje as of 1 October 2012 has been disclosed in the above table.

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Prior Period	Balance at the end of the prior period	Additions	Acquisitions through business combinations	Disposals	Transfers	Balance at the end of the period
<b>Cost:</b>						
Immovables	970.331	22.103	-	(40.796)	(15.162)	936.476
Tangible assets purchased through financial lease	46.868	2.854	-	(8.267)	-	41.455
Office machines	180.957	108.078	1.085	(91.342)	-	198.778
Fixed assets obtained due to non-performing loans	308.856	333.416	-	(198.727)	(87.378)	356.167
Lease hold improvements costs	102.480	29.103	660	(9.166)	-	123.077
Other	211.624	16.751	26.830	(6.776)	-	248.429
<b>Total Cost</b>	<b>1.821.116</b>	<b>512.305</b>	<b>28.575</b>	<b>(355.074)</b>	<b>(102.540)</b>	<b>1.904.382</b>
<b>Accumulated depreciation(-)</b>						
Immovables	212.151	14.251	-	(5.290)	(4.741)	216.371
Tangible assets purchased through financial lease	42.283	3.495	-	(8.098)	-	37.680
Office machines	107.779	24.365	949	(38.550)	-	94.543
Fixed assets obtained due to non-performing loans	34.740	21.790	131	(6.210)	-	50.451
Lease hold improvements costs	11.950	3.924	-	(11.038)	1.509	6.345
Other	34.740	21.790	131	(6.210)	-	50.451
Other	155.179	16.866	1.242	(1.355)	-	171.932
<b>Total accumulated depreciation</b>	<b>564.082</b>	<b>84.691</b>	<b>2.322</b>	<b>(70.541)</b>	<b>(3.232)</b>	<b>577.322</b>
<b>Provision for impairment (-)</b>						
Immovables	8.457	24	-	(1.008)	(290)	7.183
Fixed assets obtained due to non-performing loans	14.140	4.326	-	(13.450)	-	5.016
<b>Total provision for impairment (-)</b>	<b>22.597</b>	<b>4.350</b>	<b>-</b>	<b>(14.458)</b>	<b>(290)</b>	<b>12.199</b>
<b>Net Book Value</b>	<b>1.234.437</b>	<b>423.264</b>	<b>26.253</b>	<b>(270.075)</b>	<b>(99.018)</b>	<b>1.314.861</b>

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(13) Information on intangible assets:

Current Period	Balance at the end of the prior period	Additions	Acquisitions through merger <sup>(1)</sup>	Disposals	Transfers	Balance at the end of the period
<b>Cost:</b>						
Other intangible assets	52.255	17.203	519	(2.455)	-	67.522
<b>Total Cost</b>	<b>52.255</b>	<b>17.203</b>	<b>519</b>	<b>(2.455)</b>	<b>-</b>	<b>67.522</b>
<b>Accumulated Depreciation(-)</b>						
Other intangible assets	6.712	4.867	259	(323)	-	11.515
<b>Total Accumulated Depreciation(-)</b>	<b>6.712</b>	<b>4.867</b>	<b>259</b>	<b>(323)</b>	<b>-</b>	<b>11.515</b>
<b>Net Book Value</b>	<b>45.543</b>	<b>12.336</b>	<b>260</b>	<b>(2.132)</b>	<b>-</b>	<b>56.007</b>

<sup>(1)</sup> The effect of acquisitions through merger regarding the acquisition of Ziraat Bank AD Skopje which is a Turkish capital bank that operates in Macedonia by Halk Banka AD Skopje as of 1 October 2012 has been disclosed in the above table.

Prior Period	Balance at the end of the prior period	Additions	Acquisitions through business combinations	Disposals	Transfers	Balance at the end of the period
<b>Cost:</b>						
Other intangible assets	23.640	12.738	17.948	(2.071)	-	52.255
<b>Total Cost</b>	<b>23.640</b>	<b>12.738</b>	<b>17.948</b>	<b>(2.071)</b>	<b>-</b>	<b>52.255</b>
<b>Accumulated Depreciation(-)</b>						
Other intangible assets	4.985	2.434	608	(1.315)	-	6.712
<b>Total Accumulated Depreciation(-)</b>	<b>4.985</b>	<b>2.434</b>	<b>608</b>	<b>(1.315)</b>	<b>-</b>	<b>6.712</b>
<b>Net Book Value</b>	<b>18.655</b>	<b>10.304</b>	<b>17.340</b>	<b>(756)</b>	<b>-</b>	<b>45.543</b>

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(14) Information on investment property:

	Current Period	Prior Period
<b>Cost</b>		
Opening Balance	-	-
Acquisitions	2.004	-
Transfer	26.152	-
Disposals	-	-
Impairment Charge/Cancellation(-)	-	-
Ending Balance	28.156	-
<b>Accumulated Depreciation</b>		
Opening Balance	-	-
Amortization Charge (-)	-	-
Disposals	-	-
Transfer	-	-
Impairment Charge/Cancellation (-)	-	-
Ending Balance	-	-
<b>Net Book Value</b>	<b>28.156</b>	<b>-</b>

(15) Information on deferred tax assets:

As of 31 December 2012, the Group has TRY 255 of current assets for tax. (31 December 2011: TRY 12.912)

	Current period	Prior period
<b>Deferred Tax (Asset) /Liability</b>		
Provisions <sup>(1)</sup>	102.686	77.384
Revaluation of Financial Assets	126.388	(4.425)
Other	7.148	20.712
Deferred Tax (Asset) /Liability:	236.222	93.671
<b>Deferred tax accounted in shareholders' equity</b>	<b>(102.753)</b>	<b>32.733</b>
Fair value differences for available for sale financial assets	(102.753)	32.733

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

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

	Current period	Prior period
Cost	6.821	87.460
Accumulated Depreciation (-) <sup>(1)</sup>	(812)	(1.837)
Net Book Value	6.009	85.623
Opening Balance	85.623	98.131
Acquisitions (Transfers) (Net)	(47.727)	102.540
Acquisitions through business combinations	-	3.451
Disposals (Net)	(32.829)	(116.712)
Impairment Charge/Cancellation(-)	(83)	50
Amortization Charge(-) <sup>(1)</sup>	1.025	(1.837)
Net Book Value	6.009	85.623

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

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 1.323.615 and does not exceed 10% of the balance sheet total (31 December 2011: TRY 815.295).

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## II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES

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

#### a) For deposit banks:

##### a.1. Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	2.563.522	-	335.368	20.810.899	2.373.604	406.168	681.048	114.646	27.285.255
Foreign currency deposits	3.058.762	-	1.299.703	8.727.684	2.008.067	1.111.080	2.101.243	11.144	18.317.683
Residents in Turkey	2.379.395	-	1.203.937	8.490.388	1.827.782	785.953	1.434.000	11.006	16.132.461
Residents abroad	679.367	-	95.766	237.296	180.285	325.127	667.243	138	2.185.222
Public sector deposits	2.212.833	-	602.583	4.195.036	374.235	17.313	34.467	-	7.436.467
Commercial inst. deposits	2.146.606	-	1.168.876	6.704.188	2.119.078	173.019	65.477	-	12.377.244
Other inst. deposits	391.063	-	2.538.913	1.050.647	668.794	317.580	72.618	-	5.039.615
Precious metals	1.922.607	-	-	-	-	-	-	-	1.922.607
Interbank deposits	3.800.718	-	2.327.209	542.250	139.245	437.281	173.949	-	7.420.652
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	3.793	-	158.095	82.230	135.683	81.040	-	-	460.841
Foreign banks	3.713.587	-	2.169.114	460.020	3.562	356.241	173.949	-	6.876.473
Participation banks	83.338	-	-	-	-	-	-	-	83.338
<b>Total</b>	<b>16.096.111</b>	<b>-</b>	<b>8.272.652</b>	<b>42.030.704</b>	<b>7.683.023</b>	<b>2.462.441</b>	<b>3.128.802</b>	<b>125.790</b>	<b>79.799.523</b>

##### 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	2.134.100	-	487.067	18.873.956	2.058.919	317.385	852.893	90.331	24.814.651
Foreign currency deposits	2.058.800	-	2.785.748	7.051.621	2.154.193	789.567	1.694.754	10.818	16.545.501
Residents in Turkey	1.875.246	-	1.718.162	6.534.438	1.306.222	463.508	1.182.384	10.813	13.090.773
Residents abroad	183.554	-	1.067.586	517.183	847.971	326.059	512.370	5	3.454.728
Public sector deposits	1.732.329	-	728.399	2.569.662	540.507	32.252	652	-	5.603.801
Commercial inst. Deposits	1.954.624	-	2.309.988	3.436.172	342.238	62.920	41.787	-	8.147.729
Other inst. Deposits	335.851	-	32.901	992.193	432.832	256.614	19.410	-	2.069.801
Precious metals	2.066.190	-	-	-	-	-	-	-	2.066.190
Interbank deposits	3.040.932	-	3.012.839	740.108	31.060	25.230	130.668	-	6.980.837
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	4.539	-	2.816.026	37.006	30.030	4.139	-	-	2.891.740
Foreign banks	2.826.543	-	196.813	703.102	1.030	21.091	130.668	-	3.879.247
Participation banks	209.850	-	-	-	-	-	-	-	209.850
<b>Total</b>	<b>13.322.826</b>	<b>-</b>	<b>9.356.942</b>	<b>33.663.712</b>	<b>5.559.749</b>	<b>1.483.968</b>	<b>2.740.164</b>	<b>101.149</b>	<b>66.228.510</b>

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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	13.430.329	12.713.126	13.914.829	12.046.510
Foreign currency saving deposits	3.883.949	3.759.626	7.116.286	5.963.493
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	80.179	66.115	-	-
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	130.342	151.869
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	2.764	3.890
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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(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	-	4.702	-	45.829
Swap transactions	-	45.427	-	19.443
Future transactions	-	-	-	-
Options	14	139	44	42
Other	-	-	-	-
<b>Total</b>	<b>14</b>	<b>50.268</b>	<b>44</b>	<b>65.314</b>

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	267.204	178.167	277.607	551.797
Foreign banks, institutions and funds	317.849	7.267.850	157.703	6.023.238
<b>Total</b>	<b>585.053</b>	<b>7.446.017</b>	<b>435.310</b>	<b>6.575.035</b>

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	234.633	4.017.721	199.725	3.047.697
Medium and long-term	350.420	3.428.296	235.585	3.527.338
<b>Total</b>	<b>585.053</b>	<b>7.446.017</b>	<b>435.310</b>	<b>6.575.035</b>

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

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

Main liability of the Group is deposit, which is composed of 34 % of saving deposits and 25 % of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Parent Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Group's 80% of banks deposits and 28 % of other deposits consist of foreign currency deposits.

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Information on funds provided from repurchase agreement transactions:

	Current period		Prior period	
	TRY	FC	TRY	FC
From domestic transactions	106.907	-	3.947.963	-
Financial inst. and organizations	8.966	-	3.891.146	-
Other institutions and organizations	36.784	-	26.422	-
Real persons	61.157	-	30.395	-
From overseas transactions	278	308.654	101.445	842.706
Financial inst. and organizations	-	308.654	101.257	842.706
Other institutions and organizations	-	-	-	-
Real persons	278	-	188	-
Accruals	12	1.568	7.194	5.224
<b>Total</b>	<b>107.197</b>	<b>310.222</b>	<b>4.056.602</b>	<b>847.930</b>

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills <sup>(1)</sup>	685.137	-	495.611	-
Bonds <sup>(2), (3)</sup>	87.674	1.346.168	-	-
<b>Total</b>	<b>772.811</b>	<b>1.346.168</b>	<b>495.611</b>	<b>-</b>

<sup>(1)</sup> As of 20 July 2012, the treasury bills amounting to TRY 750.000 with maturity of 175 days are issued by the Parent Bank.

<sup>(2)</sup> As of 19 July 2012, the bonds amounting to USD 750.000 with maturity of 5 years are issued by the Parent Bank.

<sup>(3)</sup> As of 25 September 2012, the bonds amounting to TRY 100.000 with maturity of 24 months are issued by the Halk Leasing.

(5) Explanations to the funds:

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

a) Maturity structure of funds:

Current period		Prior Period	
Short-term	Long-term	Short-term	Long-term
9.624	1.398.263	2.719	1.342.515

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 1.342.153 and does not exceed 10% of the balance sheet total (31 December 2011: TRY 581.828).

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

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

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

b) Explanation on finance lease payables:

None.

c) Explanations regarding operational leases:

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

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior period
<b>General provision</b>	<b>976.215</b>	<b>659.914</b>
Provisions for first group loans and receivables	847.278	598.240
<i>Additional provisions for the loans with extended payment plan</i>	28.583	-
Provisions for second group loans and receivables	66.468	8.183
<i>Additional provisions for the loans with extended payment plan</i>	53.421	-
Provisions for non cash loans	62.469	53.491
Other	-	-

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

None.

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

As of 31 December 2012, the Parent Bank's specific provision for unindemnified non-cash loans balance is TRY 62.896 (31 December 2011: TRY 41.419). The Parent Bank provides 50% of provision for these non cash loans. TRY 2.483 (31 December 2011: TRY 2.525) 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.

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

### d) Information on other provisions:

Total other provision balance amounting to TRY 455.484 (31 December 2011: TRY 277.804) consists of TRY 62.896 (31 December 2011: TRY 41.419) for specific provisions for unindemnified non cash loans, TRY 29.112 (31 December 2011: TRY 21.437) for legal cases filed against the Parent Bank, TRY 328.300 (31 December 2011: TRY 194.000) provision for prudence in consideration for any changes that may arise in the economy and the market, TRY 35.176 (31 December 2011: TRY 20.948) of other provisions.

### e) Movement of employee termination benefits:

The Parent Bank's severance indemnity provision is calculated by an independent company by using the severance indemnity provision as of 31 December 2012 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation, according to TAS 19, is as follows;

	Current Period <sup>(1)</sup>	Prior Period
Discount Rate	7,63%	Variable
Inflation Rate	5,00%	Variable
Wage growth	2,63%	Variable
Estimated Real Wage Growth Rate	5,20%	%2

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

	Current Period	Prior Period
As of January 1	227.040	204.212
Subsidiaries consolidation effect	-	360
Charge for the year	18.312	16.858
Interest Expense	21.263	19.756
Actuarial gain/loss	49.782	12.962
Payment/The limitation of benefits/ Loss ( Gain) because of discharge	7.700	8.776
Benefits paid within the period(-)	(28.288)	(35.884)
<b>Total</b>	<b>295.809</b>	<b>227.040</b>

As of 31 December 2012, the Group's unused vacation provision is TRY 103.247 and severance indemnity provision for outsource firms is TRY 6.609. This amount is followed under employee benefits provision under liabilities (31 December 2011: TRY 88.276 TL for unused vacation provision; TRY 4.974 for severance indemnity provision for outsources firms).

The Group's actuarial gains and losses are recognized and accounted in current period.

### f) Liabilities on pension rights

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

None.

#### f.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 2012 and 31 December 2011, no technical deficit has been reported. Besides, no technical deficit for T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported as of 31 December 2012 and 31 December 2011.

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

	Current period	Prior period
Life-Mathematical Provisions	187.741	155.962
Provisions for unearned premium claims	180.963	78.980
Provision for outstanding claims	91.323	65.133
Provisions for unexpired risk reserves	85	6.731
Other	42	2.471
<b>Total</b>	<b>460.154</b>	<b>309.277</b>

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2012, the Group's corporate tax payable is amounting to TRY 379.523 after setting off TRY 654.598 of prepaid taxes from TRY 1.034.121 of corporate tax liabilities tax provision.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	379.523	90.105
Income on securities tax	65.642	50.487
Property income tax	628	507
Banking and insurance transactions tax (BITT)	35.039	25.901
Foreign exchange transactions tax	3	2
Value added tax payable	3.867	501
Other	18.106	14.014
<b>Total</b>	<b>502.808</b>	<b>181.517</b>

a.3. Information on premiums:

	Current period	Prior period
Corporate tax payable	379.523	90.105
Income on securities tax	65.642	50.487
Property income tax	628	507
Banking and insurance transactions tax (BITT)	35.039	25.901
Foreign exchange transactions tax	3	2
Value added tax payable	3.867	501
Other	18.106	14.014
<b>Total</b>	<b>502.808</b>	<b>181.517</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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b) Explanations regarding deferred tax liability:

As of 31 December 2012, the Group has TRY 2.456 of deferred tax liability. (31 December 2011: TRY 1.823)

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

None.

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

None.

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

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

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

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

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

g) Information on preferred shares:

None.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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### h) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	-	-	-	-
Revaluation difference	357.153	49.710	76.761	(354.964)
Exchange rate difference	-	-	-	-
<b>Total</b>	<b>357.153</b>	<b>49.710</b>	<b>76.761</b>	<b>(354.964)</b>

### i) Information on legal reserves:

	Current period	Prior period
First Legal Reserves	514.816	401.181
Second Legal Reserves	398.280	362.516
Legal reserves appropriated in accordance with the law	1.856	1.503
<b>Total</b>	<b>914.952</b>	<b>765.200</b>

### j) Information on the extraordinary reserves

	Current period	Prior period
Reserves appropriated by General Assembly	4.957.790	3.447.828
Retained Earnings	66.880	67.040
Accumulated Reserves	-	-
Foreign Currency Translation Differences (-)	-	-
<b>Total</b>	<b>5.024.670</b>	<b>3.514.868</b>

### (14) a) Information on minority interest shares:

	Current Period	Prior period
Paid-in capital	4.206	5.782
Marketable Securities Revaluation Fund	23	4
Legal Reserves	119	258
Extraordinary Reserves	491	1.333
Retained Earnings	(883)	(16)
Other Profit Reserves	(90)	(59)
Export premium	199	218
Net Period Income / Loss	697	(680)
<b>Closing Balance</b>	<b>4.762</b>	<b>6.840</b>

### b) Movement of minority interest shares:

	Current Period	Prior period
Beginning Balance	6.840	6.484
The effect of the inclusion of subsidiaries in the scope of consolidation	-	1.586
Change in Minority Interest	(2.775)	(14)
Dividend Payment	-	(536)
Net Period Income / Loss	697	(680)
<b>Closing Balance</b>	<b>4.762</b>	<b>6.840</b>

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current period	Prior period
Commitments for credit card expenditure limits	6.021.405	4.618.584
Payment commitments for cheques	4.575.929	3.976.513
Loan granting commitments	1.053.442	890.035
Two days forward foreign exchange buy/sell transactions	1.309.055	677.085
Commitments for credit cards and banking services promotions	30.707	26.857
Tax and fund liabilities from export commitments	13.903	11.389
Share capital commitments to associates and subsidiaries <sup>(1)</sup>	-	1.000
Other irrevocable commitments	1.427.159	1.063.521
<b>Total</b>	<b>14.431.600</b>	<b>11.264.984</b>

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

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

	Current period	Prior period
Letters of credit	2.809.737	4.081.908
Bank acceptance loans	1.183.307	627.992
Other guarantees	551.962	423.056
<b>Total</b>	<b>4.545.006</b>	<b>5.132.956</b>

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

	Current period	Prior period
Letters of certain guarantees	7.205.696	5.993.331
Letters of advance guarantees	1.715.752	1.660.373
Letters of tentative guarantees	1.036.387	948.430
Letters of guarantee given to customs offices	399.607	324.948
Other letters of guarantee	4.856.417	3.795.239
<b>Total</b>	<b>15.213.859</b>	<b>12.722.321</b>

c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	376.921	169.526
<i>Within one year or less original maturity</i>	13.319	8.658
<i>Within more than one year maturity</i>	363.602	160.868
Other non-cash loans	19.381.944	17.685.751
<b>Total</b>	<b>19.758.865</b>	<b>17.855.277</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	15.850	0,16	7.575	0,07	9.191	0,10	14.283	0,16
<i>Farming and raising livestock</i>	13.616	0,14	7.416	0,07	8.840	0,10	14.283	0,16
<i>Forestry</i>	311	0,00	-	0,00	110	0,00	-	0,00
<i>Fishing</i>	1.923	0,02	159	0,00	241	0,00	-	0,00
Manufacturing	2.497.573	25,59	5.431.305	54,31	2.899.659	32,86	4.912.466	54,40
<i>Mining</i>	52.277	0,54	117.185	1,17	33.649	0,38	173.010	1,92
<i>Production</i>	1.913.354	19,61	5.056.865	50,57	2.592.261	29,37	4.455.591	49,34
<i>Electric, gas and water</i>	531.942	5,45	257.255	2,57	273.749	3,10	283.865	3,14
Construction	2.911.411	29,83	2.232.215	22,32	2.447.520	27,73	2.088.399	23,13
Services	4.231.887	43,36	2.277.926	22,78	3.426.793	38,83	1.809.848	20,04
<i>Wholesale and retail trade</i>	1.724.829	17,67	1.144.892	11,45	1.393.864	15,79	828.500	9,17
<i>Hotel, food and beverage services</i>	52.285	0,54	9.853	0,10	56.007	0,63	10.480	0,12
<i>Transportation and telecommunication</i>	111.747	1,15	41.520	0,42	106.658	1,21	60.094	0,67
<i>Financial Institutions</i>	1.951.977	20,00	574.376	5,74	1.606.045	18,20	358.091	3,97
<i>Real estate and renting services</i>	351.881	3,61	491.139	4,91	239.586	2,71	546.387	6,05
<i>Self-employment services</i>	8.836	0,09	327	0,00	5.339	0,06	344	0,00
<i>Education services</i>	5.348	0,05	3.135	0,03	2.842	0,03	5.357	0,06
<i>Health and social services</i>	24.984	0,26	12.684	0,13	16.452	0,19	595	0,01
Other	102.537	1,05	50.586	0,51	41.944	0,48	205.174	2,27
<b>Total</b>	<b>9.759.258</b>	<b>100</b>	<b>9.999.607</b>	<b>100</b>	<b>8.825.107</b>	<b>100</b>	<b>9.030.170</b>	<b>100</b>

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

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	9.673.959	9.895.457	85.299	104.150
Letters of guarantee	9.362.824	5.668.205	85.299	97.531
Bank acceptances	31.047	1.152.260	-	-
Letters of credit	1.661	2.801.457	-	6.619
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	278.427	273.535	-	-

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c.3) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Risk Management	
	Current period	Prior period	Current period	Prior period
<b>Types of trading transactions</b>				
Foreign currency related derivative transactions (I)	8.891.410	6.151.082	-	-
Forward foreign currency buy/sell transactions	1.380.800	2.200.039	-	-
Currency buy/sell swap	7.229.476	3.812.283	-	-
Currency futures	-	-	-	-
Currency put/call options	281.134	138.760	-	-
Interest related derivative transactions (II)	-	-	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	-	-	-	-
Interest rate put/call options	-	-	-	-
Interest rate buy/sell futures	-	-	-	-
Other trading derivative transactions (III) <sup>(1)</sup>	684.833	1.985.142	-	-
<b>A. Total trading derivative transactions (I+II+III)</b>	<b>9.576.243</b>	<b>8.136.224</b>	<b>-</b>	<b>-</b>
<b>Types of derivative transactions for risk management</b>				
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
<b>B. Total derivative transactions for hedging</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total derivative transactions (A+B)</b>	<b>9.576.243</b>	<b>8.136.224</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> Other trading derivatives include credit default swap purchases and sale transactions amounting TRY 88.250 and TRY 59.100 respectively and forward precious metal purchase and sale transactions amounting TRY 314.800, TRY 222.683 respectively.

d) Information on contingent liabilities and assets:

The Group has provided TRY 29.112 (31 December 2011: TRY 21.437) of provision for the disputed legal cases filed by various persons and institutions.

On the other hand, according to the decision numbered 11-55/1438 dated 2 November 2011 of the Competition Board, investigation on some enterprises in banking sector, including 12 banks and 2 financial services institutions, including the Parent Bank, allegedly violating the fourth substance of Law numbered 4054 is continuing. As determined by Parent Bank's management all activities subject to investigation are in conformity with the legislation, therefore, provided no provision in the consolidated financial statements as of 31 December 2012.

e) Services supplied on behalf of others:

None.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

##### (1) Information on interest income:

##### a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans <sup>(1)</sup>				
Short term loans	1.971.246	171.723	1.623.275	194.172
Medium and long term loans	3.660.297	857.673	2.665.793	631.047
Interest on non-performing loans	79.709	533	132.115	4.583
Premiums from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>5.711.252</b>	<b>1.029.929</b>	<b>4.421.183</b>	<b>829.802</b>

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

##### b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	5.794	1.855	486	820
Overseas banks	1.347	3.310	751	8.019
Head office and branches	-	-	-	-
<b>Total</b>	<b>7.141</b>	<b>5.165</b>	<b>1.237</b>	<b>8.839</b>

##### c) Interest income on marketable securities:

	Current Period		Prior Period	
	DC	FC	DC	FC
Financial Assets Held for Trading	2.962	883	4.985	766
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	755.604	70.951	665.394	69.834
Held-to-Maturity Investments	1.321.921	115.694	1.175.312	117.349
<b>Total</b>	<b>2.080.487</b>	<b>187.528</b>	<b>1.845.691</b>	<b>187.949</b>

##### d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income and commissions from associates	11	96

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(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
<b>Banks</b>	29.770	139.833	15.631	115.273
<i>Central Bank of Turkey</i>	-	-	-	-
<i>Domestic banks</i>	25.132	11.268	15.631	5.466
<i>Overseas banks</i>	4.638	128.565	-	109.807
<i>Overseas head office and branches</i>	-	-	-	-
<b>Other institutions</b>	12.755	1.220	8.934	1.007
<b>Total</b>	<b>42.525</b>	<b>141.053</b>	<b>24.565</b>	<b>116.280</b>

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	3.660	5.798

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	68.631	29.659	17.308	-
<b>Total</b>	<b>68.631</b>	<b>29.659</b>	<b>17.308</b>	<b>-</b>

d) Maturity structure of interest expenses on deposits:

Account name	Demand deposits	Time deposits						Cumulative deposit	Total
		Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
<b>TRY</b>									
Bank deposits	91	65.320	15.757	906	737	-	-	82.811	
Saving deposits	6	23.851	1.831.250	214.020	32.512	75.019	8.354	2.185.012	
Public deposits	437	35.271	269.660	27.380	10.248	2.932	-	345.928	
Commercial deposits	20	119.501	444.915	107.320	16.268	4.340	-	692.364	
Other deposits	31	32.937	128.489	45.573	43.978	2.997	-	254.005	
7 days call accounts	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>585</b>	<b>276.880</b>	<b>2.690.071</b>	<b>395.199</b>	<b>103.743</b>	<b>85.288</b>	<b>8.354</b>	<b>3.560.120</b>	
<b>Foreign currency</b>									
Deposits	337	52.664	269.768	63.969	27.655	66.367	-	480.760	
Bank deposits	-	23.178	-	-	-	-	-	23.178	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>337</b>	<b>75.842</b>	<b>269.768</b>	<b>63.969</b>	<b>27.655</b>	<b>66.367</b>	<b>-</b>	<b>503.938</b>	
<b>Grand total</b>	<b>922</b>	<b>352.722</b>	<b>2.959.839</b>	<b>459.168</b>	<b>131.398</b>	<b>151.655</b>	<b>8.354</b>	<b>4.064.058</b>	

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(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	622	620
Other	136	5.053
<b>Total</b>	<b>758</b>	<b>5.673</b>

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

	Current period	Prior period
<b>Profit</b>	<b>8.290.818</b>	<b>7.911.772</b>
Profit from the capital market operations	392.870	951.080
Profit on derivative financial instruments	1.455.553	1.677.946
Foreign exchange gains	6.442.395	5.282.746
<b>Loss (-)</b>	<b>7.734.927</b>	<b>7.701.513</b>
Loss from the capital market operations	3.956	855.333
Loss on derivative financial instruments	1.662.605	1.523.607
Foreign exchange losses	6.068.366	5.322.573

b) Information on derivative financial instruments:

	Current period	Prior period
<b>Profit on derivative financial instruments</b>	<b>1.455.553</b>	<b>1.677.946</b>
Effect of the change in foreign exchange on profit	1.455.553	1.616.286
Effect of the change in interest rate on profit	-	61.660
<b>Loss on derivative financial instruments (-)</b>	<b>1.662.605</b>	<b>1.523.607</b>
Effect of the change in foreign exchange on loss	1.601.565	1.493.974
Effect of the change in interest rate on loss	(61.040)	29.633
<b>Profit/loss on derivative financial instruments</b>	<b>207.052</b>	<b>154.339</b>

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	204.622	418.156
-Specific provision reversals for Loans under follow up	182.251	284.486
-Other prior period expense reversals income	22.371	133.670
Life insurance income	363.665	263.126
Receivable from the asset sale on credit terms	118.796	79.653
Rent income	6.026	17.248
Cheques	5.364	5.619
Other income	34.789	34.930
<b>Total</b>	<b>733.262</b>	<b>818.732</b>

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(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	385.824	211.204
<i>Group - III loans and receivables</i>	261.648	107.771
<i>Group - IV loans and receivables</i>	37.967	20.637
<i>Group - V loans and receivables</i>	86.209	82.796
General loan provision expenses	316.301	266.662
Provision expenses for possible losses	134.300	186.400
Marketable securities impairment losses	6.548	-
<i>Financial assets at fair value through profit and loss</i>	-	-
<i>Financial assets available for sale</i>	6.548	-
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	57.926	27.450
<b>Total</b>	<b>900.899</b>	<b>691.716</b>

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	889.729	761.503
Reserve for employee termination benefits	98.692	58.712
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	24
Depreciation expenses of fixed assets	104.321	82.313
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	4.867	2.863
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	3.514	4.326
Amortization expenses of assets that will be disposed of	5.113	3.924
Impairment expense for property and equipment held for sale	7	-
Other operating expenses	794.492	613.588
<i>Operational leasing expenses</i>	111.560	85.845
<i>Maintenance expenses</i>	16.354	16.873
<i>Advertisement expenses</i>	97.252	57.494
<i>Other expenses</i>	569.326	453.376
Loss on sales of assets	458	2.100
Other	495.440	415.740
<b>Total</b>	<b>2.396.633</b>	<b>1.945.093</b>

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

The Group's income before tax is due from continuing activities. TRY 4.584.671 of the income before tax consists of net interest income, TRY 810.733 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is amounting to TRY 3.399.761.

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

For the year ended 31 December 2012, the Bank's tax provision amounting to TRY 756.717 consists of TRY 1.034.121 of current tax charge and TRY 277.404 of deferred tax income.

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

For the year ended 31 December 2012; the Bank's net operating income after tax is amounting to TRY 2.643.044.

#### (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 Group's performance for the period between 1 January 2012 and 31 December 2012.
- 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.

## V. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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.

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

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

The "net increase/(decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 3.382.207 thousands for the year 2012. The "other" item under operating income composes of fees and commissions paid and other operating income excluding employee costs and other operating expenses, and amounts to TRY 1.172.954 thousands for the year 2012.

For the year ended 31 December 2012, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 521.045 decrease (31 December 2011: TRY 788.962, increase).

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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

(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	7.287.733	4.649.565
<i>Cash in TRY and foreign currency</i>	486.600	379.285
<i>Central Bank and others<sup>(1)</sup></i>	6.801.133	4.270.280
Cash equivalents	1.572.018	1.228.793
<i>Demand and Time Deposits Up to 3 Months</i>	1.538.705	1.012.668
<i>Money Market Placements</i>	33.313	216.125
<b>Total cash and cash equivalents</b>	<b>8.859.751</b>	<b>5.878.358</b>
Reserve deposits in Central Bank	(3.975.813)	(1.317.067)
Bank blockage balance <sup>(2)</sup>	(96.889)	-
Accruals on reserve deposits	-	(3.498)
Accruals on money market placement	(56)	(135)
Accruals on banks	(3.027)	(53)
<b>Cash and Cash Equivalents</b>	<b>4.783.966</b>	<b>4.557.605</b>

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

<sup>(2)</sup> Technical reserves of Halk Hayat ve Emeklilik AŞ. amounting to TRY 96.889, which is given as collateral to Under secretariat of Treasury of Republic of, holds blocked.

(5) Period ending cash and cash equivalents balance:

	Current Period	Prior Period
Cash	12.517.078	7.287.733
<i>Cash in TRY and foreign currency</i>	693.316	486.600
<i>Central Bank and others<sup>(1)</sup></i>	11.823.762	6.801.133
Cash Equivalents	2.750.971	1.572.018
<i>Demand and Time Deposits Up to 3 Months</i>	2.588.437	1.538.705
<i>Money Market Placements</i>	162.534	33.313
<b>Cash and Banks</b>	<b>15.268.049</b>	<b>8.859.751</b>
Reserve deposits in Central Bank	(9.870.896)	(3.975.813)
Bank blockage balance <sup>(2)</sup>	(140.697)	(96.889)
Accruals for money market placement	(34)	(56)
Accruals for banks	(1.728)	(3.027)
<b>Total Cash and Cash Equivalents</b>	<b>5.254.694</b>	<b>4.783.966</b>

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

<sup>(2)</sup> Technical reserves of Halk Hayat ve Emeklilik AŞ. amounting to TRY 120.162, which is given as collateral to Republic of Turkey Prime Ministry Undersecretariat of Treasury, holds blocked. Also, Halk Sigorta AŞ. has blockage balance amounting to TRY 20.535 which is given as collateral to Republic of Turkey Prime Ministry Undersecretariat of Treasury.

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

a) Current period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Parent Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	-	4.477	-	-	-	-
Closing balance	-	2.726	-	-	-	-
Interest and commissions income	-	11	-	-	-	-

b) Prior period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Parent Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	75.704	36.366	-	-	-	-
Closing balance	-	4.477	-	-	-	-
Interest and commissions income	38	58	-	-	-	-

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

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Beginning balance	84.030	56.427	-	-	-	-
Closing Balance	23.690	84.030	-	-	-	-
Interest expense on deposits	3.660	5.798	-	-	-	-

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

None

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

### (2) Disclosures for risk group:

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

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

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

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

	Amount	% compared to the amounts in the financial statements
Cash loans	-	-
Non-cash loans	2.276	%0,01
Deposits	23.690	%0,03
Forward and option contracts	-	-
Banks and financial institutions	-	-

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

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

Explained in b).

d) Transactions accounted under the equity method:

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

### (3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 12.804 as of 31 December 2012 (31 December 2011: TRY 9.004).

# TÜRKİYE HALK BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

	Quantity	Number of employees	Country	Total Assets	Legal Capital
Domestic Branches	816	14.930			
Agencies Abroad	1	2	Tahran/İRAN		
Overseas Branches	4	19	Lefkoşa/KKTC	202.217	50.000
		9	Gazimagosa/KKTC	27.317	-
		6	Girne/KKTC	24.903	-
		2	Paşaköy/KKTC	434	-
Off-shore Branches	1	3	Manama/BAHREYN	4.448.351	-

(2) Explanations on branch and agency openings or closings of the Parent Bank:

The Parent Bank opened 50 domestic branches during the year.

#### IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

Ana Ortaklık Banka mevcut ihraçlar dahil olmak üzere toplam 2 milyar USD veya karşılığı diğer yabancı para tutarı kadar In addition to the existing bonds issuance, the Parent Bank made an application to the Capital Markets Board (CMB) on 31 December 2012 related to bond issuance with collateral and without collateral along with the foreign countries up to value USD 2 billion or equivalently in other foreign currencies with the different maturities and different currencies. Bond issuance amounting to nominal value USD 750 million with the maturity of 7 years was approved by Capital Markets Board (CMB) on 22 January 2013 and the bond issuance was carried out by the Parent Bank on 5 February 2013.

The Parent Bank made an application to the Capital Markets Board (CMB) regarding to the issuance of treasury bills up to TRY 3.000.000 million with different maturities on 7 December 2012. Treasury bills amounting to nominal value TRY 750 million with the maturity of 175 days was approved by Capital Markets Board (CMB) on 4 January 2013 and the issuance was carried out by the Parent Bank on 11 January 2013.

The Parent Bank's subsidiaries Halk Gayrimenkul Yatırım Ortaklığı A.Ş. made an application to the Capital Markets Board (CMB) regarding to the public offering. The application was approved by Capital Markets Board (CMB) on 8 February 2013. In this context, the 185.500 shares of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. amounting to TRY 185.500 has privatized on 22 February 2013 in order to increase its capital from TRY 477.000 to TRY 662.500.

**TÜRKİYE HALK BANKASI A.Ş.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

**SECTION VI: OTHER EXPLANATIONS AND NOTES**

**I. OTHER EXPLANATIONS ON THE PARENT BANK'S OPERATIONS**

None.

**SECTION VII: INDEPENDENT AUDITORS' REPORT**

**I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT**

The consolidated financial statements as of and for the year ended 31 December 2012 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 1 March 2013 is presented in the introduction of this report.

**II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS**

None

## Head Office (Main)

2. Cadde No: 63  
Söğütözü 06520 Ankara-Turkey  
Telephone: (+90 312) 289 2000

- Department of Budget and Performance Management
- Department of Administrative Services
- Department of Foreign Operations
- Disciplinary Board
- Department of Staff Training
- Department of Artisans Banking
- Department of Financial Accounting and Reporting
- Legal Consultancy
- Department of Internal Control
- Department of Human Resources
- Department of Premises Construction and Appraisal
- Department of SME Marketing- 1
- Department of SME Loans-1
- Department of Loans Risk Monitoring
- Department of Corporate Loans
- Department of Deposit and Cash Management
- Department of Organization
- Department of Risk Collection and Liquidation-Ankara
- Department of Risk Management
- Department of Branch Operations
- Department of and Public Relations
- Department of Board of Inspectors
- Department of Commercial Marketing-1
- Department of Commercial Loans-1
- Department of Tax Management and Accounting
- Board of Directors Office Services

## Head Office (Support Unit)

Barboros Mahallesi, Şebboy Sokak  
No:4  
Batı Ataşehir İstanbul  
Telephone: (+90 216) 503 00 00

- Department of Retail Loans
- Department of Retail Products Marketing
- Department of Financial Institutions and Investor Relations
- Department of Treasury Operations
- Department of Treasury Management Mid-Office
- Department of Project Finance
- Department of Channel Management
- Department of Payment Card Systems
- Department of SME Marketing-2
- Department of SME Loans-2
- Department of Loans Policies and Practices
- Department of Loan and Project Evaluation
- Department of Corporate Marketing
- Department of Operational Strategy and Innovation Management
- Department of Subsidiaries and Affiliates Management
- Department of Money and Capital Markets
- Department of Risk Collection and Liquidation-Istanbul
- Department of Commercial Marketing-2
- Department of Commercial Loans-2
- Department of International Banking and Structured Finance

## Head Office (Support Unit)

Büyükdere Cad. No: 82  
Gayrettepe 34387 İstanbul  
Telephone: (+90 212) 370 7070

- Department of Infrastructure Operation and Management
- Department of Technological Architecture Management
- Department of Software Development

## INTERNATIONAL NETWORK OF HALKBANK

### Bahrain Branch

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No: 1 Lefkoşa-KKTC  
Telephone: (+392) 228 8545  
Fax: (+392) 228 2900

### Gazimağusa Branch

İsmet İnönü Bulvarı Hasipoğlu  
Residence and Güney Business  
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### Girne Branch

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Hakkı Borataş Cad.  
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Fax: (+392) 816 0234

### Paşaköy Satellite Branch

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