



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

**Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended
30 June 2012**

**With Independent Auditors' Report on Review of
Interim Financial Information Thereon**

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

10 August 2012

This report contains the "Independent Auditors' Report on Review of Interim Financial Information" comprising 1 page and; the "Condensed consolidated interim financial statements and their explanatory notes" comprising 18 pages.

Türkiye Halk Bankası Anonim Şirketi and its subsidiaries

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**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**

Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

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

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Türkiye Halk Bankası Anonim Şirketi ("the Bank") and its subsidiaries ("the Group") as at 30 June 2012, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended ("the condensed consolidated interim financial information"). Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Basis for Qualified Conclusion

The accompanying condensed consolidated interim statement of financial position as at 30 June 2012 include a general reserve amounting to TL 245.500 thousands, TL 194.000 thousands of which had been recognized as expense in the prior periods and TL 51.500 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.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Istanbul, Turkey
10 August 2012

KPMG Akis Bağımsız Denetim ve Serbest AŞ

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Financial Position
As of 30 June 2012

(Currency-In thousands of Turkish Lira)

	<i>Notes</i>	30 June 2012	31 December 2011
Assets			
Cash on hand		483.540	486.615
Balances with Central Bank	9	4.106.964	2.825.305
Reserve deposits at Central Bank	9	6.139.054	3.975.813
Due from banks		1.902.776	1.572.018
Financial assets at fair value through profit or loss		141.186	150.883
- <i>Trading securities</i>		35.588	56.560
- <i>Derivative financial instruments</i>	18	105.598	94.323
Loans and advances	10	60.351.045	56.216.893
Insurance premium receivables		147.901	143.999
Investment securities:		24.616.068	23.462.459
- <i>Available-for-sale investment securities</i>	11	9.531.520	9.398.001
- <i>Held-to-maturity investment securities</i>	11	15.084.548	14.064.458
Investment in equity-accounted investees		155.762	149.518
Finance lease receivables		850.858	819.722
Property and equipment	12	1.524.243	1.320.554
Intangible assets		48.102	45.543
Non-current assets held for sale		5.347	65.224
Deferred tax assets		209.591	120.652
Other assets		953.705	859.560
Total assets		101.636.142	92.214.758
Liabilities			
Deposits from banks		8.498.498	6.980.837
Deposits from customers		69.657.527	59.247.673
Obligations under repurchase agreements		784.733	4.904.532
Loan and advances from banks		8.131.839	8.355.579
Interbank money market borrowings		119.213	37.177
Derivative financial instruments	18	50.215	65.358
Debt securities issued		735.712	495.611
Insurance contract liabilities		473.499	421.016
Provisions		764.451	648.493
Income tax payables		186.622	90.105
Deferred tax liability		1.725	1.823
Other liabilities		2.006.836	1.844.784
Total liabilities		91.410.870	83.092.988
Equity			
Share capital	14	2.578.184	2.578.184
Reserves	15	899.586	506.856
Retained earnings		6.739.806	6.029.808
Total equity attributable to equity holders of the Bank		10.217.576	9.114.848
Non-controlling interest		7.696	6.922
Total equity		10.225.272	9.121.770
Total liabilities and equity		101.636.142	92.214.758

The notes on pages 6 to 18 are an integral part of these condensed consolidated interim financial statements.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Comprehensive Income
For the Six-Month Period Ended 30 June 2012

(Currency-In thousands of Turkish Lira)

<i>Notes</i>	For the six-month period ended 30 June 2012	For the six-month period ended 30 June 2011
Interest income:		
-Interest income on loans	3.246.960	2.337.006
-Interest income on securities	1.235.848	911.232
-Interest income on finance leases	38.225	--
-Interest income on deposits at banks	5.271	3.670
-Interest income on other money market placements	7.288	128
-Other interest income	4.397	3.853
	4.537.989	3.255.889
Interest expense:		
-Interest expense on deposits	(2.014.329)	(1.442.653)
-Interest expense on other money market deposits	(105.705)	(201.578)
-Interest expense on borrowings	(90.791)	(52.445)
-Interest expense on debt securities issued	(35.978)	--
-Other interest expense	(26.589)	(17.914)
	(2.273.392)	(1.714.590)
Net interest income	2.264.597	1.541.299
Fees and commission income	19 492.566	377.562
Fees and commission expenses	19 (80.245)	(52.708)
Net fee and commission income	412.321	324.854
Net trading income from securities	69.348	52.866
Net trading income / (loss) from derivative financial instruments	(315.666)	186.728
Foreign exchange losses, net	264.076	(143.225)
Net impairment losses on financial assets	(212.384)	65.422
Income from insurance operations	144.777	147.637
Cost of insurance operations	(46.690)	(108.456)
Dividend income	655	5.552
Other operating income	20 85.186	75.793
Other operating expenses	21 (1.105.608)	(865.549)
Operating profit	1.560.612	1.282.921
Share of profit of equity-accounted investees	5.132	93
Profit before income tax	1.565.744	1.283.014
Income tax expense	(318.485)	(244.572)
Profit for the period	1.247.259	1.038.442
Other comprehensive income, net of income tax		
Fair value reserve (available-for-sale financial assets):		
Net change in fair value	302.755	(119.833)
Net amount transferred to profit or loss	(46.871)	(63.304)
Foreign currency translation differences	(12.871)	16.798
Other comprehensive income for the period, net of tax	243.013	(166.339)
Total comprehensive income for the period	1.490.272	872.103

The notes on pages 6 to 18 are an integral part of these condensed consolidated interim financial statements.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Comprehensive Income (continued)
For the Six-Month Period Ended 30 June 2012

(Currency-In thousands of Turkish Lira)

	<i>Notes</i>	For the six-month period ended 30 June 2012	For the six-month period ended 30 June 2011
Profit attributable to:			
Equity holders of the Bank		1.246.381	1.039.533
Non-controlling interest		878	(1.091)
Profit for the period		1.247.259	1.038.442
Total comprehensive income attributable to:			
Equity holders of the Bank		1.489.498	873.188
Non-controlling interest		774	(1.085)
Total comprehensive income for the period		1.490.272	872.103
Basic and diluted earnings per share (full TL per share)	<i>16</i>	0,9971	0,8316

The notes on pages 6 to 18 are an integral part of these condensed consolidated interim financial statements.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Changes in Equity
For the Six-Month Period Ended 30 June 2012

(Currency-In thousands of Turkish Lira)

	Share capital	Reserves			Retained earnings	Total	Non-controlling interest	Total equity
		Fair value reserve	Hedging Reserve	Other reserves				
Balances at 1 January 2011	2.578.184	113.530	--	620.349	4.582.964	7.895.027	6.484	7.901.511
Total comprehensive income for the period								
Net profit of the period	--	--	--	--	1.039.533	1.039.533	(1.091)	1.038.442
Other comprehensive income, net of tax								
Fair value reserve (available-for-sale financial assets):								
Net change in fair value	--	(119.839)	--	--	--	(119.839)	6	(119.833)
Net amount transferred to profit or loss	--	(63.304)	--	--	--	(63.304)	--	(63.304)
Foreign currency translation differences	--	-	--	16.798	--	16.798	--	16.798
Total other comprehensive income	--	(183.143)	--	16.798	--	(166.345)	6	(166.339)
Total comprehensive income for the period	--	(183.143)	--	16.798	1.039.533	873.188	(1.085)	872.103
Transactions with the owners, recorded directly in equity								
Transfers to other reserves	--	--	--	144.851	(144.851)	--	--	--
Dividends to equity holders	--	--	--	--	(467.486)	(467.486)	(536)	(468.022)
Changes in ownership interests in subsidiaries								
Acquisition of a subsidiary	--	--	--	--	--	--	3.885	3.885
Balances at 30 June 2011	2.578.184	(69.613)	--	781.998	5.010.160	8.300.729	8.748	8.309.477
Balances at 1 January 2012	2.578.184	(278.203)	--	785.059	6.029.808	9.114.848	6.922	9.121.770
Total comprehensive income for the period								
Net profit of the period	--	--	--	--	1.246.381	1.246.381	878	1.247.259
Other comprehensive income, net of tax								
Fair value reserve (available-for-sale financial assets):								
Net change in fair value	--	302.718	--	--	--	302.718	37	302.755
Net amount transferred to profit or loss	--	(46.871)	--	--	--	(46.871)	--	(46.871)
Foreign currency translation differences	--	--	--	(12.730)	--	(12.730)	(141)	(12.871)
Total other comprehensive income	--	255.847	--	(12.730)	--	243.117	(104)	243.013
Total comprehensive income for the period	--	255.847	--	(12.730)	1.246.381	1.489.498	774	1.490.272
Transactions with the owners, recorded directly in equity								
Transfers to other reserves	--	--	--	149.613	(149.613)	--	--	--
Dividends to equity holders	--	--	--	--	(386.770)	(386.770)	--	(386.770)
Balances at 30 June 2012	2.578.184	(22.356)	--	921.942	6.739.806	10.217.576	7.696	10.225.272

The notes on pages 6 to 18 are an integral part of these condensed consolidated interim financial statements.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Cash Flows
For the Six-Month Period Ended 30 June 2012

(Currency-In thousands of Turkish Lira)

<i>Notes</i>	For the six-month period ended 30 June 2012	For the six-month period ended 30 June 2011
Cash flows from operating activities		
Profit for the period	1.247.259	1.038.442
Adjustments for:		
Depreciation and amortisation	51.358	42.848
Net impairment loss on loans and advances	10 303.212	(65.422)
Net interest income	(2.264.597)	(1.541.299)
Dividend income	(655)	(5.552)
Provision for employee termination benefits	30.611	30.780
Impairment losses on property and equipment	7.084	738
Net gain on sale of property and equipment	12 (54.039)	(37.559)
Share of profit of equity-accounted investees	(5.132)	(93)
Income tax expense	318.485	244.572
	(366.414)	(292.545)
Change in financial assets at fair value through profit or loss	21.001	(20.477)
Change in due from banks	(12.112)	--
Change in loans and advances	(4.267.791)	(6.978.483)
Change in other assets	(2.185.344)	(827.502)
Change in deposits from banks	1.534.873	1.043.278
Change in deposits from customers	10.265.000	2.339.601
Change in loans and advances from banks	(253.610)	1.103.084
Change in other liabilities	(3.851.847)	7.633.772
Interest received	4.663.452	3.153.680
Dividends received	655	4.483
Interest paid	(2.107.307)	(1.662.717)
Income tax paid	(370.999)	(255.768)
Employee termination benefits paid	(10.165)	(5.287)
Net cash provided from operating activities	3.059.392	5.235.119
Cash flows from investing activities		
Acquisitions of available-for-sale investment securities	(2.179.876)	(2.728.513)
Proceeds from sale of available-for-sale investment securities	2.536.420	1.857.213
Acquisitions of held to maturity investment securities	(1.834.285)	(477.522)
Proceeds from sale of held to maturity investment securities	691.253	127.810
Acquisitions of investments in equity participations	--	(39.133)
Acquisitions of property and equipment	12 (146.833)	(154.665)
Proceeds from sale of property and equipment	12 91.753	172.283
Acquisitions of intangible assets	(4.611)	(4.128)
Net cash used in investing activities	(846.179)	(1.246.655)
Cash flows from financing activities		
Proceeds from issue of debt securities	716.806	--
Cash used for repayment of debt securities	(500.000)	--
Dividends paid	(386.770)	(468.022)
Other	(248)	--
Net cash used in financing activities	(170.212)	(468.022)
Net increase in cash and cash equivalents	2.043.001	3.520.442
Cash and cash equivalents at 1 January	4.783.966	4.557.605
Effect of change in currency rate fluctuations on cash held	(424.679)	54.394
Cash and cash equivalents at 30 June	6.402.288	8.132.441

The notes on pages 6 to 18 are an integral part of these condensed consolidated interim financial statements.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements As of and For the Six-Month Period Ended 30 June 2012

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

1. Activities of the Bank and the Group

Türkiye Halk Bankası AŞ (the "Bank") was incorporated in Turkey in 1933 as a state economic enterprise established under law no. 2284. As of 31 December 2011, the Bank operates 771 branches, including 766 domestic branches, 4 branches in Cyprus and 1 in Bahrain. There is 1 representative office in Iran. The operations of Türkiye Halk Bankası AŞ and subsidiaries (the "Group") consist of banking, securities, financial leasing, brokerage and insurance services provided primarily to local customers. The consolidated financial statements of the Group include the accounts of the Bank, Halk Sigorta AŞ, Halk Hayat ve Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Banka AD, Skopje, Halk Gayrimenkul Yatırım Ortaklığı AŞ and Halk Faktoring AŞ.

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

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

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

The Bank established Halk Gayrimenkul Yatırım Ortaklığı AŞ in 2010. Halk Gayrimenkul Yatırım Ortaklığı AŞ's main line of business is, to form and improve real estate portfolios and to invest in real estate based capital market instruments. Its main operative target is, based on the Capital Markets Board's ("CMB") regulation regarding the investment properties, to invest in capital market instruments based on real estates, real estate projects and rights based on real estates.

Halk Finansal Kiralama AŞ ("Halk Leasing"), was an associate of the 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 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 is operating in Republic of Macedonia. Its main activities include commercial lending, receiving of deposits, foreign exchange deals, payment operation services in the country and abroad and retail banking services.

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

Halk Faktoring AŞ ("Halk Faktoring") is a subsidiary of the Bank with capital payments of amounting to TL 19.000 and 95% of shares. After, it was registered to trade registry on 6 June 2012, establishment has been completed. As of 30 June 2012, Halk Faktoring's application process for official authorisation to Banking Regulation and Supervision Agency ("BRSA") is continued.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements As of and For the Six-Month Period Ended 30 June 2012

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

2. Statement of compliance

These condensed consolidated interim financial statements as of 30 June 2012 have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Group as at and for the year ended 31 December 2011. The accompanying condensed consolidated interim financial statements are authorised for issue by the directors on 10 August 2012.

3. Basis of preparation

These consolidated financial statements are presented in TL, which is the Bank's functional currency. Except as otherwise indicated, financial information presented in TL has been rounded to the nearest thousand.

The consolidated financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2005, except for the items presented on a fair value basis that are financial assets at fair value through profit or loss, derivative financial assets and liabilities held for trading purpose and available-for-sale investment securities whose fair value can reliably be measured.

4. Basis of consolidation

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

Majority-owned subsidiaries where the Bank has operating and financial control are consolidated. Subsidiaries are all entities over which the Group has power to govern the financial and operating policies so as to benefit from its activities. Subsidiaries in which the Group owns directly or indirectly more than 50% of the voting rights, or has power to govern the financial and operating policies under a statute or agreement are consolidated. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

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

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

5. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2011.

6. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at 31 December 2011.

7. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at 31 December 2011.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

As of and For the Six-Month Period Ended 30 June 2012

(Currency - In thousands of Turkish Lira (“TL”))

8. Operating segments

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

30 June 2012	Corporate	Commercial	Entrepreneur	Treasury /Investment⁽²⁾	Other⁽¹⁾	Eliminations	Group
Interest income	572.444	497.951	4.789.486	3.780.819	51.399	(5.154.110)	4.537.989
Interest expense	(412.769)	(367.487)	(3.509.706)	(3.118.392)	(19.148)	5.154.110	(2.273.392)
Net interest income	159.675	130.464	1.279.780	662.427	32.251	--	2.264.597
Net fee and commission inc.	76.969	78.103	229.444	20.261	7.544	--	412.321
Net trading income from securities	--	--	--	69.348	--	--	69.348
Net trading income from derivative transactions	--	--	--	(316.727)	1.061	--	(315.666)
Foreign exchange gain/(losses), net	--	--	--	268.205	(4.129)	--	264.076
Net impairment losses on loans and advances	(6.385)	(8.258)	(75.546)	(121.171)	(1.024)	--	(212.384)
Income from insurance operations	--	--	--	--	144.777	--	144.777
Cost of insurance operations	--	--	--	--	(46.690)	--	(46.690)
Dividend income	--	--	--	655	--	--	655
Other income	340	7.520	58.482	23.976	--	--	90.318
Other expenses	(12.623)	(26.560)	(459.427)	(533.706)	(73.292)	--	(1.105.608)
Profit before income tax	217.976	181.269	1.032.733	73.268	60.498	--	1.565.744
Income tax expense	--	--	--	(303.722)	(14.763)	--	(318.485)
Profit for the period	217.976	181.269	1.032.733	(230.454)	45.735	--	1.247.259

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

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

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

As of and For the Six-Month Period Ended 30 June 2012

(Currency – In thousands of Turkish lira (“TL”))

8. Operating segments (continued)

30 June 2011	Corporate	Commercial	Entrepreneur	Treasury /Investment⁽²⁾	Other⁽¹⁾	Eliminations	Group
Interest income	425.604	323.660	3.384.693	2.676.558	6.687	(3.561.313)	3.255.889
Interest expense	(328.099)	(224.936)	(2.461.153)	(2.261.715)	--	3.561.313	(1.714.590)
Net interest income	97.505	98.724	923.540	414.843	6.687	--	1.541.299
Net fee and commission income	31.051	30.926	240.506	22.371	--	--	324.854
Net trading income from securities	--	--	--	52.866	--	--	52.866
Net trading loss from derivative transactions	--	--	--	186.728	--	--	186.728
Foreign exchange gain/(losses), net	--	--	--	(143.498)	273	--	(143.225)
Net impairment losses on loans and advances	(1.007)	(5.068)	(6.046)	77.543	--	--	65.422
Income from insurance operations	--	--	--	--	147.637	--	147.637
Cost of insurance operations	--	--	--	--	(108.456)	--	(108.456)
Dividend income	--	--	--	48.563	1.279	(44.290)	5.552
Other income	1.017	7.857	75.810	8.557	5.761	(23.116)	75.886
Other expenses	(7.295)	(25.526)	(416.921)	(403.376)	(22.728)	10.297	(865.549)
Profit before income tax	121.271	106.913	816.889	264.597	30.453	(57.109)	1.283.014
Income tax expense	--	--	--	(239.891)	(4.681)	--	(244.572)
Profit for the period	121.271	106.913	816.889	24.706	25.772	(57.109)	1.038.442

⁽¹⁾Halk Hayat ve Emeklilik AŞ and Halk Sigorta AŞ transactions are shown in other column.

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

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8. Operating segments (continued)

The segment assets and liabilities as at 30 June 2012 are as follows:

Assets and liabilities	Corporate	Commercial	Entrepreneur	Treasury /Investment ⁽¹⁾	Other	Group
Segment assets	7.456.527	9.413.002	38.768.104	44.421.038	1.421.709	101.480.380
Investment in equity- accounted investees	--	--	--	155.762	--	155.762
Total assets	7.456.527	9.413.002	38.768.104	44.576.800	1.421.709	101.636.142
Segment liabilities	7.606.348	4.039.452	53.638.128	35.011.838	1.340.376	101.636.142
Total liabilities	7.606.348	4.039.452	53.638.128	35.011.838	1.340.376	101.636.142

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

The segment assets and liabilities as at 31 December 2011 are as follows:

Assets and liabilities	Corporate	Commercial	Entrepreneur	Treasury /Investment ⁽¹⁾	Other	Group
Segment assets	7.123.142	8.458.303	35.996.600	39.158.371	1.328.824	92.065.240
Investment in equity- accounted investees	--	--	--	149.518	--	149.518
Total assets	7.123.142	8.458.303	35.996.600	39.307.889	1.328.824	92.214.758
Segment liabilities	6.989.797	3.079.263	48.982.381	22.905.281	1.136.266	83.092.988
Total liabilities	6.989.797	3.079.263	48.982.381	22.905.281	1.136.266	83.092.988

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

9. Balances with Central Bank

As at 30 June 2012 Balances with Central Bank include restricted reserve deposits amounting to TL 6.139.054 (31 December 2011: TL 3.975.813) at the Central Bank of Turkey and unrestricted reserve deposits amounting to TL 4.106.964 (31 December 2011: TL 2.825.305).

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% according to their maturities (31 December 2011: between 6% and 11% according to their maturities), respectively as per the Communique no.2011/11 and 2011/13 “Reserve Deposits” of the Central Bank of Turkey.

With the Board of Minutes No. 688 dated 26 December 2008 of TRNC Central Bank’s, required reserve ratio is 8% for TRY liabilities and 8% for FC liabilities.

With the Board of Minutes No. 129 dated 2006 of Central Bank of Macedonia, required reserve ratio are 10% for MKD currency liabilities and 13% 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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10. Loans and advances to customers

As at 30 June 2012 and 31 December 2011, all the loans and advances to customers are at amortized cost.

	30 June 2012	31 December 2011
Performing loans	60.279.761	56.013.832
Non-performing loans	1.744.763	1.680.884
Gross amount	62.024.524	57.694.716
Specific allowance for impairment on loans	(1.358.403)	(1.199.026)
Portfolio allowance for impairment on loans	(315.076)	(278.797)
Carrying amount	60.351.045	56.216.893

Allowance for impairment including the portfolio basis allowances

	30 June 2012	30 June 2011
Balance on 1 January	(1.477.823)	(1.375.918)
Net impairment loss/reversals for the period:	(195.656)	65.422
- Charge for the period	(303.212)	(173.453)
- Recoveries and reversals	107.556	238.875
Balance at end of the period	(1.673.479)	(1.310.496)

11. Securities portfolio

Available-for-sale investment securities

At 30 June 2012 and 31 December 2011, available for sale securities portfolio comprised the following:

	30 June 2012	31 December 2011
Treasury bills and government bonds	9.508.083	9.374.849
Equity shares	36.318	36.017
Allowance for impairment on securities	(12.881)	(12.865)
Total of available for sale securities	9.531.520	9.398.001

Available-for-sale securities include securities given as collateral amounting to TL 87.923 (31 December 2011: TL 90.932) and securities subject to repurchase agreements amounting to TL 120.593 (31 December 2011: TL 214.821).

Held to maturity investment securities

	30 June 2012	31 December 2011
Debt securities:		
Quoted on a stock exchange	12.685.457	11.618.046
Not quoted	2.399.091	2.446.412
Total	15.084.548	14.064.458

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11. Securities portfolio (continued)

Held to maturity investment securities (continued)

Held to maturity investments comprised the following items:

	30 June 2012	31 December 2011
Treasury bills and government bonds	15.084.548	14.064.458
Total	15.084.548	14.064.458

Held to maturity investment securities include securities given as collateral amounting to TL 2.920.103 (31 December 2011: TL 3.060.890) and securities subject to repurchase agreements amounting to TL 698.044 (31 December 2011: TL 4.899.910).

The movements of held to maturity investment securities in the six-month periods ended 30 June 2012 and 30 June 2011 are as follows:

	30 June 2012	30 June 2011
Beginning balance	14.064.458	12.749.840
Foreign currency differences	(97.048)	144.004
Purchases during the period ⁽¹⁾	1.931.850	495.987
Disposals through sales and redemptions ⁽²⁾	(814.712)	(811.524)
Securities acquired through business combinations	--	17.459
Balance at the of the period / year	15.084.548	12.595.766

(1) Differences between current period interest income accrual amounting to TL 824.240 and prior year interest accrual amounting to TL 726.675 has been included in purchases row.

(2) In accordance with the tainting rules defined in paragraph 9 of International Accounting Standards 39-Financial Instruments: Recognition and Measurement, as of 30 June 2012, the Bank reclassified TL 123.459 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.

12. Property and equipment

During the six-month period ended 30 June 2012, the Group acquired property and equipment with a cost of TL 146.833 (six-month period ended 30 June 2011: TL 154.665).

Property and equipment with a carrying amount of TL 37.714 were disposed of during six-month period ended 30 June 2012 (six-month period ended 30 June 2011: TL 134.724), resulting in a net gain on disposal of TL 54.039 (six-month period ended 30 June 2011: net gain of TL 37.559), which is included in other income. Properties with a carrying amount of TL 54.715 were transferred to non-current asset held for sale (six-month period ended 30 June 2011: TL 96.674).

13. Income taxes

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey. Corporate income tax is 20% on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes as at 30 June 2012 (31 December 2011: 20%). Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Group’s results for the period.

The Group’s consolidated effective tax rate in respect of continuing operations as at and for the six-month period ended 30 June 2012 is 20,3% (30 June 2011: 19,1%).

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13. Income taxes (continued)

Tax applications for foreign branches and foreign operations

The principal tax rates (%) of the tax authorities in each country used to calculate deferred taxes as of 30 June 2012 and 31 December 2011 are as follows:

	30 June 2012	31 December 2011
Northern Cyprus	10%	10%
Bahrain	--	--
Republic of Macedonia	10%	10%

14. Share capital

	30 June 2012	31 December 2011
TL 1 (in full TL), par value	1,250,000,000	1,250,000,000
Total number of shares	1,250,000,000	1,250,000,000
Paid-in capital	1.250.000	1.250.000
Inflation restatement effect	1.328.184	1.328.184
Shared capital issued	2.578.184	2.578.184

15. Reserves and dividends paid and proposed

Fair value reserve

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

Other reserves

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

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity’s share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity’s share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. The legal reserves as at 30 June 2012 is TL 914.813 (31 December 2011: TL 765.200).

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. The translation reserve as at 30 June 2012 is TL 7.129 (31 December 2011: TL 19.859).

Dividends paid and proposed

As of the reporting date, the Bank has paid TL 386.770 out of 2011 profit.

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16. Earnings per share

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

There is no dilution of shares as of 30 June 2012 and 2011.

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

	30 June 2012	30 June 2011
Net profit attributable to ordinary shareholders for basic earnings per share	1.246.381	1.039.533
Weighted average number of ordinary shares for basic earnings per share	1,250,000,000	1,250,000,000
Basic earnings per share (full TL per share)	0,9971	0,8316

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

17. Related parties

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

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

Transactions with key management personnel

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

As of 30 June 2012 and 2011 the Group’s directors and executive officers have no outstanding personnel loans from the Bank.

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

Total compensation provided to key management personnel is:

	30 June 2012	30 June 2011
Salaries and short-term benefits	5.941	4.746

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

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17. Related parties (continued)

Other related party transactions

Current period	Cash loans receivable	Non-cash loans receivable	Deposits	Interest income	Interest expense	Commission income
Demir-Halk Bank NV	--	90	--	--	--	--
Kredi Garanti Fonu İşletme ve Araştırma AŞ	--	--	--	--	--	--
KOBİ Girişim Sermayesi Yatırım Ortaklığı AŞ	--	2.638	24.853	--	1.441	6
Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sis. AŞ	--	--	2.866	--	197	--
Mersin Serbest Bölge İşletmesi AŞ	--	--	--	--	--	--
Kredi Kayıt Bürosu AŞ	--	--	7.068	--	63	--
Fintek AŞ	--	--	1	--	--	--
Bankalararası Kart Merkezi A.Ş.	--	--	1.500	--	91	--
Total	--	2.728	36.288	--	1.792	6

Prior period	Cash loans receivable	Non-cash loans receivable	Deposits	Interest income	Interest expense	Commission Income
Demir-Halk Bank NV	--	93	--	--	--	--
Kredi Garanti Fonu İşletme ve Araştırma AŞ	--	1.784	31.719	--	496	10
KOBİ Girişim Sermayesi Yatırım Ortaklığı AŞ	--	2.600	27.138	--	1.051	6
Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sis. AŞ	--	--	3.201	--	82	--
Mersin Serbest Bölge İşletmesi AŞ	--	--	1.462	--	--	--
Kredi Kayıt Bürosu AŞ	--	--	20.510	--	20	--
Total	--	4.477	84.030	--	1.649	16

18. Commitments and contingencies

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

	30 June 2012	31 December 2011
Letters of guarantee issued	13.847.700	12.722.321
Letters of credit	3.139.619	4.081.908
Acceptance credits	1.367.132	627.992
Other	592.654	423.056
Total non-cash loans	18.947.105	17.855.277
Other commitments	6.780.836	5.942.458
Credit card limit commitments	5.134.531	4.645.441
Total	30.862.472	28.443.176

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18. Commitments and contingencies (continued)

Derivative financial instruments

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

	30 June 2012			31 December 2011		
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent
Currency swap contracts	81.857	44.139	12.944.227	31.800	19.443	3.812.283
Other swap contracts	--	--	--	57.170	--	2.338.799
Other	23.741	6.076	3.513.033	5.353	45.915	2.662.227
Total	105.598	50.215	16.457.260	94.323	65.358	8.813.309

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

Fiduciary activities

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

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

Litigation

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

Other

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

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

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**Notes to the Condensed Consolidated Interim Financial Statements****As of and For the Six-Month Period Ended 30 June 2012***(Currency – In thousands of Turkish lira (“TL”))***19. Fees and commission income and expenses**

	30 June 2012	30 June 2011
Fees and commission income		
Banking	485.766	367.516
Brokerage	6.800	10.046
Total	492.566	377.562
Fees and commission expenses		
Banking	(80.166)	(52.525)
Brokerage	(79)	(183)
Total	(80.245)	(52.708)

20. Other operating income

	30 June 2012	30 June 2011
Gain on sale of property and equipment	54.148	39.066
Reversal from prior years' provision	6.997	7.545
Income from other banking services	6.500	6.135
Rent income	3.568	3.298
Other	13.973	19.749
Total	85.186	75.793

21. Other operating expense

	30 June 2012	30 June 2011
Administrative expenses	346.600	279.264
Staff costs:		
Personnel expenses	427.280	383.873
Retirement pay provision	30.611	30.780
Depreciation and amortisation expense	51.358	42.848
Taxes, duties, charges and premium expenses	42.497	35.256
Saving deposit insurance fund expenses	49.392	38.091
Loss on sale of property and equipment	109	1.507
Provision expense for lawsuits	5.769	-
Other	151.992	53.930
Total	1.105.608	865.549

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22. Subsequent events

Explanations regarding the amendments in regulations:

Following the completion of the BRSA’s parallel implementation process in transition to BASEL II in 30 June 2012, “decisive” implementation process has begun as of 1 July 2012 and eventual Basel II regulations have been published in 28 June 2012 dated and 28337 numbered Official Gazette.