

*(Convenience Translation of Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Section 3.I)*

# **Türkiye Halk Bankası Anonim Şirketi**

**Consolidated Interim Financial Statements  
As of and For the Nine-month Period Ended  
30 September 2012**

**With Independent Auditors' Review 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  
Anonim Şirketi  
12 November 2012

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

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

**INDEPENDENT AUDITORS' REVIEW REPORT  
AS OF AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

To the Board of Directors of Türkiye Halk Bankası AŞ;

We have reviewed the consolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") and its financial affiliates (together "the Group") as of 30 September 2012 and the consolidated statements of income, cash flows and changes in shareholders' equity for the nine-month period then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility as independent auditors is to issue a review report on these consolidated financial statements based on our review.

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

The accompanying consolidated financial statements as of 30 September 2012 include a general reserve amounting to TRY 245.500 thousands, TRY 194.000 thousands of which had been recognized as expense in the prior periods and TRY 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.

Based on our review, except for the effect of the matter described in the third paragraph above on the consolidated financial statements, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements are not presented fairly, in all material respects, the consolidated financial position of Türkiye Halk Bankası AŞ as of 30 September 2012 and the results of its operations and cash flows for the nine-month period then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 and 38 of the ("Turkish") Banking Law No: 5411 and other regulations, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

Istanbul  
12 November 2012

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 FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012

1. The Bank's Headquarter Address:  
Söğütözü Mahallesi 2. Cadde No:63 Ankara
2. The Bank's Contact Phone and Facsimile:  
Phone : +90 312 289 20 00  
Facsimile : +90 312 289 30 48
3. The Bank's Website and E-mail Address:  
Website : www.halkbank.com.tr

The consolidated nine-month financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- **Section One** : GENERAL INFORMATION ABOUT THE PARENT BANK
- **Section Two** : CONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES
- **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' REVIEW REPORT

Subsidiaries, associates, and joint ventures which are consolidated within this financial report are as below:

<b>Subsidiaries</b>		<b>Associates</b>	
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 Banka AD, Skopje		
8.	Halk Faktoring AŞ		

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures as of 30 September 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, 12 November 2012

Hasan Cebeci	Süleyman Aslan	Sabahattin Birdal	Hikmet Aydın Simit	Mustafa Savaş	Yusuf Duran Ocak
Chairman of the Board of Directors	Member of the Board of Directors, Chief Executive Officer	Member of the Board of Directors, Member of the Audit Committee	Member of the Board of Directors, Member of the Audit Committee	Financial Management and Planning Vice Chief Executive Officer	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 : Nevin Buhan/Manager  
Tel No : 0312 289 30 15  
Fax No : 0312 289 30 50

## **SECTION ONE**

### General Information about the Parent Bank

	<b>Page No</b>
I. Establishment Date of the Parent Bank, Initial Articles of Association, History of the Parent Bank Including The Changes of These Articles	5
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	5
III. Explanations Regarding the Parent Bank’s Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents and Their Shares Attributable to the Parent Bank, if any	6
IV. Information about the persons and institutions that have qualified shares attributable to the Parent Bank	8
V. Summary on the Parent Bank’s Functions and Lines of Activity	8
VI. Explanation About Companies Within The Scope Of Consolidation	9
VII. Differences Between the Communiqué 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	10
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	11

## **SECTION TWO**

### Consolidated Financial Statements

I. Consolidated Balance Sheet (Statement of Financial Position)	13
II. Consolidated Statement of Off-Balance Sheet Items	15
III. Consolidated Statement of Income	16
IV. Consolidated Statement of Income and Expense Items Accounted under Shareholders’ Equity	17
V. Consolidated Statement of Changes in Shareholders’ Equity	18
VI. Consolidated Statement of Cash Flows	19

## **SECTION THREE**

### Explanations on Accounting Policies

I. Basis of Presentation	20
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	20
III. Information About the Associates and Subsidiaries Subject to Consolidation	21
IV. Explanations on Forward and Option Contracts and Derivative Instruments	23
V. Interest Income and Expenses	23
VI. Fees and Commission Income and Expenses	23
VII. Explanations and Disclosures on Financial Assets	24
VIII. Explanations on Impairment of Financial Assets	26
IX. Offsetting Financial Assets and Liabilities	28
X. Explanations on Sales and Repurchase Agreements (Repos) and Transactions on Securities Loaned	28
XI. Explanations on Assets Held For Sale and Discontinued Operations	28
XII. Explanations on Goodwill and Other Intangible Assets	29
XIII. Explanations on Property, Plant and Equipment	29
XIV. Explanations on Leasing Transactions	30
XV. Explanations on Insurance Technical Income and Expense	30
XVI. Explanations on Insurance Technical Provisions	30
XVII. Explanations on Provisions and Contingent Liabilities	31
XVIII. Explanations on Employee Benefit Liabilities	32
XIX. Explanations on Taxation	33
XX. Additional Explanations on Borrowings	35
XXI. Explanations on Shares and Share Issue	35
XXII. Explanations on Bill Guarantees and Acceptances	35
XXIII. Explanations on Government Incentives	35
XXIV. Explanations on Segment Reporting	36
XXV. Explanations on Other Matters	36

#### **SECTION FOUR**

##### Information on Consolidated Financial Structure

I.	Explanations Related to the Consolidated Capital Adequacy Ratio	37
II.	Explanations Related to the Consolidated Credit Risk	40
III.	Explanations Related to the Consolidated Market Risk	41
IV.	Explanations Related to the Consolidated Operational Risk	42
V.	Explanations Related to the Consolidated Currency Risk	42
VI.	Explanations Related to the Consolidated Interest Rate Risk	44
VII.	Explanations Related to the Consolidated Liquidity Risk	48
VIII.	Explanations Related to Consolidated Business Segmentation	52
IX.	Explanations Related to Transactions Made on Behalf of Others and Transactions Based on Trust	54

#### **SECTION FIVE**

##### Explanations and Notes to the Consolidated Financial Statements

I.	Explanations and Notes Related to the Consolidated Assets	55
II.	Explanations and Notes Related to the Consolidated Liabilities	69
III.	Explanations and Notes Related to the Consolidated Off-Balance Sheet Items	76
IV.	Explanations and Notes Related to the Consolidated Income Statement	77
V.	Explanations and Notes Related to the Consolidated Statement of Changes in Shareholders' Equity	81
VI.	Explanations and Notes Related to the Consolidated Cash Flow Statement	82
VII.	Explanation Related to the Risk Group of the Parent Bank	83
VIII.	Explanations Related to the Subsequent Events	85

#### **SECTION SIX**

##### Other Explanations and Notes

I.	Other Explanations on the Parent Bank's Operations	86
----	--	----

#### **SECTION SEVEN**

##### Independent Auditors' Review Report

I.	Explanations on the Independent Auditors' Review Report	87
II.	Explanations and Notes Prepared by the Independent Auditors	87

**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”) 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 30 September 2012 the shareholders’ structure and their respective ownerships are summarized as follows:

<b>Shareholders</b>	<b>30 September 2012</b>	<b>%</b>	<b>31 December 2011</b>	<b>%</b>
Prime Ministry Privatization Administration <sup>(1)</sup>	937.276	74,98	937.276	74,98
Public shares	312.266	24,98	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.

**TÜRKİYE HALK BANKASI AŞ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012***(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)***SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)****III. EXPLANATIONS REGARDING THE PARENT BANK'S CHAIRMAN AND MEMBERS OF BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE 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.	19
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.	22
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.	20
Sabahattin BİRDAL	Member of the Board of Directors	27.10.2010	Istanbul Uni. Faculty of Economics Business Administration- Finance	27
Ahmet KAHRAMAN	Member of the Board of Directors	18.4.2012	Bachelor Degree: İstanbul University – Department of Law	-
Hikmet Aydın SİMİT	Member of the Board of Directors	18.4.2012	Bachelor Degree: Ankara University, Faculty of Political Sciences - Business Administration	21
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	20
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.	22
Mehmet Akif AYDEMİR	Executive Vice President	4.3.2010	Ankara University, Faculty of Political Sciences –Economics.	25
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.	27
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.

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

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

- 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.

<b>Name</b>	<b>Title</b>	<b>Assignment Date</b>
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.

<b>Name</b>	<b>Title</b>	<b>Leaving Date</b>
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



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

**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 or transferred to other government institutions.

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the 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 by Law No: 5572 dated 10 January 2007 the related term was extended 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 11 August 2006, 13<sup>th</sup> Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 was executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on 11 August 2006, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the 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.

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012

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

### SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)

#### V. SUMMARY ON THE PARENT BANK'S FUNCTIONS AND LINES OF ACTIVITY (continued)

- d) Under No: 25539 Law regarding the "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası AŞ and amendments to other acts" which came into force as of 31 July 2004 with the publication of the Official Gazette, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund ("SDIF")) was transferred to the 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. The Parent Bank 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 3<sup>rd</sup> and 4<sup>th</sup> Sub-articles in Article 14 of the Banking Law No: 4389, the shareholders rights excluding dividends, management and supervision of the Parent Bank 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 30 September 2012 , the Parent Bank operates with a total of 807 branches consisting of 807 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 24 satellite branches and 3 financial services branches in Germany. The Parent Bank has also 1 representative office in Iran.

#### 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 Banka AD, Skopje
- Halk Faktoring AŞ

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.

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

**VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION  
(continued)**

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 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.

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 associates, Fintek AŞ and Bileşim Alternatif Dağ. Kan. AŞ, are accounted in the financial statements prepared in accordance with TAS based on equity method of accounting.

The Parent Bank’s subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler 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.

The Parent Bank’s 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 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 and are recorded at cost since the Parent Bank has no control and significant influence over them.

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

**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 Bank charge or pay cost of the services according to the service agreements done between the Parent Bank and its subsidiaries.

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

**SECTION II: CONSOLIDATED FINANCIAL STATEMENTS**

- I. Consolidated Balance Sheet (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

**SECTION III: EXPLANATIONS ON 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 November 2, 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 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**

**1. The Groups’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 Parent Bank 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.

The financial statements of the foreign branches of the Group 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 Parent Bank and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches of the Group 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.

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

**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. The Parent Bank’s subsidiary Halk Banka AD, Skopje is consolidated with the 30 June 2012 financials and the other subsidiaries is consolidated with 30 September 2012 financials.

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.

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. Demir Halk Bank ve Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ. are consolidated based on the equity method of accounting with the 30 June 2012 financials. 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.

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

**III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION (continued)**

1. Basis of consolidation (continued):

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.

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 recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised 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.



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

**III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION (continued)**

1. Basis of consolidation (continued):
- d. Principles applied during share transfer, merger and acquisition (continued):

Accounting for business combinations(continued)

Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree'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 acquiree'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 recognised 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 capitalised 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.

**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 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.

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

**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 arms 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 Parent 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. 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. 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 Group has not any financial assets at fair value through profit and loss as of 30 September 2012 and 31 December 2011.

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

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

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.

4. Financial assets available for sale

Financial assets available for sale represent non-derivative financial assets other than Parent 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.

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

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

5. Loans and receivables (continued)

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 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.

**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 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.

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

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

For loans and receivables; the Parent Bank's management performs consistent loan portfolio reviews and if any doubts on the collectibility 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" published in the Official Gazette numbered 26333 and dated 1 November 2006. The Parent Bank does not limit the provision amount for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. The Parent 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 suretyship 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.

Other than specific allowances, the Parent 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 Parent Bank was 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 regulation of identifying the properties and determining the methods and principles to allocate provisions for loans and other receivables" 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 Parent 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. The Parent Bank will reflect the related part of the occurred difference in its financial statements until 31 December 2012.

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

**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.

**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 the Group 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.

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)****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 amortisation and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortisation method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortised 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 amortisation method, amortisation 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.

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

	<b>Estimated useful lives (Year)</b>	<b>Depreciation rate</b>
Buildings	50	2%
Safe-deposit boxes	50	2%
Other movable properties	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 can not 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 incumbrances designated for the property, plant and equipment.

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

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

Assets acquired under financial leases are carried at the lower of their fair values or amortised value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portion 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.

**XV. 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.

**XVI. 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.



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

**XVI. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS (continued)**

Contracts with significant insurance risk are considered as insurance 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 amortised 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.

**XVII. 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 Group to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the financial statements.

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

**XVIII. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES**

Employee benefits liabilities are recognised 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 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.

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 published in the 1 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, 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 2011, no technical deficit has been reported.

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

**XIX. 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 30 September 2012 has been paid in November 2012.

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 utilised.

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.

**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 are higher than the corporate tax payable, the difference is deducted from income tax payable.

Bahrain

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

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

**XIX. EXPLANATIONS ON TAXATION (continued)**

**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.

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.

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

**XIX. EXPLANATIONS ON TAXATION (continued)**

*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.

**XX. ADDITIONAL EXPLANATIONS ON BORROWINGS**

The Group borrows funds from domestic and foreign institutions 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, securitisation 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.

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

Share issuance 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.

**XXII. 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.

**XXIII. EXPLANATIONS ON GOVERNMENT INCENTIVES**

As of 30 September 2012 , Halk Finansal Kiralama A.Ş.( *consolidated entity*) has an amount of TRY 46.153 of investment incentives which could be utilized. (31 December 2011: TRY 91.585)

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

**XXIV. 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 VIII.

**XXV. EXPLANATION ON OTHER MATTERS**

None.

**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 Journal No 28337 of 28 June 2012 from 1 July 2012. The consolidated basis capital adequacy ratio of the Group is 13,90% as of 30 September 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” which is published in Official Gazette dated 28 June 2012 and numbered 28337.

Important criterias within Basel II are as follows:

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 on trading book items (derivative financial instruments, repurchase agreements and securities), the fair value method that included in the Communiqué is used.

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

1. Information on the consolidated capital adequacy ratio:

The Amount Subject to Credit Risk Risk Types	Risk Weight															
	The Parent Bank						Consolidated									
	0%	10%	20%	50%	75%	100%	150%	200%	0%	10%	20%	50%	75%	100%	150%	200%
	-	145	445.048	7.781.677	15.475.565	35.879.545	1.558.014	8.944.350	-	145	445.212	7.878.387	15.734.159	35.793.120	1.577.867	8.944.350
Contingent and Non-Contingent Claims on Sovereigns	22.530.700	1.453	-	-	-	3.158.422	-	-	22.630.760	1.453	-	-	-	3.158.422	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	5.461	-	311.951	-	-	-	-	-	5.461	-	311.951	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	644	-	46.717	-	-	64.727	-	-	644	-	46.717	-	-	64.727	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	471.280	-	1.570.903	311.920	-	1.710.092	-	-	413.918	-	1.570.903	383.003	-	1.762.925	-	-
Contingent and Non-Contingent Claims on Corporate Receivables	401.201	-	113.135	-	-	27.499.423	-	-	316.295	-	113.954	-	-	28.354.897	-	-
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	1.102.527	-	120.641	-	20.420.921	-	-	-	1.102.904	-	120.641	-	20.704.882	-	-	-
Contingent and Non-Contingent Claims Secured by Residential Property	25.174	-	2.203	15.133.450	-	-	-	-	25.174	-	2.203	15.255.787	-	-	-	-
Past Due Loans	-	-	-	117.983	-	206.860	-	-	-	-	-	117.983	-	209.665	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	-	-	1.038.676	4.472.175	-	-	-	-	-	-	1.051.911	4.472.175
Collateralized Mortgage Marketable Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securitization Exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Claims	2.271.630	-	59.692	-	213.166	3.240.021	-	-	2.278.418	-	59.692	-	273.996	2.242.484	-	-

2. Capital adequacy ratio summary:

	The Parent Bank	Consolidated
	Current Period	Current Period
Required Capital Liabilities for Credit Risk ( Main Amount related with Credit Risk*0,08) (RCLCR)	5.606.748	5.629.859
Required Capital Liabilities for Market Risk (RCLMR)	172.893	176.621
Required Capital Liabilities for Operational (RCLOR)	601.101	623.637
Shareholders' Equity	11.657.584	11.175.186
<b>Shareholders' Equity/((RCLCR+RCLMR+RCLOR) *12,5*100)</b>	<b>14,62</b>	<b>13,90</b>



**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

3. Information on equity items:

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
<b>CORE CAPITAL</b>				
Paid-in capital	1.250.000	1.250.000	1.250.000	1.250.000
<i>Nominal capital</i>	<i>1.250.000</i>	<i>1.250.000</i>	<i>1.250.000</i>	<i>1.250.000</i>
<i>Capital commitments (-)</i>	-	-	-	-
Adjustment to paid-in capital	1.220.451	1.220.451	1.220.451	1.220.451
Share Premiums	-	-	-	-
Share Cancellation Profits	-	-	-	-
Transfers from reserves	6.049.757	4.386.767	5.928.449	4.280.068
Reserves from Inflation Adjustments	-	-	-	-
Profit	1.853.053	2.045.134	1.902.340	2.081.483
<i>Net current period profit</i>	<i>1.853.053</i>	<i>2.045.134</i>	<i>1.866.360</i>	<i>2.027.379</i>
<i>Prior period profit</i>	-	-	<i>35.980</i>	<i>54.104</i>
Provisions for possible losses up to 25% of core capital	245.500	194.000	245.500	194.000
Profit on sale of associates, subsidiaries and buildings	-	-	-	-
Primary subordinated loans	-	-	-	-
Minority interest	-	-	8.260	6.840
Loss that is not covered with reserves (-)	-	-	-	-
<i>Net current period loss</i>	-	-	-	-
<i>Prior period loss</i>	-	-	-	-
Leasehold improvements (-)	70.755	70.079	73.241	72.626
Intangible assets (-)	33.592	27.570	51.346	45.543
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>10.514.414</b>	<b>8.998.703</b>	<b>10.430.413</b>	<b>8.914.673</b>
<b>SUPPLEMENTARY CAPITAL</b>				
General reserves	855.858	656.783	859.225	659.914
45% of increase in revaluation fund of movables	-	-	-	-
45% of increase in revaluation fund of fixed assets	-	-	-	-
Bonus shares from investment and associates, subsidiaries and joint ventures (business partners) <sup>(2)</sup>	4.422	4.422	231	231
Primary subordinated loans which are ignored in the calculation of core capital	-	-	-	-
Secondary subordinated loans	-	-	-	-
45% of marketable securities and investment securities value increase fund	321.052	(266.778)	74.977	(278.203)
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal, status and extraordinary reserves)	-	-	-	-
Minority Interest	-	-	-	-
<b>Total Supplementary Capital</b>	<b>1.181.332</b>	<b>394.427</b>	<b>934.433</b>	<b>381.942</b>
<b>CAPITAL</b>	<b>11.695.746</b>	<b>9.393.130</b>	<b>11.364.846</b>	<b>9.296.615</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>38.162</b>	<b>40.457</b>	<b>189.660</b>	<b>186.074</b>
Equity Shares in Banks and Financial Institutions Which Are Excluded from the Consolidation	-	8.819	-	8.819
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	-	-	151.498	145.617
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	35.593	28.350	35.593	28.350
Securitization Positions to be Deducted from Equity	-	-	-	-
Other	2.569	3.288	2.569	3.288
<b>TOTAL EQUITY</b>	<b>11.657.584</b>	<b>9.352.673</b>	<b>11.175.186</b>	<b>9.110.541</b>

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

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

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 grades all of its credits that are granted to real persons or entities and requires additional collaterals from its customers having high credit risks. The Parent Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Group's risk concentration in Turkey is high, since it operates mainly in Turkey. In loan procedure, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically. For geographical regions and sectors, limit determination process is carried by the related loan departments.

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 Loan and Other Receivable Provisions Allocated By the Banks and Procedures and Principles of Allocating 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 suretyships, 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.

As of 30 September 2012 , the receivables of the Group from its top 100 and 200 cash loan customers are respectively 19,83% and 24,16% of its total cash loans.

As of 30 September 2012 , receivables of the Group from its top 100 and 200 non-cash loan customers are respectively 50,95% and 61,53 of its total non-cash loans.

As of 30 September 2012 , share of cash and non-cash receivables of the Group from its top 100 and 200 customers are respectively 15,27% and 19,12% of its total balance sheet and off-balance sheet assets.

As of 30 September 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 859.225 (31 December 2011: TRY 659.914).

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012

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

### SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

#### III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK

The Group measures its market risk exposures 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 using standardized approach and allocates capital. On the other hand, internal model methods (VaR) are also used in the calculation process and the results are validated by back test analysis. The VaR is calculated daily by using historical simulation and parametric approach and the results are reported to executives.

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 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 riskiness of on and off balance sheet positions of the Group’s which will be appeared due to the market volatility is measured regularly. The remarks regarding the market risk calculations are stated below.

In addition to the standard method, market risk is also calculated by internal model method (Value At Risk), and the results are supported by scenario analysis and stress tests.

a) Information related to market risk:

	<b>Amount</b>
(I) Capital requirement to be employed for general market risk - Standard method	93.811
(II) Capital requirement to be employed for specific risk - Standard method	61.884
(III) Standard method for specific risk of necessary capital requirement on securitization positions	-
(IV) Capital requirement to be employed for currency risk - Standard method	18.270
(V) Capital requirement to be employed for commodity risk - Standard method	-
(VI) Capital requirement to be employed for settlement risk - Standard method	-
(VII) Total capital requirement to be employed for market risk resulting from options– Standard method	241
(VIII) Counterparty credit risk capital requirement - Standard method	2.415
<b>(IX) Total capital requirement to be employed for market risk in banks using risk measurement model</b>	-
<b>(X) Total capital requirement to be employed for market risk (I+II+III+IV+V+VI+VII+VIII)</b>	176.621
<b>(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)</b>	<b>2.207.763</b>

*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)***SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE  
(continued)****IV. EXPLANATIONS RELATED TO THE CONSOLIDATED OPERATIONAL RISK**

In the calculation of the Group's operational risk, "Basic Indicator Method" is used. The amount subject to operational risk is calculated in accordance with Section 3 of the Communiqué on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 28337 on 28 June 2012 and this section is named as "Calculation of Operational Risk Base Amount" which came into effect as of 1 June 2007. The calculation is performed parallel to the practice within the country, by multiplying 15% of the Group's last three years' average gross revenue with 12,5. Amount subject to operational risk is TRY 7.795.467 for the current period.

**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.

The Parent Bank is not exposed to significant currency risk. However, potential currency risks are figured at weekly and monthly periods through the standard method. Thereby, currency risk can be closely followed. The Bank rarely enters into swap contracts against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Parent Bank as at 30 September 2012 and the previous five working days in full TRY are as follows:

	21.09.2012	24.09.2012	25.09.2012	26.09.2012	27.09.2012	28.09.2012
USD	1,7700000	1,7750000	1,7700000	1,7700000	1,7700000	1,7750000
CHF	1,8977000	1,8910000	1,8929000	1,8780000	1,8799000	1,8833000
GBP	2,8766000	2,8697000	2,8730000	2,8574000	2,8634000	2,8607000
JPY	0,0226018	0,0227544	0,0226976	0,0227267	0,0227516	0,0227865
EURO	2,3028000	2,2916000	2,2935000	2,2739000	2,2745000	2,2814000

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 30 September 2012 are as follows:

	Aylık Ortalama Döviz Alış Kuru
USD	1,7805000
CHF	1,8918700
GBP	2,8639250
JPY	0,0227483
EURO	2,2906900

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012

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

### SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

#### V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK (continued)

Information related to consolidated currency risk:

Current period	EURO	USD	OTHER	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	5.179.555	2.212.500	2.092.404	9.484.459
Banks and financial institutions	1.629.687	166.756	93.595	1.890.038
Financial assets at fair value through profit and loss <sup>(3)</sup>	8.386	86.959	246	95.591
Money market placements	-	-	-	-
Financial assets available-for-sale <sup>(5)</sup>	558.158	170.478	10.232	738.868
Loans <sup>(2)</sup>	6.573.742	10.934.856	155.731	17.664.329
Subsidiaries, associates and entities under common control <sup>(5)</sup>	136.944	-	-	136.944
Held-to-maturity investments	694.227	1.095.737	37.797	1.827.761
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	22.545	22.545
Intangible assets	-	-	-	-
Other assets <sup>(3)</sup>	485.091	444.303	33.575	962.969
<b>Total assets</b>	<b>15.265.790</b>	<b>15.111.589</b>	<b>2.446.125</b>	<b>32.823.504</b>
<b>Liabilities</b>				
Bank deposits	4.004.074	668.083	195.588	4.867.745
Foreign currency deposits	9.296.704	8.741.512	2.181.296	20.219.512
Money market balances	-	680.792	-	680.792
Funds provided from other financial institutions	3.981.939	2.027.465	25.731	6.035.135
Marketable securities issued	-	1.337.137	-	1.337.137
Sundry creditors	26.765	44.900	2.157	73.822
Derivative financial assets held for risk management	-	-	-	-
Other liabilities <sup>(3)</sup>	70.982	145.220	13.516	229.718
<b>Total liabilities</b>	<b>17.380.464</b>	<b>13.645.109</b>	<b>2.418.288</b>	<b>33.443.861</b>
<b>Net balance sheet position</b>	<b>(2.114.674)</b>	<b>1.466.480</b>	<b>27.837</b>	<b>(620.357)</b>
<b>Net off-balance sheet position</b>	<b>2.009.700</b>	<b>(1.285.534)</b>	<b>36.393</b>	<b>760.559</b>
Financial derivative assets <sup>(4)</sup>	2.143.249	1.647.021	824.545	4.614.815
Financial derivative liabilities <sup>(4)</sup>	133.549	2.932.555	788.152	3.854.256
Non-cash loans <sup>(1)</sup>	3.472.317	6.163.847	226.737	9.862.901
<b>Prior period</b>				
Total assets	14.853.627	12.873.718	1.013.780	28.741.125
Total liabilities	16.374.193	11.075.793	2.510.662	29.960.648
<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>1.320.390</b>	<b>(1.761.588)</b>	<b>1.563.783</b>	<b>1.122.585</b>
Financial derivative assets	1.452.427	744.174	1.716.874	3.913.475
Financial derivative liabilities	132.037	2.505.762	153.091	2.790.890
Non-cash loans <sup>(1)</sup>	2.806.749	6.050.271	173.150	9.030.170

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

<sup>(2)</sup> Includes TRY 43.629 of foreign currency indexed loans and their accruals. (31 December 2011: TRY 55.515)

<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 24.554), foreign currency intangible assets (TRY 14.570), prepaid expenses (TRY 68) in assets; and derivative financial instruments foreign currency expense accruals (TRY 36.401), shareholders' equity (TRY 80.214) in liabilities are not taken into consideration in the currency risk measurement. Halk Banka AD, Skopje's nonperforming loans with no specific provision amounting to (TRY 2.805) is presented in other assets.

<sup>(4)</sup> Financial derivative assets include credit default swaps amounting TRY 88.750 and forward precious metal purchase transactions amounted to TRY 755.617. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 771.518.

<sup>(5)</sup> Macar Halkbank (TRY 8.636) and International Garagum Bank (TRY 225), 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 AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

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

<b>Current period</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 Months</b>	<b>1-5 years</b>	<b>5 years and over</b>	<b>Non-interest bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	25.179	-	-	-	-	10.395.228	10.420.407
Banks and financial institutions	1.615.336	106.502	-	-	-	272.471	1.994.309
Financial assets at fair value through profit and loss	52.579	10.436	60.783	18.533	515	5.319	148.165
Money market placements	208.574	-	-	-	-	-	208.574
Financial assets available-for-sale	823.082	1.036.784	3.568.387	2.290.730	1.066.826	19.946	8.805.755
Loans	29.672.122	4.917.531	13.338.076	11.766.557	1.996.628	996.866	62.687.780
Held-to-maturity investments	4.502.960	1.583.051	4.094.774	2.963.128	1.175.824	-	14.319.737
Other assets <sup>(1),(2)</sup>	129.178	91.613	64.662	586.882	322.882	3.103.103	4.298.320
<b>Total assets</b>	<b>37.029.010</b>	<b>7.745.917</b>	<b>21.126.682</b>	<b>17.625.830</b>	<b>4.562.675</b>	<b>14.792.933</b>	<b>102.883.047</b>
<b>Liabilities</b>							
Bank deposits	2.928.609	657.677	530.971	-	-	3.208.161	7.325.418
Other deposits	32.622.974	20.760.562	3.715.453	115.583	343	11.708.617	68.923.532
Money market balances	890.508	640.762	99.360	-	-	-	1.630.630
Sundry creditors	531.069	4.613	721.073	-	-	195.474	1.452.229
Marketable securities issued	-	-	697.949	1.424.398	-	-	2.122.347
Funds provided from other financial institutions <sup>(4)</sup>	412.332	883.543	4.427.168	725.738	159.755	4.641	6.613.177
Other liabilities <sup>(3)</sup>	1.436.891	560.139	285.914	-	-	12.532.770	14.815.714
<b>Total liabilities</b>	<b>38.822.383</b>	<b>23.507.296</b>	<b>10.477.888</b>	<b>2.265.719</b>	<b>160.098</b>	<b>27.649.663</b>	<b>102.883.047</b>
Balance sheet long position	-	-	10.648.794	15.360.111	4.402.577	-	30.411.482
Balance sheet short position	(1.793.373)	(15.761.379)	-	-	-	(12.856.730)	(30.411.482)
Off-balance sheet long position	36.470	94.632	14.478	-	-	-	145.580
Off-balance sheet short position	(36.470)	(5.882)	(73.578)	-	-	-	(115.930)
<b>Total position</b>	<b>(1.793.373)</b>	<b>(15.672.629)</b>	<b>10.589.694</b>	<b>15.360.111</b>	<b>4.402.577</b>	<b>(12.856.730)</b>	<b>29.650</b>

<sup>(1)</sup> TRY 186.303 of deferred tax assets is disclosed under the non interest bearing column in other assets.

<sup>(2)</sup> TRY 327.648 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 AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	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
Marketable securities 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 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 AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

2. Average interest rates applied to financial instruments:

<b>Current period</b>	<b>EURO</b>	<b>USD</b>	<b>JPY</b>	<b>TRY</b>
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey <sup>(5)</sup>	0,1 – 0,50	-	-	5,00
Due from other banks and financial institutions <sup>(1)</sup>	0,41	0,12	-	7,68
Financial assets at fair value through profit and loss	-	2,65	-	7,40
Money market placements	-	-	-	9,21
Available-for-sale financial assets	4,79	5,68	-	8,82
Loans <sup>(2)</sup>	4,66	4,33	2,19	12,82
Held-to-maturity investments	6,39	6,11	-	10,03
<b>Liabilities</b>				
Bank deposits	0,09	1,06	-	5,04
Other deposits <sup>(4)</sup>	3,19	3,16	-	8,76
Money market borrowings	2,30	1,62	-	5,76
Sundry creditors <sup>(3)</sup>	-	-	-	4,50
Marketable securities issued	-	2,44	-	8,77
Funds provided from other financial institutions <sup>(4)</sup>	1,52	1,80	-	7,64
<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>	0,1 – 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
Marketable securities 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 the Parent Bank's announced interest rates.

<sup>(3)</sup> 75% of the declared maximum deposits interest rate with a maturity of nine months as of 30 September 2012 .

<sup>(4)</sup> Customer based calculated stock interest rates are applied to TRY and FC deposits as of 30 September 2012 .

<sup>(5)</sup> Required reserve ratio on Central Bank of TRNC and Central Bank of Macedonia.



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

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

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

Standard interest rate shock methods are being used by the Group in respect of measuring the risk arising from repricing mismatch of asset and liability items. The duration 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.

The impact on financial statements regarding interest rate instabilities stated below as divided by the Group's different currencies.

	Currency	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity - Loss/ Shareholders' Equity
1	TRY	500 (400)	(1.051.359) 1.061.650	(%9,02) %9,10
2	EURO	200 (200)	241.116 (252.221)	%2,07 (%2,16)
3	USD	200 (200)	(55.890) 111.260	(%0,48) %0,95
<b>Total (For negative shocks)</b>			<b>920.689</b>	<b>%7,89</b>
<b>Total (For positive shocks)</b>			<b>(866.133)</b>	<b>(%7,43)</b>

4. Stock position risk due from banking book :

None.

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

**VII. 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 Group's main funding source 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.

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

**VII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK  
(continued)**

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	1.320.000	2.425.649	3.672.601	2.838.414	163.470	273	-	10.420.407
Banks and financial institutions	289.807	1.602.077	102.425	-	-	-	-	1.994.309
Financial assets at fair value through profit and loss	5.319	52.531	5.737	66.300	17.763	515	-	148.165
Money market placements	-	208.574	-	-	-	-	-	208.574
Financial assets available-for-sale	-	114.477	213.248	1.864.307	3.623.126	2.970.651	19.946	8.805.755
Loans <sup>(2)</sup>	314.639	5.103.596	4.874.767	19.781.229	29.296.919	3.316.630	-	62.687.780
Held-to-maturity investments	-	780.896	167.973	1.707.228	9.021.391	2.642.249	-	14.319.737
Other assets <sup>(3)</sup>	265.970	34.174	102.598	262.279	630.097	114.604	2.888.598	4.298.320
<b>Total assets</b>	<b>2.195.735</b>	<b>10.321.974</b>	<b>9.139.349</b>	<b>26.519.757</b>	<b>42.752.766</b>	<b>9.044.922</b>	<b>2.908.544</b>	<b>102.883.047</b>
<b>Liabilities</b>								
Bank deposits	3.208.161	2.928.609	657.677	530.971	-	-	-	7.325.418
Other deposits	11.708.617	32.612.778	20.750.704	3.622.068	224.806	4.559	-	68.923.532
Funds provided from other financial institutions <sup>(4)</sup>	2.637	209.859	541.622	2.967.959	1.488.544	1.402.556	-	6.613.177
Money market balances	-	890.508	640.762	99.360	-	-	-	1.630.630
Marketable securities issued	-	-	-	697.949	1.424.398	-	-	2.122.347
Sundry creditors	129.802	565.950	59.698	214.553	425.849	3	56.374	1.452.229
Other liabilities <sup>(1)</sup>	1.657.064	197.336	625.467	979.460	221.943	209.183	10.925.261	14.815.714
<b>Total liabilities</b>	<b>16.706.281</b>	<b>37.405.040</b>	<b>23.275.930</b>	<b>9.112.320</b>	<b>3.785.540</b>	<b>1.616.301</b>	<b>10.981.635</b>	<b>102.883.047</b>
<b>Liquidity gap</b>	<b>(14.510.546)</b>	<b>(27.083.066)</b>	<b>(14.136.581)</b>	<b>17.407.437</b>	<b>38.967.226</b>	<b>7.428.621</b>	<b>(8.073.091)</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>

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

(2) TRY 327.648 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

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

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

2. Securitization positions:

None.

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012

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

### SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

#### VII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK (continued)

##### 3. 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).

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 by the Parent Bank.

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 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.

Collaterals which are grouped according to asset types:

Risk Types	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and credit derivatives
Contingent and Non-Contingent Claims on Sovereigns	25.790.635	-	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	317.412	9.804	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-Commercial Enterprises	112.088	3.938	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	4.130.749	-	-	-
Contingent and Non-Contingent Claims on Corporate Receivables	28.785.146	604.462	-	11.244
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	21.928.427	1.305.498	-	42.310
Contingent and Non-Contingent Claims Secured by Residential Property	15.283.164	27.428	-	-
Past Due Loans	327.648	-	-	-
Higher-Risk Categories Defined by Agency	5.524.086	-	-	-
Collateralized Mortgage Marketable Securities	-	-	-	-
Securitization Exposures	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-
Other Claims	4.854.590	-	-	-
<b>Total</b>	<b>107.053.945</b>	<b>1.951.130</b>	<b>-</b>	<b>53.554</b>

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

**VII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK  
(continued)**

4. Risk management target and policies:

Credit Risk:

The Parent Bank's credit authorization limits are defined with respect to Head Office, Regional Directories and Branch Basis. Credit origination and marketing activities are completely separated. The main point here is about to the Loan Department that related to credit expansion performance should not 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 amount of the loss arising from credit portfolio is estimated and the Group's shareholders' equity are analyzed periodically to determine whether they compensate for these loss. Furthermore, the effect of possible shocks on the Parent Bank is analyzed periodically by scenario analysis and stress tests.

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

Past due 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.

4. Risk management target and policies (continued)

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 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.

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

**VIII. 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 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 AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

**VIII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION  
(continued)**

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 30 September 2012 are presented in the table below.

<b>Current Period</b>	<b>Corporate</b>	<b>Commercial</b>	<b>SME/ Integrated</b>	<b>Treasury / Investment<sup>(1)</sup></b>	<b>Other<sup>(3)</sup></b>	<b>Elimination<sup>(2)</sup></b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>							
Interest income	873.275	772.327	7.217.238	5.540.138	75.852	(7.791.100)	6.687.730
Interest on loans	442.613	597.009	3.636.438	286.782	-	-	4.962.842
Interest income on marketable securities	-	-	-	1.627.112	17.148	-	1.644.260
Interest received from banks	-	-	-	6.671	25	-	6.696
Other interest income <sup>(2)</sup>	430.662	175.318	3.580.800	3.619.573	58.679	(7.791.100)	73.932
Interest expense	640.367	574.847	5.350.975	4.629.893	23.264	(7.791.100)	3.428.246
Interest on deposits	264.043	124.165	2.514.675	157.197	-	-	3.060.080
Interest on borrowings	1.959	9.532	8.478	91.032	23.117	-	134.118
Interest on money market borrowings	-	-	-	129.464	-	-	129.464
Interest on marketable securities issued	-	-	-	65.186	147	-	65.333
Other interest expense <sup>(2)</sup>	374.365	441.150	2.827.822	4.187.014	-	(7.791.100)	39.251
<b>Net interest income</b>	<b>232.908</b>	<b>197.480</b>	<b>1.866.263</b>	<b>910.245</b>	<b>52.588</b>	<b>-</b>	<b>3.259.484</b>
Net fees and commissions income	137.378	116.577	333.318	18.665	3.923	-	609.861
Net trading profit / (loss)	-	-	-	245.714	(2.597)	-	243.117
Dividend income	-	-	-	656	-	-	656
Other income	921	20.003	165.965	54.571	252.613	-	494.073
Loans and other receivables' impairment loss	45.309	24.089	208.446	282.811	1.596	-	562.251
Other expenses	15.712	40.243	680.866	758.573	169.530	-	1.664.924
<b>Income before taxes</b>	<b>310.186</b>	<b>269.728</b>	<b>1.476.234</b>	<b>188.467</b>	<b>135.401</b>	<b>-</b>	<b>2.380.016</b>
Income tax provision	-	-	-	(500.126)	(12.020)	-	(512.146)
<b>Net profit for the period</b>	<b>310.186</b>	<b>269.728</b>	<b>1.476.234</b>	<b>(311.659)</b>	<b>123.381</b>	<b>-</b>	<b>1.867.870</b>
<b>SEGMENT ASSETS</b>							
Marketable securities	-	-	-	22.918.868	251.515	-	23.170.383
Derivative financial assets held for trading	-	-	-	103.142	132	-	103.274
Banks and money market receivables	-	-	-	2.129.507	73.376	-	2.202.883
Associates and subsidiaries (net)	-	-	-	158.869	-	-	158.869
Loans	9.086.248	9.271.888	38.978.258	5.679.034	-	-	63.015.428
Other assets <sup>(1)</sup>	542	8.208	592.404	12.474.481	1.156.575	-	14.232.210
<b>TOTAL ASSETS</b>	<b>9.086.790</b>	<b>9.280.096</b>	<b>39.570.662</b>	<b>43.463.901</b>	<b>1.481.598</b>	<b>-</b>	<b>102.883.047</b>
<b>SEGMENT LIABILITIES</b>							
Deposits	10.301.984	3.635.429	52.967.276	9.344.261	-	-	76.248.950
Derivative financial liabilities held for trading	-	-	-	63.544	-	-	63.544
Money market balances	-	-	-	1.630.630	-	-	1.630.630
Borrowing funding loans	7.638	203.042	204.289	5.472.797	725.411	-	6.613.177
Marketable securities issued	-	-	-	2.022.200	100.147	-	2.122.347
Other liabilities	98.407	82.378	2.403.040	709.267	90.532	-	3.383.624
Provisions	10.980	12.043	77.241	1.838.520	409.737	-	2.348.521
Shareholders' equity	-	-	-	10.412.301	59.953	-	10.472.254
<b>TOTAL LIABILITIES</b>	<b>10.419.009</b>	<b>3.932.892</b>	<b>55.651.846</b>	<b>31.493.520</b>	<b>1.385.780</b>	<b>-</b>	<b>102.883.047</b>
<b>OFF BALANCE SHEET ITEMS</b>							
Guarantees and suretyships	9.026.892	5.379.184	4.557.414	137.223	18.845	-	19.119.558
Commitments	22.890	300.294	6.162.733	60.974.748	98.296	-	67.558.961
Derivative financial instruments	-	-	-	9.557.348	-	-	9.557.348

(1) Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.514.399 (net) and deferred tax assets amounting TRY 186.303 in other assets are presented under the Treasury / Investment column.

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

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

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012

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

### SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

#### VIII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION (continued)

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	656.164	531.689	5.389.799	4.200.295	30.659	(5.663.748)	5.144.858
Interest on loans	351.462	411.967	2.750.134	215.029	5.095	-	3.733.687
Interest income on marketable securities	-	-	-	1.369.722	9.723	-	1.379.445
Interest received from banks	-	-	-	7.674	489	-	8.163
Other interest income <sup>(2)</sup>	304.702	119.722	2.639.665	2.607.870	15.352	(5.663.748)	23.563
Interest expense	493.561	370.916	3.913.090	3.614.462	8.569	(5.663.748)	2.736.850
Interest on deposits	216.747	81.942	1.835.274	122.864	1.583	-	2.258.410
Interest on borrowings	1.971	8.714	4.009	75.096	6.986	-	96.776
Interest on money market borrowings	-	-	-	348.813	-	-	348.813
Interest on marketable securities issued	-	-	-	6.836	-	-	6.836
Other interest expense <sup>(2)</sup>	274.843	280.260	2.073.807	3.060.853	-	(5.663.748)	26.015
Net interest income	162.603	160.773	1.476.709	585.833	22.090	-	2.408.008
Net fees and commissions income	49.930	68.624	367.776	28.296	(903)	-	513.723
Net trading profit / (loss)	-	-	-	143.781	2.521	-	146.302
Dividend income	-	-	-	5.534	139	-	5.673
Other income	4.331	21.974	264.412	142.608	228.039	-	661.364
Loans and other receivables' impairment loss	1.016	7.155	129.884	203.661	923	-	342.639
Other expenses	10.775	37.690	628.589	598.521	190.441	-	1.466.016
<b>Income before taxes</b>	<b>205.073</b>	<b>206.526</b>	<b>1.350.424</b>	<b>103.870</b>	<b>60.522</b>	-	<b>1.926.415</b>
Income tax provision	-	-	-	(402.972)	(8.735)	-	(411.707)
<b>Net profit for the period</b>	<b>205.073</b>	<b>206.526</b>	<b>1.350.424</b>	<b>(299.102)</b>	<b>51.787</b>	-	<b>1.514.708</b>
<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>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
Marketable securities issued	-	-	-	495.611	-	-	495.611
Other liabilities	25.354	47.019	2.126.270	850.994	48.812	-	3.098.449
Provisions	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>92.160.657</b>
<b>OFF BALANCE SHEET ITEMS</b>							
Guarantees and suretyships	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

(1) Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.314.861 (net) and deferred tax assets amounting TRY 93.671 in other assets are presented under the Treasury / Investment column.

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

(3) Halk Hayat Emeklilik AŞ, Halk Sigorta AŞ and Halk Portföy Yönetimi AŞ transactions are shown in other column.

#### IX. 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 Parent Bank does not engage in transaction based on trust.



# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012

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

### SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	362.948	109.551	386.373	100.227
Central Bank of Turkey	573.000	9.374.899	2.124.824	4.676.294
Other	-	9	-	15
<b>Total</b>	<b>935.948</b>	<b>9.484.459</b>	<b>2.511.197</b>	<b>4.776.536</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>	564.544	847.360	2.120.213	705.092
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Other <sup>(2)</sup>	8.456	8.527.539	4.611	3.971.202
<b>Total</b>	<b>573.000</b>	<b>9.374.899</b>	<b>2.124.824</b>	<b>4.676.294</b>

<sup>(1)</sup> Reserve deposits are kept as unrestricted amounts by Central Bank of Turkey (CMT).

<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% 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.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.

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.

##### (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	-	51.544	-	3.930
Swap transactions	-	51.607	-	88.970
Futures transactions	-	-	-	-
Options	-	123	37	2
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>103.274</b>	<b>37</b>	<b>92.902</b>

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	80.542	1.429.816	27.258	602.919
Foreign banks	23.729	460.222	11.310	897.218
Branches and offices abroad	-	-	-	-
<b>Total</b>	<b>104.271</b>	<b>1.890.038</b>	<b>38.568</b>	<b>1.500.137</b>

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Bond, security and other financial assets	62.997	92.031	90.932	-
<b>Total</b>	<b>62.997</b>	<b>92.031</b>	<b>90.932</b>	<b>-</b>

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds	-	-	118.586	96.235
<b>Total</b>	<b>-</b>	<b>-</b>	<b>118.586</b>	<b>96.235</b>

b) Information on financial assets available for sale portfolio:

	Current period		Prior period	
	TRY	FC	TRY	FC
Debt securities		8.785.812		9.485.019
<i>Quoted on a stock exchange</i>		8.785.812		9.485.019
<i>Not quoted</i>		-		-
Share certificates		32.297		27.925
<i>Quoted on a stock exchange</i>		-		-
<i>Not quoted</i>		32.297		27.925
Impairment provision(-)		12.354		122.524
<b>Total</b>		<b>8.805.755</b>		<b>9.390.420</b>

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

(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 loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	123.575	-	120.545	-
<b>Total</b>	<b>123.575</b>	<b>-</b>	<b>120.545</b>	<b>-</b>

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

	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	Amendments on Conditions of Contract		Loans and other receivables (Total)	Amendments on Conditions of Contract	
		Amendments related to the extension of the payment plan	Other		Amendments related to the extension of the payment plan	Other
<b>Cash loans</b>						
Non-specialized loans	47.997.454	524.348	-	1.337.572	231.012	-
<i>Corporation loans</i>	27.487.282	419.611	-	1.077.178	229.662	-
<i>Export loans</i>	2.263.439	67.698	-	5.227	456	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	981.003	20.000	-	-	-	-
<i>Consumer loans<sup>(1)</sup></i>	15.556.629	16.643	-	207.073	894	-
<i>Credit cards<sup>(2)</sup></i>	1.193.530	-	-	32.827	-	-
<i>Other</i>	515.571	396	-	15.267	-	-
Specialized loans	11.653.061	36.947	-	154.263	1.121	-
Other receivables	-	-	-	-	-	-
Accruals	731.129	-	-	20.873	-	-
<b>Total</b>	<b>60.381.644</b>	<b>561.295</b>	<b>-</b>	<b>1.512.708</b>	<b>232.133</b>	<b>-</b>

<sup>(1)</sup>Includes TRY 93.253 of personnel loans.

<sup>(2)</sup>Includes TRY 30.322 of personnel credit cards.

Number of amendments related to the extension of the payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
	Extended for 1 or 2 times	459.087
Extended for 3,4 or 5 times	86.865	5.221
Extended for more than 5 times	15.343	1.027

The time extended via the amendment on payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
	0-6 Months	406.063
6 Months - 12 Months	116.808	5.515
1-2 Years	23.084	2.760
2-5 Years	14.248	890
5 Years and More	1.092	41

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	219.426	15.068.643	15.288.069
<i>Real estate loans</i>	4.469	6.211.432	6.215.901
<i>Automobile loans</i>	2.691	84.644	87.335
<i>Consumer loans</i>	212.266	8.771.819	8.984.085
<i>Other</i>	-	748	748
Consumer loans- Indexed to FC	-	179	179
<i>Real estate loans</i>	-	179	179
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	1.967	105.921	107.888
<i>Real estate loans</i>	147	10.580	10.727
<i>Automobile loans</i>	292	1.800	2.092
<i>Consumer loans</i>	1.455	89.687	91.142
<i>Other</i>	73	3.854	3.927
Individual credit cards-TRY	1.073.381	1.187	1.074.568
<i>Installment</i>	365.230	-	365.230
<i>Non-installment</i>	708.151	1.187	709.338
Individual credit cards-FC	8	7.800	7.808
<i>Installment</i>	-	7.800	7.800
<i>Non-installment</i>	8	-	8
Personnel loans-TRY	4.765	86.001	90.766
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	4.765	86.001	90.766
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	41	2.446	2.487
<i>Real estate loans</i>	5	861	866
<i>Automobile loans</i>	2	37	39
<i>Consumer loans</i>	34	1.526	1.560
<i>Other</i>	-	22	22
Personnel credit cards-TRY	30.091	19	30.110
<i>Installment</i>	11.126	-	11.126
<i>Non-installment</i>	18.965	19	18.984
Personnel credit cards-FC	17	195	212
<i>Installment</i>	-	195	195
<i>Non-installment</i>	17	-	17
Overdraft accounts-TRY (Retail customer)	286.603	-	286.603
Overdraft accounts-FC (Retail customer)	5.247	-	5.247
<b>Total</b>	<b>1.621.546</b>	<b>15.272.391</b>	<b>16.893.937</b>

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

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

(5) Information on loans: (continued)

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

	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Commercial installment loans-TRY	9.817	625.860	635.677
<i>Business residential loans</i>	794	362.203	362.997
<i>Automobile loans</i>	9.023	263.657	272.680
<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	24.473	132.740	157.213
<i>Business residential loans</i>	-	36.718	36.718
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	24.473	96.022	120.495
Corporate credit cards-TRY	113.528	-	113.528
<i>Installment</i>	25.341	-	25.341
<i>Non-installment</i>	88.187	-	88.187
Corporate credit cards-FC	-	131	131
<i>Installment</i>	-	131	131
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY (Commercial customer)	286.637	-	286.637
Overdraft accounts-FC (Commercial customer)	-	-	-
<b>Total<sup>(1)</sup></b>	<b>434.455</b>	<b>758.731</b>	<b>1.193.186</b>

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

e) Domestic and foreign loans:

	<b>Current period</b>	<b>Prior period</b>
Domestic loans	62.100.570	55.388.703
Foreign loans	587.210	625.129
<b>Total</b>	<b>62.687.780</b>	<b>56.013.832</b>

f) Loans granted to subsidiaries and associates:

None.

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

(5) Information on loans: (continued)

g) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	187.863	90.410
Loans and receivables with doubtful collectability	81.862	22.897
Uncollectible loans and receivables	1.283.975	1.297.806
<b>Total</b>	<b>1.553.700</b>	<b>1.411.113</b>

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Current period</b>	<b>44.237</b>	<b>4.544</b>	<b>94.060</b>
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	44.237	4.544	94.060
<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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	147.078	31.768	1.502.038
Additions (+) <sup>(1)</sup>	443.032	19.582	73.487
Transfers from other categories of loans under follow-up (+)	-	132.015	77.969
Transfers to other categories of loans under follow-up (-)	169.378	40.606	-
Collections (-)	101.461	21.343	212.833
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
<b>Current period end balance</b>	<b>319.271</b>	<b>121.416</b>	<b>1.440.661</b>
Specific provision (-)	187.863	81.862	1.283.975
<b>Net balance on balance sheet</b>	<b>131.408</b>	<b>39.554</b>	<b>156.686</b>

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

(5) Information on loans: (continued)

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period</b>			
Balance at the end of the period	2.259	2.080	8.297
Specific provisions(-)	667	1.666	7.498
<b>Net balance in the balance sheet</b>	<b>1.592</b>	<b>414</b>	<b>799</b>
<b>Prior period</b>			
Balance at the end of the period	2.919	1.160	8.110
Specific provisions(-)	1.222	840	7.314
<b>Net balance in the balance sheet</b>	<b>1.697</b>	<b>320</b>	<b>796</b>

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period (Net)</b>			
<b>Loans to granted real persons and legal entities (Gross)</b>	<b>319.185</b>	<b>121.131</b>	<b>1.401.585</b>
Specific provisions (-)	187.777	81.577	1.244.899
<b>Loans to granted real persons and legal entities (Net)</b>	<b>131.408</b>	<b>39.554</b>	<b>156.686</b>
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	86	285	39.076
Specific provisions (-)	86	285	39.076
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior period (Net)</b>			
<b>Loans to granted real persons and legal entities (Gross)</b>	<b>146.940</b>	<b>31.510</b>	<b>1.460.899</b>
Specific provisions (-)	90.272	22.639	1.256.667
<b>Loans to granted real persons and legal entities (Net)</b>	<b>56.668</b>	<b>8.871</b>	<b>204.232</b>
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	138	258	41.139
Specific provisions (-)	138	258	41.139
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

(5) Information on loans: (continued)

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

The Parent 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.

j) Explanations on write-off policy:

In compliance with the “Procedure for Write Off and Procedures for Overdue Receivables for Legal Follow-Up” of the Parent Bank and Turkish Tax Procedural Code, non performing loans which become unrecoverable as a result of legal follow up can be written off to prevent additional legal expenses.

(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
Treasury bills, government bonds and similar securities	2.168.095	448.831	2.643.807	417.083
<b>Total</b>	<b>2.168.095</b>	<b>448.831</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	743.515	725.164	4.004.244	895.666
<b>Total</b>	<b>743.515</b>	<b>725.164</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	14.319.737	14.064.458
Treasury bills	-	-
Other public sector debt securities	-	-
<b>Total</b>	<b>14.319.737</b>	<b>14.064.458</b>



**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

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

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	14.319.737	14.064.458
<i>Quoted on a stock exchange</i>	11.929.850	11.618.046
<i>Not quoted</i>	2.389.887	2.446.412
Impairment provision (-)	-	-
<b>Total</b>	<b>14.319.737</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	(95.676)	329.521
Purchases during the year <sup>(1)</sup>	2.041.778	1.949.361
Disposals through sales and redemptions <sup>(2)</sup>	(1.690.823)	(1.007.966)
Impairment provision (-) / provision reversal (+)	-	-
Effect of the subsidiaries included in the consolidation	-	43.702
<b>Balance at the end of the period</b>	<b>14.319.737</b>	<b>14.064.458</b>

<sup>(1)</sup> As of 30 September 2012, Interest income accrual amounting TRY 656.050 have been included in purchases row (31 December 2011: TRY 726.675).

<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 30 September 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.

(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.

b) Information on unconsolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Fintek AŞ	Ankara	24,00	29,76
2. Bileşim Alternatif Dağ. Kan. AŞ	İstanbul	24,00	24,00
3. Kredi Kayıt Bürosu AŞ	İstanbul	18,18	18,18
4. Bankalararası Kart Merkezi AŞ	İstanbul	18,95	18,95

Information related to the associates as sorted above:

	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.	26.288	52.060	84	346	57	479	466	-
2.	28.297	13.131	4.542	446	88	1.400	2.379	-
3.	75.321	57.644	4.076	1.299	-	23.655	12.265	-
4.	28.465	22.672	13.462	-	-	4.189	3.179	-

(1) No investment is listed on the stock exchange.

(2) The financial data of Kredi Kayıt Bürosu AŞ, Fintek AŞ and Bileşim Alternatif Dağ. Kan. AŞ are obtained from 30 September 2012 unreviewed financial statements, and the financial data of Bankalararası Kart Merkezi AŞ is obtained from 30 September 2012 reviewed financial statements.

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

(7) Informan on associates (Net): (continued)

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 assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	4.182.397	462.723	27.078	55.471	3.175	18.364	7.822	-
2.	46.480	45.244	147	-	-	665	1.933	-

(1) No investment is listed on the stock exchange.

(2) The financial data of Demirhalkbank NV is obtained from 30 June 2012 unreviewed financial statements, and the financial data of Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ is obtained from 30 June 2012 reviewed financial statements. Demir Halk Bank ve Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ. are consolidated with the 30 June 2012 financials.

Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	155.488	187.922
Movements during the period	3.381	(32.434)
Purchases	-	1.000
Free shares obtained profit from current year's share	-	1.238
Profit in current year income	4.829	905
Sales	-	-
Transfer <sup>(1)</sup>	(3.006)	(51.490)
Revaluation decrease (-) / increase	1.052	15.913
Provision for impairment (-) / reversals (+)	506	-
<b>Balance at the end of the period</b>	<b>158.869</b>	<b>155.488</b>
Capital commitments	-	1.000
Share percentage at the end of the period (%)	0,00	0,00

(1) Current period, Kredi Garanti Fonu AŞ is classified as financial assets available for sale.

d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	136.944	131.273
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	14.554	23.163

e) Associates quoted to a stock exchange:

None.

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

(8) Information on consolidated subsidiaries (Net):

a) Information on subsidiaries related to equity items:

	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 <sup>(2)</sup>	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	919	108
<i>Net Profit</i>	<i>6.080</i>	<i>12.102</i>	<i>34.225</i>	<i>9.922</i>	<i>15.720</i>	<i>275</i>	<i>644</i>	<i>108</i>
<i>Prior Period Profit/Loss</i>	<i>188</i>	<i>(8.259)</i>	<i>3.938</i>	<i>7.777</i>	<i>8.857</i>	<i>(239)</i>	<i>275</i>	<i>-</i>
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>77.795</b>	<b>19.808</b>
<b>SUPPLEMENTARY CAPITAL</b>	-	-	6.122	-	-	-	3.596	-
<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>81.391</b>	<b>19.808</b>
<b>NET AVAILABLE CAPITAL<sup>(1)</sup></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>81.391</b>	<b>19.808</b>

<sup>(1)</sup> The information is presented from financial statements subject to consolidation as of 30 September 2012.

<sup>(2)</sup> The value for Halk Banka AD, Skopje, is presented from financial statements subject to consolidation as of 30 June 2012.

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 national 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 467 articles of Turkish Commercial Code no. 6762.

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.

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

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

d) Information on subsidiaries:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	Istanbul	99,94	99,96
2. Halk Sigorta AŞ	Istanbul	89,18	89,18
3. Halk Hayat ve Emeklilik AŞ	Istanbul	94,40	99,46
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	Istanbul	99,84	99,99
5. Halk Finansal Kiralama AŞ	Istanbul	99,99	99,99
6. Halk Portföy Yönetimi AŞ	Istanbul	55,99	98,71
7. Halk Banka AD, Skopje <sup>(3)</sup>	Macedonia	98,12	98,12
8. Halk Faktoring AŞ	Istanbul	95,00	100,00

Information related to the subsidiaries as sorted above<sup>1</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
1.	270.975	57.823	2.212	11.016	455	6.080	8.669	85.749
2.	290.741	57.631	4.178	8.321	3.119	12.102	(8.259)	137.337
3.	363.723	128.326	2.738	22.164	14.023	34.225	25.644	436.128
4.	679.652	519.173	608.002	1.561	71	9.922	27.456	486.221
5.	1.159.165	135.740	1.252	59.602	-	15.720	5.648	199.182
6.	5.174	5.036	365	365	6	275	(160)	2.953
7. <sup>(3)</sup>	404.215	79.030	20.209	12.728	1.274	644	-	-
8.	20.272	20.108	347	603	-	108	-	19.000

<sup>(1)</sup> None of the subsidiaries are listed on the stock exchange.

<sup>(2)</sup> The values are taken from the financials of the audited financial statements as of 30 September 2012 .

<sup>(3)</sup> The value for Halk Banka AD, Skopje, is presented from financial statements subject to consolidation as of 30 June 2012.

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	636.646	235.290
Purchases <sup>(1)</sup>	19.000	166.910
Free shares obtained profit from current year's share	63.401	-
Dividends from current year income	-	-
Sales	-	-
Transfer	-	49.660
Revaluation increase	554.245	-
Provision for impairment (-)	-	18.720
Share capital elimination of subsidiaries	(1.468.017)	(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 up to TRY 19.000 consist capital payments to Halk Faktoring AŞ established in current period and 95,00% of which is owned by the Bank

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

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

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

	<b>Current period</b>	<b>Prior period</b>
Banks	101.447	101.447
Insurance companies	573.465	77.460
Factoring companies	19.000	-
Leasing companies	199.182	131.043
Financing companies	-	-
Other financial subsidiaries	574.923	521.421

f) Subsidiaries quoted in the stock exchange:

	<b>Current period</b>	<b>Prior period</b>
Quoted to domestic stock <sup>(1)</sup>	137.337	-
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:

	<b>Current period</b>		<b>Prior period</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than 1 year	390.660	281.514	277.392	204.216
Between 1-4 years	641.937	506.633	623.771	550.873
More than 4 years	164.319	236.501	147.421	134.444
<b>Total</b>	<b>1.196.916</b>	<b>1.024.648</b>	<b>1.048.584</b>	<b>889.533</b>

b) Information on gross investments of financial lease:

	<b>Current period</b>	<b>Prior period</b>
Gross financial lease investment	1.196.916	1.048.584
Unearned revenues from financial lease	(172.268)	(159.051)
<b>Total</b>	<b>1.024.648</b>	<b>889.533</b>

c) Information on receivables from non- performing loans of financial lease:

	<b>Current period</b>	<b>Prior period</b>
Financial lease receivables with limited collectability	15.408	2.608
Financial lease receivables with doubtful collectability	11.507	9.603
Uncollectible financial lease receivables	57.728	47.850
Specific provisions	(33.411)	(32.620)
<b>Total</b>	<b>51.232</b>	<b>27.441</b>

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012

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

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

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

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

None.

(12) Information on tangible assets:

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

(13) Information on intangible assets:

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

(14) Information on investment property:

None.

(15) Information on tax assets:

	Current period	Prior period
<b>Deferred Tax Asset</b>		
Provisions <sup>(1)</sup>	91.020	77.384
Revaluation of Financial Assets	80.947	(4.425)
Other	14.336	20.712
<b>Deferred Tax Asset:</b>	<b>186.303</b>	<b>93.671</b>
<b>Deferred tax accounted in shareholders' equity</b>	<b>(45.885)</b>	<b>32.733</b>
Available for sale financial assets IRR-fair value difference	(45.885)	32.733

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

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

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

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 1.021.403 and does not exceed 10% of the balance sheet total (31 December 2011: TRY 815.295).

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	7 day call Demand accounts	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over	Cumulative deposits	Total	
Saving deposits	2.643.043	-	322.159	20.568.128	2.033.774	344.099	694.833	107.197	26.713.233
Foreign currency deposits	2.821.599	-	1.312.190	9.137.248	2.127.211	981.507	1.953.874	11.222	18.344.851
<i>Residents in Turkey</i>	2.052.996	-	1.254.857	8.672.562	1.541.890	672.371	1.378.265	11.090	15.584.031
<i>Residents abroad</i>	768.603	-	57.333	464.686	585.321	309.136	575.609	132	2.760.820
Public sector deposits	2.087.259	-	999.126	3.791.521	315.360	98.336	33.337	-	7.324.939
Commercial inst. Deposits	1.919.831	-	1.215.970	6.411.763	1.223.809	88.784	54.072	-	10.914.229
Other inst. Deposits	362.224	-	38.478	1.939.624	888.987	480.215	42.091	-	3.751.619
Precious metals	1.874.661	-	-	-	-	-	-	-	1.874.661
Interbank deposits	3.208.161	-	2.870.351	632.990	83.560	299.216	231.140	-	7.325.418
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	18.991	-	526.330	168.534	78.943	21.676	-	-	814.474
<i>Foreign banks</i>	3.185.126	-	2.344.021	464.456	4.617	277.540	231.140	-	6.506.900
<i>Participation banks</i>	4.044	-	-	-	-	-	-	-	4.044
<b>Total</b>	<b>14.916.778</b>	<b>-</b>	<b>6.758.274</b>	<b>42.481.274</b>	<b>6.672.701</b>	<b>2.292.157</b>	<b>3.009.347</b>	<b>118.419</b>	<b>76.248.950</b>

a.2. Prior period:

	7 day call Demand accounts	Up to 1 month	1-3 months	3-6 months	6 months-1 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
<i>Residents in Turkey</i>	1.875.246	-	1.718.162	6.534.438	1.306.222	463.508	1.182.384	10.813	13.090.773
<i>Residents abroad</i>	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
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	4.539	-	2.816.026	37.006	30.030	4.139	-	-	2.891.740
<i>Foreign banks</i>	2.826.543	-	196.813	703.102	1.030	21.091	130.668	-	3.879.247
<i>Participation banks</i>	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>

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current period	Prior period	Current period	Prior period
Saving deposits	13.460.086	12.713.126	13.277.107	12.046.510
Foreign currency saving deposits	3.750.775	3.759.626	6.699.476	5.963.493
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	83.028	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	129.472	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	2.570	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	-	-

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	26.973	-	45.829
Swap transactions	-	36.400	-	19.443
Future transactions	-	-	-	-
Options	20	151	44	42
Other	-	-	-	-
<b>Total</b>	<b>20</b>	<b>63.524</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	259.825	266.130	277.607	551.797
Foreign banks, institutions and funds	318.217	5.769.005	157.703	6.023.238
<b>Total</b>	<b>578.042</b>	<b>6.035.135</b>	<b>435.310</b>	<b>6.575.035</b>



**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

(3) a) Information on funds borrowed: (continued)

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	202.149	2.854.256	199.725	3.047.697
Medium and long-term	375.893	3.180.879	235.585	3.527.338
<b>Total</b>	<b>578.042</b>	<b>6.035.135</b>	<b>435.310</b>	<b>6.575.035</b>

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

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

Main liability of the Parent Bank is deposit, which is composed of 35% of saving deposits and 27% 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 Parent Bank's 66% of banks deposits and 29% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Bonds <sup>(1)</sup>	685.063	-	495.611	-
Securities <sup>(2),(3)</sup>	100.147	1.337.137	-	-
<b>Total</b>	<b>785.210</b>	<b>1.337.137</b>	<b>495.611</b>	<b>-</b>

<sup>(1)</sup>As of 27 January 2012, the bonds 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 securities 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 securities amounting to TRY 100.000 with maturity of 24 months are issued by Halk Leasing.

(5) Marketable securities issued:

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
	28.840	1.343.020	2.719	1.342.515

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 559.535 and does not exceed 10% of the balance sheet total (31 December 2011: TRY 581.828).

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012

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

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

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

(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 Group:

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>859.225</b>	<b>659.914</b>
Provisions for first group loans and receivables	763.124	598.240
<i>Additional provisions for the loans with extended payment plan</i>	26.570	-
Provisions for second group loans and receivables	37.540	8.183
<i>Additional provisions for the loans with extended payment plan</i>	11.607	-
Provisions for non cash loans	58.561	53.491
Other	-	-

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

None.

c) Specific provisions provided for un-indemnified non-cash loans:

As of 30 September 2012, the Parent Bank's specific provisions for un-indemnified non-cash loans balance are TRY 53.681 (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.

d) Information on other provisions:

Total other provision balance amounting to TRY 369.283 (31 December 2011: TRY 277.804) consists of TRY 53.681 (31 December 2011: TRY 41.419) for specific provisions for un-indemnified non cash loans, TRY 28.893 (31 December 2011: TRY 21.437) for legal cases filed against the Parent Bank, TRY 245.500 (31 December 2011: TRY 194.000) provision for prudence in consideration for any changes that may arise in the economy and the market, TRY 41.209 (31 December 2011: TRY 20.948) of other provisions.

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

(9) Explanations on provisions: (continued)

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 2011 and 31 December 2010, 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 2011 and 31 December 2010.

f) Explanations related to Insurance technical reserves (Net):

	<b>Current period</b>	<b>Prior period</b>
Life-Mathematical Provisions	180.164	155.962
Provisions for unearned premium claims	132.698	78.980
Provision for outstanding claims	76.481	65.133
Provisions for unexpired risk reserves	5.982	6.731
Other	-	2.471
<b>Total</b>	<b>395.325</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 30 September 2012, the Parent Bank’s corporate tax payable is amounting to TRY 242.570 after setting off TRY 443.922 of prepaid taxes from TRY 686.492 of corporate tax liabilities.

a.2. Information on taxes payable:

	<b>Current period</b>	<b>Prior period</b>
Corporate tax payable	242.570	90.105
Income on securities tax	55.813	50.487
Property income tax	697	507
Banking and insurance transactions tax (BITT)	31.870	25.901
Foreign exchange transactions tax	3	2
Value added tax payable	1.378	501
Other	17.163	14.014
<b>Total</b>	<b>349.494</b>	<b>181.517</b>

a.3. Information on premiums:

	<b>Current period</b>	<b>Prior period</b>
Social insurance premiums-employee	346	123
Social insurance premiums-employer	656	312
Bank social aid pension fund premium-employee	4.519	3.386
Bank social aid pension fund premium-employer	6.178	4.609
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	18	12
Unemployment insurance-employer	59	23
Other	926	715
<b>Total</b>	<b>12.702</b>	<b>9.180</b>

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

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

(10) Explanations related to tax liabilities (continued):

b) Explanations regarding deferred tax liability:

As of 30 December 2012, the Group has TRY 1.695 of deferred tax liability.  
(31 December 2011:1.823 TL)

(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:

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

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

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 Bank'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.

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

(13) Information on shareholders' equity: (continued)

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)	-	-	-	-
Revaluation difference	140.101	22.422	76.761	(354.964)
Exchange rate difference	-	-	-	-
<b>Total</b>	<b>140.101</b>	<b>22.422</b>	<b>76.761</b>	<b>(354.964)</b>

(14) a) Information on minority interest shares:

	Current Period	Prior period
Paid-in capital	5.963	5.782
Marketable Securities Revaluation Fund	55	4
Legal Reserves	260	258
Extraordinary Reserves	1.337	1.333
Retained Earnings	(883)	(16)
Other Profit Reserves	(200)	(59)
Export premium	218	218
Net Period Income / Loss	1.510	(680)
<b>Closing Balance</b>	<b>8.260</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	(90)	(14)
Dividend Payment	-	(536)
Net Period Income / Loss	1.510	(680)
<b>Closing Balance</b>	<b>8.260</b>	<b>6.840</b>

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

**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:

<b>Types of irrevocable commitments</b>	<b>Current period</b>	<b>Prior period</b>
Commitments for credit card expenditure limits	5.301.885	4.618.584
Payment commitments for cheques	4.625.954	3.976.513
Loan granting commitments	944.920	890.035
Two days forward foreign exchange buy/sell transactions	482.456	677.085
Commitments for credit cards and banking services promotions	28.299	26.857
Tax and fund liabilities from export commitments	13.835	11.389
Share capital commitments to associates and subsidiaries	-	1.000
Other irrevocable commitments	1.141.895	1.063.521
<b>Total</b>	<b>12.539.244</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:

	<b>Current period</b>	<b>Prior period</b>
Bank acceptance loans	1.313.115	627.992
Letters of credit	3.128.807	4.081.908
Other guarantees	549.618	423.056
<b>Total</b>	<b>4.991.540</b>	<b>5.132.956</b>

b.2. Certain guarantees, tentative guarantees, suretyships and similar transactions:

	<b>Current period</b>	<b>Prior period</b>
Letters of tentative guarantees	6.513.546	5.993.331
Letters of certain guarantees	1.669.679	1.660.373
Letters of advance guarantees	829.383	948.430
Letters of guarantee given to customs offices	419.800	324.948
Other letters of guarantee	4.695.610	3.795.239
<b>Total</b>	<b>14.128.018</b>	<b>12.722.321</b>

b.3. Total non-cash loans:

	<b>Current period</b>	<b>Prior period</b>
Non-cash loans for providing cash loans	414.141	169.526
<i>Within one year or less original maturity</i>	6.227	8.658
<i>Within more than one year maturity</i>	407.914	160.868
Other non-cash loans	18.705.417	17.685.751
<b>Total</b>	<b>19.119.558</b>	<b>17.855.277</b>

c) Information on contingent liabilities and assets:

The Group has provided TRY 28.893 of provision for the disputed legal cases filed by various persons and institutions. (31 December 2011: TRY 21.437)

d) Services supplied on behalf of others:  
None.

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

**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
<b>Interest on loans<sup>(1)</sup></b>				
Short term loans	1.477.577	134.691	1.170.552	137.360
Medium and long term loans	2.670.543	622.238	1.899.369	443.078
Interest on non-performing loans	57.577	216	83.143	185
Premiums from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>4.205.697</b>	<b>757.145</b>	<b>3.153.064</b>	<b>580.623</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	1.424	1.613	619	536
Overseas banks	1.057	2.602	615	6.393
Head office and branches abroad	-	-	-	-
<b>Total</b>	<b>2.481</b>	<b>4.215</b>	<b>1.234</b>	<b>6.929</b>

c) Interest income from marketable securities:

	Current Period		Prior Period	
	DC	FC	DC	FC
Financial Assets Held for Trading	1.898	457	4.066	513
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	531.689	61.373	461.778	49.863
Held-to-Maturity Investments	961.089	87.754	775.392	87.833
<b>Total</b>	<b>1.494.676</b>	<b>149.584</b>	<b>1.241.236</b>	<b>138.209</b>

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries	-	1.596

(2) Information on interest expenses:

a) Information on interest expense on borrowings:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	14.050	109.282	13.234	76.672
<i>Central Bank of Turkey</i>	-	-	-	-
<i>Domestic banks</i>	12.692	15.108	13.234	2.048
<i>Overseas banks</i>	1.358	94.174	-	74.624
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	10.097	689	6.275	595
<b>Total</b>	<b>24.147</b>	<b>109.971</b>	<b>19.509</b>	<b>77.267</b>

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries	2.950	2.043

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

(2) Information on interest expenses(continued):

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	52.165	13.168	6.836	-
<b>Total</b>	<b>52.165</b>	<b>13.168</b>	<b>6.836</b>	<b>-</b>

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits						Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
<b>TRY</b>								
Bank deposits	73	57.345	12.240	291	544	-	-	70.493
Saving deposits	4	18.112	1.400.674	171.409	24.623	60.325	6.044	1.681.191
Public deposits	241	29.078	197.799	22.185	7.912	2.054	-	259.269
Commercial deposits	9	103.985	313.679	64.832	14.005	3.107	-	499.617
Other deposits	-	12.040	90.872	33.275	34.753	1.768	-	172.708
7 days call accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>327</b>	<b>220.560</b>	<b>2.015.264</b>	<b>291.992</b>	<b>81.837</b>	<b>67.254</b>	<b>6.044</b>	<b>2.683.278</b>
<b>Foreign currency</b>								
Deposits	297	44.675	196.969	52.116	20.376	45.293	-	359.726
Bank deposits	-	17.076	-	-	-	-	-	17.076
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
<b>Total</b>	<b>297</b>	<b>61.751</b>	<b>196.969</b>	<b>52.116</b>	<b>20.376</b>	<b>45.293</b>	<b>-</b>	<b>376.802</b>
<b>Grand total</b>	<b>624</b>	<b>282.311</b>	<b>2.212.233</b>	<b>344.108</b>	<b>102.213</b>	<b>112.547</b>	<b>6.044</b>	<b>3.060.080</b>

(3) a) Information on trading profit/loss (Net):

	Current period	Prior period
<b>Profit</b>	<b>6.523.027</b>	<b>4.897.165</b>
Profit from the capital market operations	386.209	103.989
Profit on derivative financial instruments	1.252.642	1.174.492
Foreign exchange gains	4.884.176	3.618.684
<b>Loss</b>	<b>6.279.910</b>	<b>4.750.863</b>
Loss from the capital market operations	130.503	2.203
Loss on derivative financial instruments	1.515.008	998.002
Foreign exchange losses	4.634.399	3.750.658

(4) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	148.941	324.701
<i>Specific provision reversals for Loans under follow up</i>	137.359	228.472
<i>Other prior period expense reversals income</i>	11.582	96.229
Receivable from the asset sale on credit terms	84.970	82.328
Provision for communication expenses	5.698	5.504
Rent income	4.992	762
Cheques	3.934	4.096
Other income	240.709	243.139
<b>Total</b>	<b>489.244</b>	<b>660.530</b>



**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

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

(5) Impairment losses on loans and other receivables:

	<b>Current period</b>	<b>Prior period</b>
Specific provisions on loans and receivables	275.691	134.922
<i>Group - III loans and receivables</i>	196.172	65.707
<i>Group - IV loans and receivables</i>	22.888	14.211
<i>Group - V loans and receivables</i>	56.631	55.004
General loan provision expenses	199.311	185.859
Provision expenses for possible losses	51.500	-
Marketable securities impairment losses	-	-
<i>Financial assets at fair value through profit and loss</i>	-	-
<i>Financial assets available for sale</i>	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Jointly controlled entities (joint ventures)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Other	35.749	21.858
<b>Total</b>	<b>562.251</b>	<b>342.639</b>

(6) Information on other operating expenses:

	<b>Current period</b>	<b>Prior period</b>
Personnel expenses	653.390	570.568
Reserve for employee termination benefits	48.258	50.486
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	70.643	59.995
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	3.341	2.098
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	3.061	369
Amortization expenses of assets that will be disposed of	3.661	2.910
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	536.691	441.424
<i>Operational leasing expenses</i>	79.520	62.157
<i>Maintenance expenses</i>	10.905	12.587
<i>Advertisement expenses</i>	47.781	39.741
<i>Other expenses</i>	398.485	326.939
Loss on sales of assets	237	1.785
Other	345.642	336.381
<b>Total</b>	<b>1.664.924</b>	<b>1.466.016</b>

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

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

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

The Group's income before tax is due from continuing activities. TRY 3.259.484 of the income before tax consists of net interest income, TRY 609.861 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is TRY 2.380.016.

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

For the nine-month period ended 30 September 2012, the Group's tax provision amounting to TRY 512.146 consists of TRY 683.396 of current tax charge and TRY 171.250 of deferred tax income.

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

For the nine-month period ended 30 September 2012, the Group's net operating income after tax is TRY 1.867.870.

- (10) 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 30 September 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.

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

**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.

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

**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:

For the year ended 30 September 2012, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 417.248 decrease (30 September 2011: TRY 611.920, 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:

	<b>Current period</b>	<b>Prior period</b>
Cash	7.287.733	4.649.565
<i>Cash in TRY and foreign currency</i>	486.600	379.285
<i>Central Bank, Legal Requirements and others<sup>(1)</sup></i>	6.801.133	4.270.280
Cash equivalents	1.572.018	1.228.793
<i>Banks - maturity less than 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 for reserve deposits	-	(3.498)
Accruals for money market placement	(56)	(135)
Accruals for 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 Turkey, holds blocked.

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

	<b>Current period</b>	<b>Prior period</b>
Cash	10.420.407	8.515.100
<i>Cash in TRY and foreign currency</i>	472.499	498.482
<i>Central Bank, Legal Requirements and others<sup>(1)</sup></i>	9.947.908	8.016.618
Cash equivalents	2.100.220	1.850.059
<i>Banks - maturity less than 3 months</i>	1.891.646	1.682.570
<i>Money market placements</i>	208.574	167.489
<b>Total cash and cash equivalents</b>	<b>12.520.627</b>	<b>10.365.159</b>
Reserve deposits in Central Bank	(8.535.750)	(2.355.929)
Bank blockage balance <sup>(2)</sup>	(112.510)	(94.877)
Accruals for reserve deposits	(245)	(163)
Accruals for money market placement	(76)	-
Accruals for banks	(2.130)	(634)
<b>Cash and Cash Equivalents</b>	<b>3.869.916</b>	<b>7.913.556</b>

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

<sup>(2)</sup> Technical reserves of Halk Hayat ve Emeklilik AŞ. amounting to TRY 112.510, which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked.

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

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

**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 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	-	2.728	-	-	-	-
Interest and commissions income	-	8	-	-	-	-

b) Prior period:

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	
	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	1.596	25	-	-	-	-

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
<b>Deposits</b>						
Beginning balance	84.030	56.427	-	-	-	-
Closing Balance	36.991	84.030	-	-	-	-
Interest expense on deposits	2.950	2.043	-	-	-	-

c.2. Forward and option contracts and similar transactions with the Parent Bank's risk group:

None.

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012

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

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

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

(2) Disclosures for risk group:

a) The relations of the Parent 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.

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

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

	<b>Amount</b>	<b>% compared to the amounts in the financial statements</b>
Deposits	36.991	0,05%
Non-cash loans	2.728	0,01%

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 9.033 as of 30 September 2012 (30 September 2011: TRY 7.091).

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

**VIII. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS**

**Explanations regarding the public offering:**

As per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, state-owned shares in the share capital of the Bank were taken into privatization programme, and as per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012, it was decided that 20,8% of the public shares that are held by the Privatization Administration will be privatized via public offering and it was decided that privatization by a public offering will be completed in one year.

The decree submitted to Public Disclosure Platform by Privatization Administration on 4 October 2012. On 12 October 2012, the application were made to the Capital Market Boards to complete the privatization of the 20,8% of the public shares that are held by the Privatization Administration and to complete the process for the possible additional shares which can be subject to public offer with exercising additional sales right. The related application is approved by the Capital Market Boards and the offering circular related to the privatization is registered to Ankara Trade Registry Office on 9 November 2012.

**Explanation regarding the merge of Ziraat Bank AD, Skopje and Halk Bank AD, Skopje:**

Acquisition of Ziraat Bank AD, Skopje whose dominant partner is T.C. Ziraat Bankası by the Bank's subsidiary Halk Banka AD, Skopje with its all assets, liabilities, branches and staff was completed as of 1 October 2012.

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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.



**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

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

**SECTION VII: INDEPENDENT AUDITORS' REVIEW REPORT**

**I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REVIEW REPORT**

The consolidated financial statements as of and for the nine-month period ended 30 September 2012 were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Review Report dated 12 November 2012 is presented in the introduction of this report.

**II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITORS**

None.