

*(Convenience Translation of Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish, See Section 3.1)*

Türkiye Halk Bankası Anonim Şirketi

Unconsolidated Financial Statements
As of and For the Nine-month Period Ended 30 September 2012
With Independent Auditors' Review Report Thereon
*(Convenience Translation of Unconsolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

22 October 2012

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

*Convenience Translation of the Independent Auditors' Report
Originally Prepared and Issued in Turkish (See Section 3.1)*

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

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

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

İstanbul,
22 October 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 unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

TÜRKİYE HALK BANKASI AŞ
THE UNCONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE 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 : 0312 289 20 00
Facsimile : 0312 289 30 48
3. The Bank's Website and E-mail Address:
Website: www.halkbank.com.tr

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

- **Section One** : GENERAL INFORMATION ABOUT THE BANK
- **Section Two** : UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES OF THE BANK
- **Section Four** : INFORMATION ON FINANCIAL STRUCTURE
- **Section Five** : EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- **Section Six** : OTHER EXPLANATIONS AND NOTES
- **Section Seven** : INDEPENDENT AUDITORS' REVIEW REPORT

Unless otherwise indicated, these unconsolidated financial statements and explanatory footnotes and disclosures as of and for the nine-month period ended 30 September 2012 are prepared in thousand Turkish Lira and they have been independently reviewed and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Ankara, 22 October 2012

Hasan Cebeci	Süleyman Aslan	Sabahattin Birdal	Hikmet Aydın Simit	Mustafa Savaş	Yusuf Duran Ocak
<i>Chairman of the Board of Directors</i>	<i>Member of the Board of Directors, Chief Executive Officer</i>	<i>Member of the Board of Directors, Member of the Audit Committee</i>	<i>Member of the Board of Directors, Member of the Audit Committee</i>	<i>Financial Management and Planning Vice Chief Executive Officer</i>	<i>Financial Accounting and Reporting Department Head</i>

For any questions regarding this financial report, contact details of the personnel in charge is given below:

Name/Title : Nevin Buhan / Manager & Gönül Özdemir / Manager
Tel No : 0312 289 30 15 - 0312 289 30 13
Fax No : 0312 289 30 50

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TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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 BANK

I. ESTABLISHMENT DATE OF THE BANK, INITIAL ARTICLES OF ASSOCIATION, HISTORY OF THE BANK INCLUDING THE CHANGES OF THESE ARTICLES

Türkiye Halk Bankası Anonim Şirketi (the “Bank”) was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

II. CAPITAL STRUCTURE OF THE BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE BANK SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP

The capital of the Bank is controlled directly by the Republic of Turkey Prime Ministry Privatization Administration.

As of 30 September 2012 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	30 September 2012	%	31 December 2011	%
Prime Ministry Privatization Administration ⁽¹⁾	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
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾ As per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007; 25% of the public shares that were previously held by the Privatization Administration were privatized by a public offering and the Bank’s shares were registered to Capital Market Board records by decision number 16/471 dated 26 April 2007. The shares were traded on the İstanbul Stock Exchange as of 10 May 2007.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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 BANK (continued)

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

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan CEBECİ	Chairman of the Board of Directors	13.4.2005	Ankara Eco. and Com. Science (ECS) Academy - Economy Finance	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.	28
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	İstanbul 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 SIMIT	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.	20
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.	19
Mehmet Hakan ATILLA	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.	16
Murat UYSAL	Executive Vice President	11.11.2011	Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department Bachelor Degree: Istanbul Uni. - Faculty of Economic and Administrative Sciences- Department of Economics	14

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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 BANK (continued)

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

- a) The professionals to the Bank's top management who have assigned to their position in 2012 are listed with titles and dates of assignment.

Name	Title	Assignment Date
Hikmet Aydın SİMİT	Member of the Board of Directors	18 April 2012
Ahmet KAHRAMAN	Member of the Board of Directors	18 April 2012
Ali ARSLAN	Member of the Audit Committee	18 April 2012

- b) The professionals from the Bank's top management who have left their position in 2012 are listed with titles and dates of leaving.

Name	Title	Assignment Date
İbrahim Hakkı TUNCAY	Member of the Board of Directors	18 April 2012
Salim ALKAN	Member of the Board of Directors	18 April 2012
Yusuf DAĞCAN	Member of the Audit Committee	18 April 2012

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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 BANK (continued)

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

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

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

a) General information about the Bank:

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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 BANK (continued)

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

- d) Under No: 25539 Law regarding the "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası AŞ and amendments to other acts" which came into force as of 31 July 2004 with the publication of the Official Gazette, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund ("SDIF")) was transferred to the Bank. Insolvent Pamukbank TAŞ was a private sector deposit bank established by Çukurova İthalat ve İhracat TAO, Karamehmetler Scrip Company and more than 500 shareholders. Pamukbank started its private banking operations as an incorporated company in accordance with the decision of the Council of Ministers numbered 4/4573 and dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 and dated 19 June 2002 including 3rd and 4th Sub-articles in Article 14 of the Banking Law No: 4389, the shareholders rights excluding dividends, management and supervision of Pamukbank were transferred to the Saving Deposit Insurance Fund as of 18 June 2002.
- e) The Bank's service activities and operating areas: The Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

As of 30 September 2012, the Bank operates with a total of 807 branches consisting of 802 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. The Bank has also 1 representative office in Iran.

VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial 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 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.

Demir-Halkbank NV ("Demir Halk Bank") and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ which are qualified as investments in associates, are presented in the financial statements based on equity method of accounting.

There is no partnership share on banks and financial institutions, with shareholding of more than 10% and deducted from capital.

Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ are not consolidated in the financial statements because the other banks' shares are equal and thus, the Bank has no control.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012

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

VII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDER'S EQUITY BETWEEN THE BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES

Immediately transfer of the shareholder's equity between the Bank and its subsidiaries is not in question. Dividend distribution from shareholders equity is done according to related regulations.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries. The Bank charge or pay cost of the services according to the service agreements done between the Bank and its subsidiaries.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
- II. Statement of Off-Balance Sheet Items
- III. Statement of Income
- IV. Statement of Income and Expense Items Accounted under Shareholders' Equity
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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

I. BASIS OF PRESENTATION

The unconsolidated financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”), Communiqué on “Banks’ Accounting Practice and Maintaining Documents” and other communiqués and interpretations of Banking Regulation and Supervision Agency (“BRSA”) on accounting and financial reporting.

28103 published in Official Gazette dated 2 November 2011, and entered into force with Decree Law No. 660 of Law No. 2499 TASB Additional article 1 of the establishment clause has been canceled and Public Oversight of Accounting and Auditing Standards Board (“The Authority”) is decided to establish by Council of Ministers. Existing regulations regarding to these issues will be continued to enforce until standards and regulations according to Temporary article 1 of this Decree-Law, come into force when released by the Authority This situation does not affect the “Basis of Presentation” for the current period.

Accounting policies applied and valuation methods used in the preparation of the financial statements are expressed in detail below.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

II. EXPLANATIONS ON THE STRATEGY OF USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

a) The Bank’s strategy on financial instruments:

Due to its historical mission, the Bank focuses on granting loans to Small and Medium Size Enterprises (SMEs) and craftsmen besides corporate, commercial and individual segmented firms. In addition to the main fund source deposits, the Bank can raise funds from foreign borrowing and money market borrowing.

The Bank follows the developments in the markets and uses funds raised in most yielding areas. The strategies of the Bank are evaluated in the weekly Asset and Liability Committee meetings.

b) The Bank’s explanations on foreign currency transactions:

In the statutory records of the Bank, transactions accounted in foreign currencies (currencies except for TRY) are converted into TRY by using the prevailing exchange rates at the transaction dates. Foreign currency monetary asset and liability items are converted into TRY by using the prevailing exchange rate at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into TRY by using the exchange rates at the date of which the fair value is determined. Exchange differences arising from the conversions of monetary foreign currency items and collections of foreign currency transactions are reflected to the income statement.

The financial statements of the foreign branches of the Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches are expressed in TRY which is the functional currency of the Bank and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches of the Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. Income and expenses are converted by at exchange rates at the dates of the transactions.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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)

III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

IV. INTEREST INCOME AND EXPENSES

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

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

V. FEES AND COMMISSION INCOME AND EXPENSES

Banking service income are recorded in the income in the period when they are collected. Prepaid fees and commission income obtained from cash and non-cash loans are recorded in the related period by using the straight accrual method according to the loan maturity within the matching principle.

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

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

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

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

1. Cash and banks

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

2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

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

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

2.2. Financial assets at fair value through profit and loss

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

The Bank has not any financial assets at fair value through profit and loss as of 30 September 2012 and 31 December 2011.

3. Investments held to maturity

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

4. Financial assets available for sale

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

5. Loans and receivables

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

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

6. Associates and subsidiaries:

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

As of 1 January 2012, the Bank changed the accounting policy which is related to the Turkish Lira denominated subsidiaries and began to record related subsidiaries with their fair values. Fair values of the subsidiaries are determined with the valuation reports that are prepared by the independent valuation company, valuation differences are added to the subsidiaries values and correspondingly recorded in the “Marketable securities revaluation fund” under the shareholders’ equity.

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

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

For loans and receivables; the Bank's management performs consistent loan portfolio reviews and if any doubts on the collectability of the loans arise, the related loans are classified in accordance with legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions ("Communiqué")" published in the Official Gazette numbered 26333 and dated 1 November 2006. The Bank does not limit the provision amount for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting 100% provision for the outstanding follow-up risk amount excluding the surety ship type of collaterals defined in the Article 9 of the related legislation. Specific provision rate for the standing non-cash loans extended to follow-up entities in order to cash ensuring is 100%, specific provision rate for other non-cash loans is 50%. Collections made related to those loans are offset against the capital and interest collections are recognized under the "Interest Received from Non-performing Loans" item of the income statement.

Other than specific allowances, the Bank provides "general allowances" for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The Bank is providing 0.5% general allowance for cash loans and other receivables; 0.1% general allowances for non-cash loans. In accordance with the communiqué "The change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 28 May 2011 No: 27947 Official Gazette, banks are able to change the terms of the payment plans of their loans and other receivables monitored under standard and other receivables group given that those loans and receivables qualify for the prerequisites. However, if the changes made extend the initial payment plan, a general provision allocated accordingly with the related loans and other receivables given that it is no less than the 5 times of the predetermined ratio and for loans and other receivables followed under close monitoring provision cannot fall below 2,5 times of the designated ratio.

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

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

VIII. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

A financial asset and a financial liability shall be offset and the net amount shall be presented in the balance sheet only when a party currently has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IX. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are classified under “Available for Sale Financial Assets” or “Held to Maturity Investments” in the Bank’s portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under “Funds from Repurchase Transactions” account in liabilities. For the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognized under the “Receivables from Reverse Repo Transactions” account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method.

X. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 5 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

XIII. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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

XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XV. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

In accordance with the Act No: 5754 “Act about the amendments in Social Security and General Health Insurance Act and Some of Acts and Decrees” published in the Official Gazette dated 8 May 2008 and numbered 26870, bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution within three years beginning from the date of publication without any required further action. Three years transfer period would be extended by four years at most with the decision of Council of Ministers. Mentioned three years transfer period has been extended by four years with the decision of Council of Ministers 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, after the transfer to SII, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2011, no technical deficit has been reported.

XVI. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 31 December 2011 has been paid in April 2012, accrued advance tax as of 30 September 2012 will be paid in November 2012.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVI. EXPLANATIONS ON TAXATION (continued)

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

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

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

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

Tax practices in the countries that foreign branches operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are separately subject to 10% of corporate tax and 15% of income tax. The tax bases for corporates are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporates. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is higher than the corporate tax payable, the difference is deducted from income tax payable.

Bahrain

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

XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Bank borrows funds from domestic and foreign institutions and issues marketable securities when needed. These borrowing activities are recognized at fair value including the acquisition costs at the transaction date and they are valued at amortized costs by using the internal rate of return method.

Interest rate and liquidity risks are reduced by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitization and borrowing with collateral and bears higher interest than costs of those instruments.

Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVIII. EXPLANATIONS ON SHARES AND SHARE ISSUE

Share issuances related to costs are recognized as expenses. Dividend income related with the equity shares are determined by the General Assembly of the Bank.

The Bank has not issued any shares in the current and prior period. In accordance with the decree of the Privatization High Council dated 5 February 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration was completed and the Bank shares were registered to the Board with the decree of the Capital Markets Board dated 26 April 2007 and numbered 16/471, and the shares were traded on the Istanbul Stock Exchange as of 10 May 2007.

XIX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXI. EXPLANATIONS ON SEGMENT REPORTING

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

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

XXII. EXPLANATION ON OTHER MATTERS

The Bank changed accounting policy and began to record Turkish Lira denominated subsidiaries with their fair values in the current period. The amendment is not implemented retroactively due to the fair values of the Turkish Lira denominated subsidiaries not based on an observable price or information and the cumulative effect of these change are not calculated retroactively. Effect of the change in accounting policy related to the amount as follows:

	Subsidiaries	Marketable securities revaluation fund
Cost	812.325	-
Effect of change in related accounting policies	554.245	554.245
Financial assets at fair value	1.366.570	554.245

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CAPITAL ADEQUACY RATIO

The capital adequacy ratio calculations are made in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” published in Official Journal No 28337 of 28 June 2012 from 1 July 2012. The solo basis capital adequacy ratio of the Bank is 14,62% as of 30 September 2012. The Bank did not recalculate the capital adequacy ratio related to prior periods, according to “Publicly Announced Communiqué on Financial Statements and Related Disclosures and Footnotes” 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 Bank uses comprehensive approach for trading book items in the credit mitigation process.

In the calculation process of capital adequacy ratio, the data which are compatible with current regulations are used. Furthermore, the market and operational risk are also taken into account within the framework of regulations.

The items which are deducted from shareholders’ equity are not considered in the calculation of risk weighted assets (RWAs). Depleted and amortized assets are taken into consideration by net amounts which are calculated by the deduction of depreciation cost and provisions.

The amount subject to credit risk for non cash loans are considered by using the conversion rates which are defined in the 5th article of “Regulation On Measurement And Evaluation Of Capital Adequacy Of Banks”. Besides, the provisions which are defined in “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to Be Set Aside” and taken place at the liability side of the balance sheet are also taken into consideration.

In the calculation of counterparty credit risk, the current exposure method is used.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

1. Information on the unconsolidated capital adequacy ratio:

	Risk Weight							
	0%	10%	20%	50%	75%	100%	150%	200%
The Amount Subject to Credit Risk	-	145	445.048	7.781.677	15.475.565	35.879.545	1.558.014	8.944.350
Risk Types								
Contingent and Non-Contingent Claims on Sovereigns	22.530.700	1.453	-	-	-	3.158.422	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	5.461	-	311.951	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	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	-	-
Contingent and Non-Contingent Claims on Corporate Receivables	401.201	-	113.135	-	-	27.499.423	-	-
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	1.102.527	-	120.641	-	20.420.921	-	-	-
Contingent and Non-Contingent Claims Secured by Residential Property	25.174	-	2.203	15.133.450	-	-	-	-
Past Due Loans	-	-	-	117.983	-	206.860	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	-	-	1.038.676	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. Capital adequacy ratio summary:

	Current Period
Required Capital Liabilities for Credit Risk (Main Amount related with Credit	
A Risk*0,08) (RCLCR)	5.606.748
B Required Capital Liabilities for Market Risk (RCLMR)	172.893
C Required Capital Liabilities for Operational (RCLOR)	601.101
Shareholders' Equity	11.657.584
Shareholders' Equity/((RCLCR+RCLMR+RCLOR) *12,5*100)	14,62

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

3. Information on equity items:

	Current period	Prior period
CORE CAPITAL		
Paid-in capital	1.250.000	1.250.000
<i>Nominal capital</i>	<i>1.250.000</i>	<i>1.250.000</i>
<i>Capital commitments (-)</i>	<i>-</i>	<i>-</i>
Adjustment to paid-in capital	1.220.451	1.220.451
Share Premiums	-	-
Share Cancellation Profits	-	-
Transfers from reserves	6.049.757	4.386.767
Reserves from Inflation Adjustments	-	-
Profit	1.853.053	2.045.134
<i>Net current period profit</i>	<i>1.853.053</i>	<i>2.045.134</i>
<i>Prior period profit</i>	<i>-</i>	<i>-</i>
Provisions for possible losses up to 25% of core capital	245.500	194.000
Profit on sale of associates, subsidiaries and buildings	-	-
Primary subordinated loans	-	-
Loss that is not covered with reserves (-)	-	-
<i>Net current period loss</i>	<i>-</i>	<i>-</i>
<i>Prior period loss</i>	<i>-</i>	<i>-</i>
Leasehold improvements (-)	70.755	70.079
Intangible assets (-)	33.592	27.570
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-
Total Core Capital	10.514.414	8.998.703
SUPPLEMENTARY CAPITAL		
General reserves	855.858	656.783
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) ⁽²⁾	4.422	4.422
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)
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal, status and extraordinary reserves)	-	-
Total Supplementary Capital	1.181.332	394.427
CAPITAL	11.695.746	9.393.130
DEDUCTIONS FROM THE CAPITAL	38.162	40.457
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-	8.819
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank	-	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	-	-
Loans extended being noncompliant with articles 50 and 51 of the Law	-	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	35.593	28.350
Securitization positions deducted from preferred equity	-	-
Other	2.569	3.288
TOTAL SHAREHOLDERS' EQUITY	11.657.584	9.352.673

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK

The Bank, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Bank 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 Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Bank'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 Bank's risk management system.

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

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

As of 30 September 2012, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 20,11% and 24,50% of its total cash loans.

As of 30 September 2012, receivables of the Bank from its top 100 and 200 non-cash loan customers are respectively 52,63% and 63,30% of its total non-cash loans.

As of 30 September 2012, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 15,75% and 19,69% 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 855.858 (31 December 2011: TRY 656.783).

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE MARKET RISK

The Bank 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 Bank’s strategies. Furthermore, the Board of Directors ensure that, the necessary measures to be taken by risk management department and all other executives in respect of defining, measuring, monitoring and managing the risks exposed by the Bank.

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

a) Information related to market risk:

	Amount
(I) Capital requirement to be employed for general market risk - Standard method	90.686
(II) Capital requirement to be employed for specific risk - Standard method	60.073
(III) Standard method for specific risk of necessary capital requirement on securitization positions	-
(IV) Capital requirement to be employed for currency risk - Standard method	19.478
(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
(IX) Total capital requirement to be employed for market risk in banks using risk measurement model	-
(X) Total capital requirement to be employed for market risk (I+II+III+IV+V+VI+VII+VIII)	172.893
(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)	2.161.163

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK

In the calculation of the Bank'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". The calculation is performed parallel to the practice within the country, by multiplying 15% of the Bank's last three years' average gross revenue with 12,5. Amount subject to operational risk is TRY 7.513.762 for the current period.

V. EXPLANATIONS RELATED TO THE CURRENCY RISK

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira.

The 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 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 Bank for the thirty days before 30 September 2012 are as follows:

	Monthly average
USD	1,7805000
CHF	1,8918700
GBP	2,8639250
JPY	0,0227483
EURO	2,2906900

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

V. EXPLANATIONS RELATED TO THE CURRENCY RISK (continued)

Information related to currency risk:

Current Period	EURO	USD	OTER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	5.165.872	2.211.756	2.088.216	9.465.844
Banks	1.625.157	162.571	49.352	1.837.080
Financial assets at fair value through profit and loss ⁽³⁾	2.095	86.902	246	89.243
Money market placements	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	553.353	170.318	-	723.671
Loans ⁽²⁾	6.524.166	11.012.940	43.210	17.580.316
Subsidiaries, associates and entities under common control ⁽⁵⁾	-	-	-	-
Held-to-maturity investments	694.227	1.095.737	-	1.789.964
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	7	7
Intangible assets	-	-	-	-
Other assets ⁽³⁾	23.143	28.471	25	51.639
Total assets	14.588.013	14.768.695	2.181.056	31.537.764
Liabilities				
Bank deposits	3.980.505	668.064	195.566	4.844.135
Foreign currency deposits	9.229.732	8.737.572	2.010.710	19.978.014
Money market balances	-	680.792	-	680.792
Funds provided from other financial institutions	3.558.475	1.743.134	1.706	5.303.315
Bonds issued	-	1.337.137	-	1.337.137
Sundry creditors	22.817	41.983	79	64.879
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	61.003	135.323	8.031	204.357
Total liabilities	16.852.532	13.344.005	2.216.092	32.412.629
Net balance sheet position	(2.264.519)	1.424.690	(35.036)	(874.865)
Net off-balance sheet position	2.041.491	(1.317.284)	36.393	760.600
Financial derivative assets ⁽⁴⁾	2.159.165	1.647.021	824.545	4.630.731
Financial derivative liabilities ⁽⁴⁾	117.674	2.964.305	788.152	3.870.131
Non-cash loans ⁽¹⁾	3.467.656	6.163.593	212.807	9.844.056
Prior period				
Total assets	14.245.291	12.541.003	814.841	27.601.135
Total liabilities	15.897.497	10.795.083	2.374.837	29.067.417
Net balance sheet position	(1.652.206)	1.745.920	(1.559.996)	(1.466.282)
Net off-balance sheet position	1.350.977	(1.793.208)	1.563.783	1.121.552
Financial derivative assets	1.483.014	744.174	1.716.874	3.944.062
Financial derivative liabilities	132.037	2.537.382	153.091	2.822.510
Non-cash loans ⁽¹⁾	2.804.096	6.050.101	167.153	9.021.350

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

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

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 24.554), prepaid expenses (TRY 68) in assets; and derivative financial instruments foreign currency expense accruals (TRY 36.401) and shareholders' equity (TRY 25.192) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include credit default swaps amounting to 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.

⁽⁵⁾ Demirhalkbank NV (TRY 74.716), an associate operates in foreign currency, Macar Halkbank (TRY 8.636) International Garagum Bank (TRY 225), and a foreign currency subsidiary Halk Banka AD Skopje (TRY 101.447) followed as available for sale items in foreign currency, are presented in financials with their historical costs since they are non-monetary financial items.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VI. EXPLANATIONS RELATED TO THE INTEREST RATE RISK

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	12.489	-	-	-	-	10.389.291	10.401.780
Banks and financial institutions	1.498.732	105.082	-	-	-	265.027	1.868.841
Financial assets at fair value through profit and loss	46.808	5.439	58.339	14.443	515	-	125.544
Money market placements	100.076	-	-	-	-	-	100.076
Financial assets available-for-sale	812.740	1.025.873	3.544.738	2.169.145	1.024.893	16.790	8.594.179
Loans	29.662.949	4.906.484	13.293.099	11.770.778	2.069.952	995.118	62.698.380
Held-to-maturity investments	4.465.163	1.574.657	4.092.578	2.924.145	1.175.824	-	14.232.367
Other assets ^{(1), (2)}	106.096	3.822	12.237	37.944	10.470	3.866.902	4.037.471
Total assets	36.705.053	7.621.357	21.000.991	16.916.455	4.281.654	15.533.128	102.058.638
Liabilities							
Bank deposits	2.928.609	657.677	520.349	-	-	3.195.173	7.301.808
Other deposits	32.842.632	20.874.803	3.707.729	73.425	64	11.628.848	69.127.501
Money market balances	692.287	640.762	99.360	-	-	-	1.432.409
Sundry creditors	531.069	4.613	721.073	-	-	102.729	1.359.484
Bonds issued	-	-	697.949	1.324.251	-	-	2.022.200
Funds provided from other financial institutions ⁽⁴⁾	411.456	874.661	4.077.485	348.792	123.072	4.445	5.839.911
Other liabilities ⁽³⁾	1.437.098	560.139	287.308	-	-	12.690.780	14.975.325
Total liabilities	38.843.151	23.612.655	10.111.253	1.746.468	123.136	27.621.975	102.058.638
Balance sheet long position	-	-	10.889.738	15.169.987	4.158.518	-	30.218.243
Balance sheet short position	(2.138.098)	(15.991.298)	-	-	-	(12.088.847)	(30.218.243)
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)
Total position	(2.138.098)	(15.902.548)	10.830.638	15.169.987	4.158.518	(12.088.847)	29.650

⁽¹⁾ TRY 172.010 of deferred tax assets is disclosed under the non interest bearing column in other assets.

⁽²⁾ TRY 324.843 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

1. Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items based on 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
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	9.371	-	-	-	-	7.262.999	7.272.370
Banks and financial institutions	1.288.851	72.593	-	-	-	113.556	1.475.000
Financial assets at fair value through profit and loss	8.457	39.659	3.058	71.439	5.586	-	128.199
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	1.405.522	1.118.738	1.165.700	3.880.702	1.636.648	12.760	9.220.070
Loans	24.709.925	6.730.675	10.788.011	10.959.578	1.803.423	957.834	55.949.446
Held-to-maturity investments	3.422.441	3.669.329	2.602.180	2.967.603	1.336.375	-	13.997.928
Other assets ^{(1),(2)}	96.581	1.836	8.208	27.257	9.133	2.937.632	3.080.647
Total assets	30.941.148	11.632.830	14.567.157	17.906.579	4.791.165	11.284.781	91.123.660
Liabilities							
Bank deposits	3.707.469	64.098	37.641	130.671	-	3.040.575	6.980.454
Other deposits	31.963.953	13.216.381	3.860.121	32.229	-	10.193.796	59.266.480
Money market balances	4.234.296	332.118	338.118	-	-	-	4.904.532
Sundry creditors	21.111	-	-	-	-	1.107.409	1.128.520
Bonds issued	495.615	-	-	-	-	-	495.615
Funds provided from other financial institutions ⁽⁴⁾	2.028.627	2.421.369	1.527.829	182.321	130.295	786	6.291.227
Other liabilities ⁽³⁾	1.461.551	348.600	42.563	-	-	10.204.118	12.056.832
Total liabilities	43.912.622	16.382.566	5.806.272	345.221	130.295	24.546.684	91.123.660
Balance sheet long position	-	-	8.760.885	17.561.358	4.660.870	-	30.983.113
Balance sheet short position	(12.971.474)	(4.749.736)	-	-	-	(13.261.903)	(30.983.113)
Off-balance sheet long position	-	7.951	281.562	815	-	-	290.328
Off-balance sheet short position	-	(7.951)	(141.532)	(815)	(59.100)	-	(209.398)
Total position	(12.971.474)	(4.749.736)	8.900.915	17.561.358	4.601.770	(13.261.903)	80.930

⁽¹⁾ TRY 72.164 of deferred tax assets is disclosed under the non-interest bearing column in other assets.

⁽²⁾ TRY 266.958 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

2. Average interest rates applied to financial instruments:

Current period	EURO	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,50	-	-	5,00
Due from other banks and financial institutions ⁽¹⁾	0,41	0,12	-	7,68
Financial assets at fair value through profit and loss	-	2,65	-	7,40
Money market placements	-	-	-	-
Available-for-sale financial assets	4,79	5,68	-	8,82
Loans ⁽²⁾	4,66	4,33	2,19	12,82
Held-to-maturity investments	6,39	6,11	-	10,03
Liabilities				
Bank deposits	0,09	1,06	-	5,04
Other deposits ⁽⁴⁾	3,19	3,16	-	8,76
Money market borrowings	2,30	1,62	-	5,76
Sundry creditors ⁽³⁾	-	-	-	4,50
Bonds issued	-	2,44	-	8,77
Funds provided from other financial institutions	1,52	1,80	-	7,64
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,5	-	-	5,00
Due from other banks and financial institutions ⁽¹⁾	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 ⁽²⁾	4,55	3,82	-	12,46
Held-to-maturity investments	6,38	7,02	-	11,09
Liabilities				
Bank deposits	1,29	0,99	-	10,84
Other deposits	3,75	3,77	-	9,44
Money market borrowings	2,11	1,59	-	9,16
Sundry creditors	-	-	-	4,50
Bonds issued	-	-	-	8,82
Funds provided from other financial institutions ⁽⁴⁾	2,35	1,60	-	6,90

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

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

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

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

Standard interest rate shock methods are being used in respect of measuring the risk arising from repricing mismatch of asset and liability items. The duration that obtained from the calculation intended for demand deposits by using core deposit and duration analysis is taken into account.

The interest rate risk of the banking book items is calculated by taking into account the worst ratio for the Bank among the calculated ratios by dividing the total of the differences in terms of maturities and currencies with the shareholders' equity. The mentioned difference is the difference between the net position amounts which are derived from the cash flows of the on-balance and off-balance sheet positions included in the interest sensitive banking book items discounted by the ratios derived from the application of positive and negative shocks, and the net position amounts which are discounted by the ratios without applying the shocks. The maximum limit regarding the economic value change is 20% of shareholders' equity.

While maturity distribution of the related cash flows, remaining maturities are taken into account for fixed rate instruments and repricing dates are taken into account for flexible interest instruments. Non-performing loans are placed to relevant maturity periods except demand time interval that are not than not be less than six months by taking into account receiving durations are receivables ratios under other receivables and estimated receiving durations. Foreign currency indexed asset and liabilities are placed to related forms by taking into accounts their indexed currency types.

In defining the maturity of demand deposits, average durations which are calculated by statistical analysis are being used.

	Currency	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity – Loss/ Shareholders' Equity
1	TRY	500 (400)	(1.067.320) 1.077.145	(9,154%) 9,238%
2	EURO	200 (200)	233.662 (244.332)	2,004% (2,095%)
3	USD	200 (200)	(54.820) 109.003	(0,470%) 0,935%
Total (For negative shocks)			941.816	8,078%
Total (For positive shocks)			(888.478)	(7,620%)

4. Stock position risk due from banking book :

None.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK

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

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK (continued)

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	1.314.063	2.425.639	3.672.601	2.825.734	163.470	273	-	10.401.780
Banks	265.027	1.498.732	105.082	-	-	-	-	1.868.841
Financial assets at fair value through profit and loss	-	46.770	5.439	58.276	14.544	515	-	125.544
Money market placements	-	100.076	-	-	-	-	-	100.076
Financial assets available-for-sale	-	111.384	207.096	1.855.577	3.494.637	2.908.695	16.790	8.594.179
Loans ⁽²⁾	314.639	5.075.588	4.872.753	19.798.730	29.328.598	3.308.072	-	62.698.380
Held-to-maturity investments	-	734.705	165.777	1.668.245	9.021.391	2.642.249	-	14.232.367
Other assets ⁽³⁾	243.376	3.929	54.256	63.970	37.944	10.470	3.623.526	4.037.471
Total assets	2.137.105	9.996.823	9.083.004	26.270.532	42.060.584	8.870.274	3.640.316	102.058.638
Liabilities								
Bank deposits	3.195.173	2.928.609	657.677	520.349	-	-	-	7.301.808
Other deposits	11.628.848	32.833.998	20.864.723	3.613.071	183.172	3.689	-	69.127.501
Funds provided from other financial institutions ⁽⁴⁾	2.611	135.451	336.205	2.361.119	1.537.587	1.466.938	-	5.839.911
Money market balances	-	692.287	640.762	99.360	-	-	-	1.432.409
Bonds issued	-	-	-	697.949	1.324.251	-	-	2.022.200
Sundry creditors	108.721	550.660	59.698	214.553	425.849	3	-	1.359.484
Other liabilities ⁽¹⁾	1.657.064	190.419	625.434	980.220	221.873	209.183	11.091.132	14.975.325
Total liabilities	16.592.417	37.331.424	23.184.499	8.486.621	3.692.732	1.679.813	11.091.132	102.058.638
Liquidity gap	(14.455.312)	(27.334.601)	(14.101.495)	17.783.911	38.367.852	7.190.461	(7.450.816)	-
Previous period								
Total assets	1.878.276	7.693.160	8.658.309	21.392.904	40.058.563	8.789.998	2.652.450	91.123.660
Total liabilities	15.940.633	41.154.079	14.323.459	7.392.184	1.668.497	2.004.812	8.639.996	91.123.660
Liquidity gap	(14.062.357)	(33.460.919)	(5.665.150)	14.000.720	38.390.066	6.785.186	(5.987.546)	-

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

⁽²⁾ TRY 324.843 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.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK (continued)

3. Credit risk mitigation techniques:

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

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

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

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

The value of the mortgages is being revalued during the credit period.

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

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

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

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

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	25.690.575	-	-	-
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	4.064.195	-	-	-
Contingent and Non-Contingent Claims on Corporate Receivables	28.013.759	603.643	-	11.244
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	21.644.089	1.305.121	-	42.310
Contingent and Non-Contingent Claims Secured by Residential Property	15.160.827	27.428	-	-
Past Due Loans	324.843	-	-	-
Higher-Risk Categories Defined by Agency	5.510.851	-	-	-
Collateralized Mortgage Marketable Securities	-	-	-	-
Securitization Exposures	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-
Other Claims	5.784.509	-	-	-
Total	106.623.148	1.949.934	-	53.554

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK (continued)

4. Risk management target and policies:

Credit Risk:

The credit authorization limits are defined with respect to Head Office, Regional Directories and Branch Basis. Credit origination and marketing activities are completely separated. The main point here is about to the Loan Department that related to credit expansion performance should not placed in loan granting process. Credit allocation monitoring processes are carried out by Credit Risk Monitoring Department which is an independent unit. The risk measurement activities are being carried out by the Risk Management Department which reports to Audit Committee directly.

In the process of credit assessment process, rating modules are used by the Bank and risk mitigators are defined with respect to rating categories. Rating modules are subject to validation process and the discrimination power of the module is calculated periodically.

The amount of the loss arising from credit portfolio is estimated and the Bank's shareholders' equity are analyzed periodically to determine whether they compensate for these loss. Furthermore, the effect of possible shocks is analyzed periodically by scenario analysis and stress tests.

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

Past due loans and their customer segmentations and sectors are periodically monitored.

Foreign Exchange Risk:

The Risk Management Department measures the foreign exchange risk of the Bank.

The risks that arising from the exchange rate volatility are calculated by using either standard method or internal model methods by Risk Management Department on a daily basis.

The trading loss of the Bank is restricted by using VaR based limits. Besides, stop loss limits are also defined for foreign exchange transactions. The Bank defines limits with respect to the nominal short or long foreign exchange position.

Interest Rate Risk:

The activities regarding the measurement of interest rate risk are carried out by Risk Management Department.

The risks arising from the interest rate volatility are measured both for trading and banking book items. Whereas standardized method and internal models are used in the measurement process of trading items, standard interest rate shock method and duration analysis are used in the measurement process of banking book items.

The economic value decline which will be occurred due to the interest rate risk in the banking book is restricted by a certain percentage of shareholders' equity. Furthermore, the interest rate risk which will be raised from the trading book items is restricted by VaR based limits.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK (continued)

4. Risk management target and policies (continued)

Liquidity Risk:

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION

The Bank's operations are grouped under the corporate, commercial, entrepreneur and treasury/investment banking categories. Branches are grouped considering the information above and are scaled according to the classification shown in the table below, with the classification reflected to the head office and branches.

The Bank is rendering services to a wide range of companies in all sectors, especially to Small and Medium Size Enterprises (SME) as well as individuals having consumer status. In this context, the Bank has no restrictions on the area in which it operates.

The Bank categorizes its real and legal entities that it renders services into three groups as; firms, individual customers and other customers.

Firms are composed of traders and small-scale retailers having real and legal entity status. Within the Bank's application, firms are segmented as corporate firms, commercial firms, enterprising business firms, small size enterprises and small-scale retailers.

Individual customers are real entities without having any commercial or professional purposes other than their individual demands in the Bank's application.

Other customers are referred to as associations, organizations, trade unions, foundations, societies, building managements, parent-teacher associations and similar institutions that are not included in the afore-mentioned classification.

The following are the services provided by the Bank to all of its customers:

- Accepting deposits,
- Issuance of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money transfer, insurance agency services,
- Rendering insurance agency transactions,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement composed by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering,
- Trading the capital market instruments issued for the purpose of performing intermediary services.

Under the Treasury transactions, medium and long-term fund provision is performed through securities exchange, money market operations, spot and time TRY and foreign exchange transactions, derivative instruments (such as; forwards, swaps, futures and options), syndication and securitization, etc.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO 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.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment⁽¹⁾	Elimination⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	881.149	772.327	7.217.238	5.518.762	(7.791.100)	6.598.376
<i>Interest on loans</i>	450.487	597.009	3.636.438	275.462	-	4.959.396
<i>Interest income on marketable securities</i>	-	-	-	1.625.515	-	1.625.515
<i>Interest received from banks</i>	-	-	-	6.537	-	6.537
<i>Other interest income⁽²⁾</i>	430.662	175.318	3.580.800	3.611.248	(7.791.100)	6.928
Interest expense	658.912	574.847	5.350.975	4.621.836	(7.791.100)	3.415.470
<i>Interest on deposits</i>	282.588	124.165	2.514.675	153.743	-	3.075.171
<i>Interest on borrowings</i>	1.959	9.532	8.478	90.129	-	110.098
<i>Interest on money market borrowings</i>	-	-	-	126.762	-	126.762
<i>Interest on marketable bonds issued</i>	-	-	-	65.186	-	65.186
<i>Other interest expense⁽²⁾</i>	374.365	441.150	2.827.822	4.186.016	(7.791.100)	38.253
Net interest income	222.237	197.480	1.866.263	896.926	-	3.182.906
Net fees and commissions income	137.378	116.577	333.318	53.359	-	640.632
Net trading profit / (loss)	-	-	-	244.706	-	244.706
Dividend income	-	-	-	64.024	-	64.024
Other income	921	20.003	165.965	79.486	-	266.375
Loans and other receivables' impairment loss	45.309	24.089	208.446	281.229	-	559.073
Other expenses	15.712	40.243	680.866	750.999	-	1.487.820
Income before taxes	299.515	269.728	1.476.234	306.273	-	2.351.750
Income tax provision	-	-	-	(498.697)	-	(498.697)
Net profit for the period	299.515	269.728	1.476.234	(192.424)	-	1.853.053
SEGMENT ASSETS						
Marketable securities	-	-	-	22.848.741	-	22.848.741
Derivative financial assets held for trading	-	-	-	103.349	-	103.349
Banks and money market receivables	-	-	-	1.968.917	-	1.968.917
Associates and subsidiaries (net)	-	-	-	1.561.622	-	1.561.622
Loans	9.341.091	9.271.888	38.978.258	5.431.986	-	63.023.223
Other assets ⁽¹⁾	542	8.208	592.404	11.951.632	-	12.552.786
TOTAL ASSETS	9.341.633	9.280.096	39.570.662	43.866.247	-	102.058.638
SEGMENT LIABILITIES						
Deposits	10.758.500	3.635.429	52.967.276	9.068.104	-	76.429.309
Derivative financial liabilities held for trading	-	-	-	63.676	-	63.676
Money market balances	-	-	-	1.432.409	-	1.432.409
Borrowing funding loans	7.638	203.042	204.289	5.424.942	-	5.839.911
Bonds issued	-	-	-	2.022.200	-	2.022.200
Other liabilities	98.407	82.378	2.403.040	664.478	-	3.248.303
Provisions and tax payable	10.980	12.043	77.241	1.831.434	-	1.931.698
Shareholders' equity	-	-	-	11.091.132	-	11.091.132
TOTAL LIABILITIES	10.875.525	3.932.892	55.651.846	31.598.375	-	102.058.638
OFF BALANCE SHEET ITEMS						
Guarantees and surety ships	9.026.892	5.379.184	4.557.414	137.223	-	19.100.713
Commitments	22.890	300.294	6.162.733	60.974.748	-	67.460.665
Derivative financial instruments	-	-	-	9.589.139	-	9.589.139

(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 1.102.981 (net) and deferred tax assets amounting TRY 172.010 in other assets are presented under the Treasury / Investment column.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	656.164	531.689	5.389.799	4.198.453	(5.663.748)	5.112.357
Interest on loans	351.462	411.967	2.750.134	217.954	-	3.731.517
Interest income on marketable securities	-	-	-	1.369.633	-	1.369.633
Interest received from banks	-	-	-	7.401	-	7.401
Other interest income ⁽²⁾	304.702	119.722	2.639.665	2.603.465	(5.663.748)	3.806
Interest expense	493.561	370.916	3.913.090	3.627.452	(5.663.748)	2.741.271
Interest on deposits	216.747	81.942	1.835.274	140.114	-	2.274.077
Interest on borrowings	1.971	8.714	4.009	74.971	-	89.665
Interest on money market borrowings	-	-	-	344.666	-	344.666
Interest on imported tangible assets	-	-	-	6.837	-	6.837
Other interest expense ⁽²⁾	274.843	280.260	2.073.807	3.060.864	(5.663.748)	26.026
Net interest income	162.603	160.773	1.476.709	571.001	-	2.371.086
Net fees and commissions income	49.930	68.624	367.776	48.744	-	535.074
Net trading profit / (loss)	-	-	-	143.766	-	143.766
Dividend income	-	-	-	48.531	-	48.531
Other income	4.331	21.974	264.412	164.154	-	454.871
Loans and other receivables' impairment loss	1.016	7.155	129.884	203.660	-	341.715
Other expenses	10.775	37.690	628.589	594.778	-	1.271.832
Income before taxes	205.073	206.526	1.350.424	177.758	-	1.939.781
Income tax provision	-	-	-	(398.942)	-	(398.942)
Net profit for the period	205.073	206.526	1.350.424	(221.184)	-	1.540.839
SEGMENT ASSETS						
Marketable securities	-	-	-	23.252.231	-	23.252.231
Derivative financial assets held for trading	-	-	-	93.966	-	93.966
Banks and money market receivables	-	-	-	1.475.000	-	1.475.000
Associates and subsidiaries (net)	-	-	-	927.476	-	927.476
Loans	7.267.113	8.298.222	35.063.374	5.587.695	-	56.216.404
Other assets ⁽¹⁾	671	160.081	933.226	8.064.605	-	9.158.583
TOTAL ASSETS	7.267.784	8.458.303	35.996.600	39.400.973	-	91.123.660
SEGMENT LIABILITIES						
Deposits	7.143.940	2.813.885	46.615.466	9.673.643	-	66.246.934
Derivative financial liabilities held for trading	-	-	-	65.358	-	65.358
Money market balances	-	-	-	4.904.532	-	4.904.532
Borrowing funding loans	35.746	204.493	159.670	5.891.318	-	6.291.227
Bonds issued	-	-	-	495.615	-	495.615
Other liabilities	25.354	47.019	2.126.270	845.340	-	3.043.983
Provisions and tax payable	6.812	13.866	80.975	1.334.362	-	1.436.015
Shareholders' equity	-	-	-	8.639.996	-	8.639.996
TOTAL LIABILITIES	7.211.852	3.079.263	48.982.381	31.850.164	-	91.123.660
OFF BALANCE SHEET ITEMS						
Guarantees and surety ships	9.672.659	3.959.359	4.160.754	53.685	-	17.846.457
Commitments	23.890	213.890	5.328.820	65.674.431	-	71.241.031
Derivative financial instruments	-	-	-	8.198.431	-	8.198.431

⁽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 TRY1.011.022 (net) and deferred tax assets amounting TRY 72.164 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.

IX. EXPLANATIONS RELATED TO TRANSACTIONS MADE ON BEHALF OF OTHERS AND TRANSACTIONS BASED ON TRUST

The Bank performs buying transactions on behalf of customers, and gives custody, administration and consultancy services.

The Bank does not engage in transaction based on trust.

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	362.936	103.626	386.367	95.434
Central Bank of Turkey	573.000	9.362.209	2.124.824	4.665.730
Other	-	9	-	15
Total	935.936	9.465.844	2.511.191	4.761.179

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	564.544	847.360	2.120.213	705.092
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits ⁽²⁾	8.456	8.514.849	4.611	3.960.638
Total	573.000	9.362.209	2.124.824	4.665.730

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

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

The banks operating in Turkey keep reserve deposits for Turkish currency liabilities in TRY, USD, EUR/and or standard gold at the rates between 5% and 11% 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 Communiqué no.2011/11 and 2011/13 "Reserve Deposits" of the Central Bank of Turkey.

With the Board of Minutes No.827 dated 16 July 2012 of TRNC Central Bank's, required reserve ratio is between 5% and 8% for TRY liabilities and 8% for foreign currency liabilities.

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

(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	-	51.619	-	4.957
Swap transactions	-	51.607	-	88.970
Futures transactions	-	-	-	-
Options	-	123	37	2
Other	-	-	-	-
Total	-	103.349	37	93.929

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

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

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	8.032	1.428.561	24	602.661
Foreign banks	23.729	408.519	11.310	861.005
Branches and offices abroad	-	-	-	-
Total	31.761	1.837.080	11.334	1.463.666

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	62.997	92.031	-	-
Total	62.997	92.031	-	-

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

None.

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

	Current period	Prior period
Debt securities	8.577.392	9.317.482
<i>Quoted on a stock exchange</i>	8.577.392	9.317.482
<i>Not quoted</i>	-	-
Share certificates	29.125	25.095
<i>Quoted on a stock exchange</i>	-	-
<i>Not quoted</i>	29.125	25.095
Impairment provision(-)	12.338	122.507
Total	8.594.179	9.220.070

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

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

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	120.893	-	117.787	-
Total	120.893	-	117.787	-

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
Cash loans						
Non-specialized loans	48.010.024	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⁽¹⁾</i>	15.441.007	16.643	-	207.073	894	-
<i>Credit cards⁽²⁾</i>	1.185.404	-	-	32.827	-	-
<i>Other</i>	651.889	396	-	15.267	-	-
Specialized loans	11.653.061	36.947	-	154.263	1.121	-
Other receivables	-	-	-	-	-	-
Accruals	729.159	-	-	20.873	-	-
Total	60.392.244	561.295	-	1.512.708	232.133	-

⁽¹⁾ Includes TRY 90.766 of personnel loans.

⁽²⁾ Includes TRY 30.127 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

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

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

(5) Information on loans: (continued)

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	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
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	-	8
<i>Installment</i>	-	-	-
<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	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
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	-	17
<i>Installment</i>	-	-	-
<i>Non-installment</i>	17	-	17
Overdraft accounts-TRY (Retail customer)	286.603	-	286.603
Overdraft accounts-FC (Retail customer)	-	-	-
Total	1.614.291	15.156.029	16.770.320

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

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	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	-	36.718	36.718
<i>Business residential loans</i>	-	36.718	36.718
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
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	-	-	-
<i>Installment</i>	-	-	-
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY (Commercial customer)	286.637	-	286.637
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	409.982	662.578	1.072.560

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

e) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	62.355.413	55.533.345
Foreign loans	342.967	416.101
Total	62.698.380	55.949.446

f) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	254.843	144.642
Indirect loans granted to subsidiaries and associates	-	-
Total	254.843	144.642

g) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	187.196	89.188
Loans and receivables with doubtful collectability	80.196	22.057
Uncollectible loans and receivables	1.276.477	1.290.492
Total	1.543.869	1.401.737

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

(5) Information on loans: (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period	44.237	4.544	94.060
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	44.237	4.544	94.060
Prior period	36.628	7.817	129.380
(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	144.159	30.608	1.493.928
Additions (+)	442.158	18.827	73.393
Transfers from other categories of loans under follow-up (+)	-	131.487	77.818
Transfers to other categories of loans under follow-up (-)	168.969	40.336	-
Collections (-)	100.336	21.250	212.775
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	317.012	119.336	1.432.364
Specific provision (-)	187.196	80.196	1.276.477
Net balance on balance sheet	129.816	39.140	155.887

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

None.

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

(5) Information on loans: (continued)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	129.816	39.140	155.887
Loans to granted real persons and legal entities (Gross)	316.926	119.051	1.393.288
Specific provisions (-)	187.110	79.911	1.237.401
Loans to granted real persons and legal entities (Net)	129.816	39.140	155.887
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	86	285	39.076
Specific provisions (-)	86	285	39.076
Other loans and receivables (Net)	-	-	-
Prior period (Net)	54.971	8.551	203.436
Loans to granted real persons and legal entities (Gross)	144.021	30.350	1.452.789
Specific provisions (-)	89.050	21.799	1.249.353
Loans to granted real persons and legal entities (Net)	54.971	8.551	203.436
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	138	258	41.139
Specific provisions (-)	138	258	41.139
Other loans and receivables (Net)	-	-	-

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

The Bank liquidates its uncollectible receivables through three methods. These are by signing financial restructuring contract under the Law No: 4743, by making payment protocols and by presenting adequate repayment schedules for the lower amount of receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and capital receivables from loans.

The Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted.

j) Explanations on write-off policy:

In compliance with the "Procedure for Write Off and Procedures for Overdue Receivables for Legal Follow-Up" non performing loans which become unrecoverable as a result of legal follow up can be written off to prevent additional legal expenses.

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

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

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

a) Information on held-to-maturity investments blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value:

a.1. Held-to-maturity investments blocked/given as collateral:

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds and similar securities	2.157.035	448.831	2.620.979	417.083
Total	2.157.035	448.831	2.620.979	417.083

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
Total	743.515	725.164	4.004.244	895.666

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds		14.232.367		13.997.928
Treasury bills		-		-
Other public sector debt securities		-		-
Total		14.232.367		13.997.928

c) Information on held-to-maturity investments:

	Current period		Prior period	
	TRY	FC	TRY	FC
Debt securities		14.232.367		13.997.928
<i>Quoted on a stock exchange</i>		11.842.480		11.595.218
<i>Not quoted</i>		2.389.887		2.402.710
Impairment provision (-)		-		-
Total		14.232.367		13.997.928

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Beginning balance		13.997.928		12.719.179
Foreign currency differences on monetary assets		(95.676)		328.614
Purchases during the year ⁽¹⁾		1.872.682		1.944.289
Disposals through sales and redemptions ⁽²⁾		(1.542.567)		(994.154)
Impairment provision (-) / provision reversal (+)		-		-
Balance at the of the period		14.232.367		13.997.928

⁽¹⁾ Interest income accrual difference between 30 September 2012 amounting to TRY 656.898 and 31 December 2011 amounting to TRY 725.676 has been included in purchases row.

⁽²⁾ 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 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.

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

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

(7) Information on associates (Net):

a) Information on associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demirhalkbank NV	Holland	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	32,26
3. Fintek AŞ	Ankara	24,00	29,76
4. Bileşim Alternatif Dağ. Kan. AŞ	Istanbul	24,00	24,00
5. Kredi Kayıt Bürosu AŞ	Istanbul	18,18	18,18
6. Bankalararası Kart Merkezi AŞ	Istanbul	18,95	18,95

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

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1. 4.182.397	462.723	27.078	55.471	3.175	18.364	7.822	-
2. 46.480	45.244	147	-	-	665	1.933	-
3. 13.954	4.948	89	246	35	167	229	-
4. 25.676	12.824	3.713	342	23	1.093	2.121	-
5. 63.586	49.856	2.807	644	-	16.868	8.204	-
6. 30.507	20.440	12.874	-	-	1.957	1.309	-

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

⁽²⁾ The financial data of Demirhalkbank NV, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ, Fintek AŞ and Bileşim Alternatif Dağ. Kan. AŞ. are obtained from 30 June 2012 unreviewed financial statements, Bankalararası Kart Merkezi AŞ and Kredi Kayıt Bürosu AŞ AŞ. are obtained from 30 June 2012 reviewed financial statements

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	96.105	143.527
Movements during the period	(2.500)	(47.422)
Purchases	-	1.000
Bonus shares obtained profit from current year's share	-	1.238
Dividends from current year income	-	-
Sales	-	-
Transfers ⁽¹⁾	(3.006)	(49.660)
Revaluation decrease (-) / increase	-	-
Provision for impairment (-) / reversals (+)	506	-
Balance at the end of the period	93.605	96.105
Capital commitments	-	1.000
Share percentage at the end of the period (%)	0,00	0,00

⁽¹⁾In the 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	74.716	74.716
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	11.518	20.337

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

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

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

e) Associates quoted to a stock exchange:

None.

(8) Information on subsidiaries (Net):

a) Information on subsidiaries:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Banka AD, Skopje	Halk Faktoring AŞ
CORE CAPITAL								
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	5.113	1.462	11.435	1.453	16.688	-	2.009	-
Extraordinary Reserves	442	12.323	606	23.020	43	-	(10.010)	-
Profit / Loss	4.296	(1.397)	22.806	14.290	18.552	(83)	919	-
Net Profit	4.108	6.862	18.868	6.513	9.695	156	644	-
Prior Period Profit/Loss	188	(8.259)	3.938	7.777	8.857	(239)	275	-
Leasehold Improvements (-)	946	-	1.763	-	-	18	-	-
Intangible Assets (-)	207	1.514	441	3	69	11	1.006	-
Total Core Capital	54.698	50.877	104.643	515.760	129.646	4.888	77.795	20.000
SUPPLEMENTARY CAPITAL	-	-	3.465	-	-	-	3.596	-
CAPITAL	54.698	50.877	108.108	515.760	129.646	4.888	81.391	20.000
NET AVAILABLE CAPITAL⁽¹⁾	54.698	50.877	108.108	515.760	129.646	4.888	81.391	20.000

⁽¹⁾ The information 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 has been indicated as Turkish Lira in articles of incorporation and registered in trade registry.

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

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

Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the third clause of first and second paragraph of 466 and 467 articles of Turkish Commercial Code no. 6762.

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

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

(8) Information on subsidiaries

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

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

c) Information related to the subsidiaries as sorted in (b):

	Total assets	Shareholders ' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value ⁽²⁾
1.	189.395	55.851	2.291	7.031	492	4.108	5.939	85.749
2.	258.405	52.391	4.109	5.617	2.436	6.862	-10.957	137.337
3.	330.806	110.312	2.783	15.294	10.283	18.868	17.037	436.128
4.	672.433	515.763	629.270	1.131	50	6.513	5.948	486.221
5.	1.016.282	129.715	932	38.796	-	9.695	-	199.182
6.	5.037	4.917	82	241	4	156	-	2.953
7.	404.215	79.030	20.209	12.728	1.274	644	-	-
8.	20.000	20.000	-	-	-	-	-	19.000

⁽¹⁾ The information is presented from financial statements as 30 June 2012.

⁽²⁾ The information is presented from valuation reports as 31 December 2012.

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

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

d) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period	831.371	596.081
Movements during the period	636.646	235.290
<i>Purchases⁽¹⁾</i>	<i>19.000</i>	<i>166.910</i>
<i>Bonus shares obtained profit from current year's share</i>	<i>63.401</i>	-
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer</i>	-	49.660
<i>Revaluation increase</i>	<i>554.245</i>	-
<i>Reversal of provision for impairment (-)</i>	-	<i>18.720</i>
Balance at the end of the period	1.468.017	831.371
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ Purchases amounting to TRY 19.000 consists capital payments to Halk Faktoring AŞ established in current period and 95% of which is owned by the Bank.

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

	Current period	Prior period
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:

	Current period	Prior period
Quoted to domestic stock ⁽¹⁾	137.337	-
Quoted foreign stock exchange	-	-

⁽¹⁾In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta 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):

None.

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

None.

(12) Information on tangible assets:

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

(13) Information on intangible assets:

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

(14) Information on investment property:

None.

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

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

(15) Information on deferred tax assets:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	90.621	76.851
Revaluation of Financial Assets	80.947	(4.513)
Other	442	(174)
Deferred Tax (Asset) /Liability:	172.010	72.164
Deferred tax accounted in shareholders' equity	(45.109)	32.737
Fair value differences for available for sale financial assets	(45.109)	32.737

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

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

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

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 832.943 and does not exceed 10% of the balance sheet total (31 December 2011: TRY 693.285).

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

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	2.643.043	-	322.159	20.568.128	2.033.774	344.099	694.833	107.197	26.713.233
Foreign currency deposits	2.734.996	-	1.295.357	9.103.742	2.105.156	941.515	1.911.365	11.222	18.103.353
<i>Residents in Turkey</i>	2.054.169	-	1.264.629	8.672.562	1.541.890	672.371	1.378.265	11.090	15.594.976
<i>Residents abroad</i>	680.827	-	30.728	431.180	563.266	269.144	533.100	132	2.508.377
Public sector deposits	2.087.259	-	999.126	3.791.521	315.360	98.336	33.337	-	7.324.939
Commercial inst. deposits	1.926.665	-	1.457.166	6.555.891	1.277.118	88.784	54.072	-	11.359.696
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	3.195.173	-	2.870.351	632.990	83.560	288.594	231.140	-	7.301.808
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	6.080	-	526.330	168.534	78.943	11.075	-	-	790.962
<i>Foreign banks</i>	3.185.049	-	2.344.021	464.456	4.617	277.519	231.140	-	6.506.802
<i>Participation banks</i>	4.044	-	-	-	-	-	-	-	4.044
Total	14.824.021	-	6.982.637	42.591.896	6.703.955	2.241.543	2.966.838	118.419	76.429.309

a.2. Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	2.134.100	-	487.067	18.873.956	2.058.919	317.385	852.893	90.331	24.814.651
Foreign currency deposits	1.967.562	-	2.768.560	7.020.355	2.135.441	765.194	1.676.911	10.818	16.344.841
<i>Residents in Turkey</i>	1.877.351	-	1.718.473	6.534.438	1.306.222	463.508	1.182.384	10.813	13.093.189
<i>Residents abroad</i>	90.211	-	1.050.087	485.917	829.219	301.686	494.527	5	3.251.652
Public sector deposits	1.732.329	-	728.399	2.569.662	540.507	32.252	652	-	5.603.801
Commercial inst. deposits	1.957.764	-	2.393.350	3.507.912	403.463	62.920	41.787	-	8.367.196
Other inst. deposits	335.851	-	32.901	992.193	432.832	256.614	19.410	-	2.069.801
Precious metals	2.066.190	-	-	-	-	-	-	-	2.066.190
Interbank deposits	3.040.575	-	3.012.839	740.105	31.037	25.230	130.668	-	6.980.454
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	4.502	-	2.816.026	37.006	30.030	4.139	-	-	2.891.703
<i>Foreign banks</i>	2.826.223	-	196.813	703.099	1.007	21.091	130.668	-	3.878.901
<i>Participation banks</i>	209.850	-	-	-	-	-	-	-	209.850
Total	13.234.371	-	9.423.116	33.704.183	5.602.199	1.459.595	2.722.321	101.149	66.246.934

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current period	Prior period	Current period	Prior period
Saving deposits	13.386.379	12.713.126	13.261.007	12.046.510
Foreign currency saving deposits	3.707.986	3.663.365	6.691.903	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	2.396	3.734
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	27.105	-	45.829
Swap transactions	-	36.400	-	19.443
Future transactions	-	-	-	-
Options	20	151	44	42
Other	-	-	-	-
Total	20	63.656	44	65.314

(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	218.379	230.385	221.380	216.162
Foreign banks, institutions and funds	318.217	5.072.930	157.703	5.695.982
Total	536.596	5.303.315	379.083	5.912.144

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	182.763	2.514.226	182.627	2.829.244
Medium and long-term	353.833	2.789.089	196.456	3.082.900
Total	536.596	5.303.315	379.083	5.912.144

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

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

Main liability of the Bank is deposit, which is composed of 35% of saving deposits and 24% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Bank's 66% of banks deposits and 29% of other deposits consist of foreign currency deposits.

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

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills	685.063	-	495.615	-
Bonds	-	1.337.137	-	-
Total	685.063	1.337.137	495.615	-

⁽¹⁾As of 27 January 2012, the treasury bills amounting to TRY 750.000 with maturity of 175 days are issued by the Bank.

⁽²⁾As of 19 July 2012, the bonds amounting to USD 750.000 with maturity of 5 years are issued by the Bank.

(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Under secretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	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 515.565 and does not exceed 10% of the balance sheet total (31 December 2011: TRY 568.411).

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

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

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

b) Explanation on finance lease payables:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years ⁽¹⁾	1.990	1.394	2.754	1.818
More than 4 years	-	-	-	-
Total	1.990	1.394	2.754	1.818

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

c) Explanations regarding operational leases:

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

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

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

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior period
General provision	855.858	656.783
Provisions for first group loans and receivables	760.669	596.273
<i>Additional provisions for the loans with extended payment plan</i>	<i>26.570</i>	-
Provisions for second group loans and receivables	36.705	7.145
<i>Additional provisions for the loans with extended payment plan</i>	<i>11.607</i>	-
Provisions for non cash loans	58.484	53.365
Other	-	-

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

None.

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

As of 30 September 2012, the Bank's specific provision for unindemnified non-cash loans balance is TRY 53.681 (31 December 2011: TRY 41.419). The Bank provides 50% of provision for these non cash loans. TRY 2.483 (31 December 2011: TRY 2.525) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

d) Information on other provisions:

Total other provision balance amounting to TRY 366.706 (31 December 2011: TRY 277.156) consists of TRY 53.681 (31 December 2011: TRY 41.419) for specific provisions for unindemnified non cash loans, TRY 26.870 (31 December 2011: TRY 21.437) for legal cases filed against the Bank, TRY 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 40.655 (31 December 2011: TRY 20.300) of other provisions.

e) Liabilities on pension rights

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

None.

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

Based on the results of the actuarial report prepared as of 31 December 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.

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

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

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 30 September 2012, the Bank's corporate tax payable is amounting to TRY 1.416 after setting off TRY 676.526 of prepaid taxes from TRY 437.660 of corporate tax liabilities of which TRY 238.866 is the Cyprus branches tax provision.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	238.866	86.320
Income on securities tax	55.690	50.386
Property income tax	29.916	25.179
Banking and insurance transactions tax (BITT)	697	507
Foreign exchange transactions tax	-	196
Value added tax payable	3	2
Other	13.866	12.740
Total	339.038	175.330

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	14	10
Social insurance premiums-employer	18	13
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	-	-
Unemployment insurance-employer	-	-
Other	917	714
Total	11.646	8.732

b) Explanations regarding deferred tax liability:

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

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

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

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

None.

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

None.

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

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

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

None.

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

None.

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

None.

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

None.

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

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

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)	554.245	-	-	-
Revaluation difference	134.012	25.192	76.746	(343.524)
Exchange rate difference	-	-	-	-
Total	688.257	25.192	76.746	(343.524)

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current period	Prior period
Commitments for credit card expenditure limits	5.298.134	4.614.215
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⁾	-	1.000
Other irrevocable commitments	1.138.171	1.058.973
Total	12.531.769	11.256.067

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

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

	Current period	Prior period
Bank acceptance loans	3.127.445	4.080.511
Letters of credit	1.313.115	627.992
Other guarantees	549.618	423.056
Total	4.990.178	5.131.559

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

	Current period	Prior period
Letters of certain guarantees	6.513.546	5.993.331
Letters of advance guarantees	1.669.679	1.660.373
Letters of tentative guarantees	829.383	948.430
Letters of guarantee given to customs offices	419.800	324.948
Other letters of guarantee	4.678.127	3.787.816
Total	14.110.535	12.714.898

c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	395.296	160.706
<i>Within one year or less original maturity</i>	175	674
<i>Within more than one year maturity</i>	395.121	160.032
Other non-cash loans	18.705.417	17.685.751
Total	19.100.713	17.846.457

d) Information on contingent liabilities and assets:

The Bank has provided TRY 26.870 (31 December 2011: TRY 21.437) of provision for the disputed legal cases filed by various persons and institutions.

e) Services supplied on behalf of others:

None.

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

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	1.477.577	133.187	1.171.550	138.528
Medium and long term loans	2.678.417	612.638	1.899.369	438.926
Interest on non-performing loans	57.577	-	83.143	1
Premiums from resource utilization support fund	-	-	-	-
Total	4.213.571	745.825	3.154.062	577.455

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

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	1.792	1.086	50	495
Overseas banks	1.057	2.602	615	6.241
Head office and branches	-	-	-	-
Total	2.849	3.688	665	6.736

c) Interest income on marketable securities:

	Current Period		Prior Period	
	DC	FC	DC	FC
Financial Assets Held for Trading	911	407	3.976	405
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	518.121	61.169	454.119	49.738
Held-to-Maturity Investments	957.970	86.937	773.785	87.610
Total	1.477.002	148.513	1.231.880	137.753

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries and associates	7.764	4.546

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

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	15.382	84.619	11.657	71.733
<i>Central Bank of Turkey</i>	-	-	-	-
<i>Domestic banks</i>	14.024	5.130	11.657	3.975
<i>Overseas banks</i>	1.358	79.489	-	67.758
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	10.097	-	6.275	-
Total	25.479	84.619	17.932	71.733

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	21.495	19.293

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	52.018	13.168	6.837	-
Total	52.018	13.168	6.837	-

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits						Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
TRY								
Bank deposits	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	109.259	323.022	68.760	14.005	3.107	-	518.162
Other deposits	-	12.040	90.872	33.275	34.753	1.768	-	172.708
7 days call accounts	-	-	-	-	-	-	-	-
Total	327	225.834	2.024.607	295.920	81.837	67.254	6.044	2.701.823
Foreign currency								
Deposits	200	44.508	196.654	51.695	19.894	43.321	-	356.272
Bank deposits	-	17.076	-	-	-	-	-	17.076
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
Total	200	61.584	196.654	51.695	19.894	43.321	-	373.348
Grand total	527	287.418	2.221.261	347.615	101.731	110.575	6.044	3.075.171

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

	Current period	Prior period
Profit	6.391.964	4.829.501
Profit from the capital market operations	257.487	103.924
Profit on derivative financial instruments	1.251.705	1.174.272
Foreign exchange gains	4.882.772	3.551.305
Loss (-)	6.147.258	4.685.735
Loss from the capital market operations	2.768	1.997
Loss on derivative financial instruments	1.515.008	997.794
Foreign exchange losses	4.629.482	3.685.944

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

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

(4) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	148.941	324.347
- <i>Specific provision reversals for Loans under follow up</i>	137.359	228.472
- <i>Other prior period expense reversals income</i>	11.582	95.875
Receivable from the asset sale on credit terms	84.970	101.088
Rent income	4.992	4.778
Cheques	3.934	4.096
Provision for communication expenses	5.698	5.504
Other income	17.840	15.058
Total	266.375	454.871

(5) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	274.633	134.922
<i>Group - III loans and receivables</i>	196.020	65.707
<i>Group - IV loans and receivables</i>	21.982	14.211
<i>Group - V loans and receivables</i>	56.631	55.004
General loan provision expenses	199.075	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	33.865	20.934
Total	559.073	341.715

(6) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	616.244	548.329
Reserve for employee termination benefits	47.787	50.108
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	65.975	57.834
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	1.783	1.256
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	519.334	424.024
<i>Operational leasing expenses</i>	78.045	61.149
<i>Maintenance expenses</i>	10.306	12.143
<i>Advertisement expenses</i>	47.238	37.663
<i>Other expenses</i>	383.745	313.069
Loss on sales of assets	237	1.785
Other	229.738	185.217
Total	1.487.820	1.271.832

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

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

- (7) Information on profit/loss from continuing and discontinued operations before taxes:
The Bank's income before tax is due from continuing activities. TRY 3.182.906 of the income before tax consists of net interest income, TRY 640.632 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Bank is amounting to TRY 2.351.750.
- (8) Information on tax provisions for continuing and discontinued operations:
For the nine-month period ended 30 September 2012, the Bank's tax provision amounting to TRY 498.697 consists of TRY 676.389 of current tax charge of which TRY 1.279 is tax charge of Cyprus branches; and TRY 177.692 of deferred tax charge.
- (9) Information on net operating income/expense from continuing and discontinued operations after tax:
For the nine-month period ended 30 September 2012; the Bank's net operating income after tax is amounting to TRY 1.853.053.
- (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 Bank'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.

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

V. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(1) Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

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

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

- (1) Disclosures for the “other” and “the effect of foreign exchange differences on cash and cash equivalents” items of cash flow statement:

For the 30 September 2012, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 420.363 decrease (30 September 2011: TRY 605.300, increase).

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

	Current period	Prior period
Cash	7.272.370	4.649.560
<i>Cash in TRY and foreign currency</i>	481.801	379.280
<i>Central Bank and others⁽¹⁾</i>	6.790.569	4.270.280
Cash equivalents	1.475.000	1.109.419
<i>Demand and Time Deposits Up to 3 Months</i>	1.475.000	989.394
<i>Money Market Placements</i>	-	120.025
Total cash and cash equivalents	8.747.370	5.758.979
Reserve deposits in Central Bank of Turkey	(3.965.249)	(1.317.067)
Accruals on reserve deposits in Central Bank of Turkey	-	(3.498)
Accruals on money market placement	-	(25)
Accruals on banks	(219)	(53)
Cash and Cash Equivalents	4.781.902	4.438.336

⁽¹⁾ Others items include cheques received.

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

	Current Period	Prior Period
Cash	10.401.780	8.494.286
<i>Cash in TRY and foreign currency</i>	466.562	494.309
<i>Central Bank and others⁽¹⁾</i>	9.935.218	7.999.977
Cash Equivalents	1.866.254	1.618.224
<i>Demand and Time Deposits Up to 3 Months</i>	1.766.178	1.618.224
<i>Money Market Placements</i>	100.076	-
Cash and Banks	12.268.034	10.112.510
Reserve deposits in Central Bank of Turkey	(8.523.060)	(2.339.288)
Accruals on reserve deposits in Central Bank of Turkey	(245)	(163)
Accruals on money market placement	(76)	-
Accruals on banks	(1.119)	(598)
Total Cash and Cash Equivalents	3.743.534	7.772.461

⁽¹⁾ Others items include cheques received.

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

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK

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

a) Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	144.642	84.051	-	-	-	-
Closing balance	254.843	359.018	-	-	-	-
Interest and commissions income	7.764	1.407	-	-	-	-

b) Prior period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	75.704	36.366	-	-	-	-
Closing balance	144.642	84.051	-	-	-	-
Interest and commissions income	4.411	135	-	-	-	-

c.1. Deposits held by the Bank's risk group:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
	Deposits					
Beginning balance	306.082	284.026	-	-	-	-
Closing Balance	493.507	306.082	-	-	-	-
Interest expense on deposits	21.495	19.293	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
	Financial Assets At Fv Through Profit And Loss					
Beginning balance	62.206	-	-	-	-	-
Closing Balance	31.791	62.206	-	-	-	-
Total Profit/Loss	(39)	-	-	-	-	-

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

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

(2) Disclosures for risk group:

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

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

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

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

	Amount	% compared to the amounts in the financial statements
Cash loans	254.843	0,41%
Non-cash loans	359.018	1,88%
Deposits	493.507	0,65%
Forward and option contracts	31.791	0,33%
Banks and financial institutions	-	-

Pricing of these transactions are in accordance with the general pricing policies of the Bank and are in line with market rates.

c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements:
Explained in b).

d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 4.751 as of 30 September 2012 (30 September 2011: TRY 3.892).

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED 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.

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.

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SECTION VII: INDEPENDENT AUDITORS' REPORT

I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

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SECTION VII: INDEPENDENT AUDITORS' REVIEW REPORT

II. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REVIEW REPORT

The unconsolidated 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 22 October 2012 is presented in the introduction of this report.

III. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.