

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

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

13 February 2013

*This report contains "Independent Auditors'
Review Report" comprising 2 pages and;
"Unconsolidated Financial Statements and
Related Disclosures and Footnotes" comprising
106 pages.*

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

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

To the Board of Directors of Türkiye Halk Bankası AŞ;

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

Management's responsibility for the Financial Statements:

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

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette numbered 26333 on 1 November 2006 and the International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the internal control into consideration and assessing the appropriateness of the applied accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The accompanying unconsolidated financial statements as of 31 December 2012 include a general reserve amounting to TRY 328.300 thousands, TRY 194.000 thousands of which had been recognized as expense in the prior periods and TRY 134.300 thousands of which was charged to the income statement as expense in the current period, provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

In our opinion, except for the effect of the matter described in the fourth paragraph above on the unconsolidated financial statements, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ as of 31 December 2012 and the result of its operations and cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the existing regulations described in Article 37 of the Banking Act No: 5411 and the other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

İstanbul,
13 February 2013

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Partner

Additional paragraph for convenience translation to English:

As explained in Section 3.1, the accompanying 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 YEAR ENDED 31 DECEMBER 2012

1. The Bank's Headquarter Address:
Söğütözü Mahallesi 2. Cadde No:63 Ankara
2. The Bank's Contact Phone and Facsimile:
Phone : 0312 289 20 00
Facsimile : 0312 289 30 48
3. The Bank's Website and E-mail Address:
Website: www.halkbank.com.tr

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

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

Unless otherwise indicated, these unconsolidated financial statements and explanatory footnotes and disclosures as of and for the year ended 31 December 2012 are prepared in thousand Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Ankara, 13 February 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 : Gönül Özdemir / Manager
Tel No : 0312 289 30 13
Fax No : 0312 289 30 50

SECTION ONE

General Information about the Bank

	Page No
I. Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including The Changes of These Articles	3
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	3
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	4
IV. Information About the Persons and Institutions that Have Qualified Shares Attributable to the Bank	6
V. Summary on the Bank's Functions and Lines of Activity	6
VI. Differences Between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation About the Institutions Subject to Line-by-Line Method or Proportional Consolidation and Institutions Which are Deducted From Equity or Not Included in These Three Methods	7
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	8

SECTION TWO

Unconsolidated Financial Statements

I. Balance Sheet (Statement of Financial Position)	10
II. Statement of Off-Balance Sheet Items	12
III. Statement of Income	13
IV. Statement of Income and Expense Items Accounted under Shareholders' Equity	14
V. Statement of Changes in Shareholders' Equity	15
VI. Statement of Cash Flows	16
VII. Statement of Profit Distribution Table	17

SECTION THREE

Explanations on Accounting Policies

I. Basis of Presentation	18
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	18
III. Explanations on Forward and Option Contracts and Derivative Instruments	19
IV. Interest Income and Expenses	19
V. Fees and Commission Income and Expenses	19
VI. Explanations and Disclosures on Financial Assets	19
VII. Explanations on Impairment of Financial Assets	22
VIII. Offsetting Financial Assets and Liabilities	23
IX. Explanations on Sales and Repurchase Agreements (Repos) and Transactions on Securities Loaned	24
X. Explanations on Assets Held For Sale and Discontinued Operations	24
XI. Explanations on Goodwill and Other Intangible Assets	24
XII. Explanations on Property, Plant and Equipment	25
XIII. Explanations on Leasing Transactions	25
XIV. Explanations on Provisions and Contingent Liabilities	25
XV. Explanations on Employee Benefit Liabilities	26
XVI. Explanations on Taxation	26
XVII. Additional Explanations on Borrowings	27
XVIII. Explanations on Shares and Share Issue	28
XIX. Explanations on Bill Guarantees and Acceptances	28
XX. Explanations on Government Incentives	28
XXI. Explanations on Segment Reporting	28
XXII. Explanations on Other Matters	28

SECTION FOUR

Information on Financial Structure

I.	Explanations Related to the Capital Adequacy Ratio	29
II.	Explanations Related to the Credit Risk	32
III.	Explanations Related to the Market Risk	41
IV.	Explanations Related to the Operational Risk	43
V.	Explanations Related to the Currency Risk	43
VI.	Explanations Related to the Interest Rate Risk	46
VII.	Explanations Related to the Position Risk of Shares	51
VIII.	Explanations Related to the Liquidity Risk	52
IX.	Explanations Related to the Securitization Exposures	55
X.	Explanations Related to the Credit Risk Mitigation Techniques	56
XI.	Explanations Related to the Risk Management Target and Policies:	57
XII.	Explanations Related to Business Segmentation	59
XIII.	Explanations on Presentation of Financial Assets and Liabilities at Fair Value	62
XIV.	Explanations Related to Transactions Made on Behalf of Others and Transactions Based on Trust	63

SECTION FIVE

Explanations and Notes to the Unconsolidated Financial Statements

I.	Explanations and Notes Related to the Assets	64
II.	Explanations and Notes Related to the Liabilities	83
III.	Explanations and Notes Related to the Off-Balance Sheet Items	91
IV.	Explanations and Notes Related to the Income Statement	94
V.	Explanations and Notes Related to the Statement of Changes in Shareholders' Equity	99
VI.	Explanations and Notes Related to the Cash Flow Statement	100
VII.	Explanation Related to the Risk Group of the Bank	101
VIII.	Explanation On the Bank's Domestic Branches, Agencies/Branches Abroad and Off-Shore Branches	103
IX.	Explanations Related to the Subsequent Events	104

SECTION SIX

Other Explanations and Notes

I.	Other Explanations on the Bank's operations	105
----	---	-----

SECTION SEVEN

Independent Auditors' Report

I.	Explanations on the Independent Auditors' Report	106
II.	Explanations and Notes Prepared by the Independent Auditors	106

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

As of 31 December 2012 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	31 December 2012	%	31 December 2011	%
Prime Ministry				
Privatization Administration ^(1,2)	638.276	51,06	937.276	74,98
Public shares ⁽²⁾	611.266	48,90	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. As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

⁽²⁾ The shares of the Prime Ministry Privatization Administration amounting TRY 550 have been included in Public shares. With that shares, the total shares amounting TRY 638.826 that held by the Privatization Administration is the 51,11% of the total shares.

⁽³⁾ According to Turkish Commercial Code, 3rd Sub-article added to Article 2 of the Law No: 6327 and 4603 dated 13 June 2012, The Privatization High Council public shares are controlled and represented by the Minister until the sales completion of these shares.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (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.	20
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.3.2003	Doctor's Degree: Washington International University- Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU – Faculty of Engineering - Mechanical Engineering.	29
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.4.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree: Marmara Uni. Banking and Insurance Ins. – International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	23
Dr. Ahmet YARIZ	Member of the Board of Directors	9.4.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins. - Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department. Bachelor Degree: Istanbul Uni. - Business Administration.	21
Sabahattin BİRDAL	Member of the Board of Directors	27.10.2010	Istanbul Uni. Faculty of Economics Business Administration-Finance	28
Ahmet KAHRAMAN	Member of the Board of Directors	18.4.2012	Bachelor Degree: Istanbul University – Department of Law	-
Hikmet Aydın SİMİT	Member of the Board of Directors	18.4.2012	Bachelor Degree: Ankara University, Faculty of Political Sciences -Business Administration	22
Faruk ÖZÇELİK	Member of the Audit Committee	24.5.2010	Master's Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	2
Ali ARSLAN	Member of the Audit Committee	18.4.2012	Master's Degree: Cleveland State University Business School(MBA) Bachelor Degree: Çukurova University, Faculty of Economic and Administrative Sciences-Business Administration	21
Yakup DEMİRCİ	Executive Vice President	11.6.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	23
Mustafa SAVAŞ	Executive Vice President	12.8.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	21
Erol GÖNCÜ	Executive Vice President	14.6.2005	METU Faculty of Arts and Sciences-Mathematics Department.	23
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.6.2005	Doctor's Degree: Marmara University, Banking and Insurance Ins. -Banking Department. Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	21
Selahattin SÜLEYMANOĞLU	Executive Vice President	1.7.2007	Master Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	23
Mehmet Akif AYDEMİR	Executive Vice President	4.3.2010	Ankara University, Faculty of Political Sciences –Economics.	26
Taner AKSEL	Executive Vice President	26.3.2010	Anadolu University, Faculty of Economic and Administrative Sciences -Economics.	26
Ufuk Hacer DENİZCI YÜCE	Executive Vice President	12.10.2010	Istanbul Technical University Business Administration Faculty-Business Engineering.	23
Mürsel ERTAŞ	Executive Vice President	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences-Foreign Trade & Exchange.	26
İsmail Hakkı İMAMOĞLU	Executive Vice President	28.3.2011	Ankara Eco. Com. Science (ECS) Academy – Faculty of Management Sciences – Department of Social Politics.	28
Atalay TARDUŞ	Executive Vice President	4.8.2011	METU Faculty of Economic and Administrative Sciences-Department of Economics.	20
Mehmet Hakan ATILLA	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.	17
Murat UYSAL	Executive Vice President	11.11.2011	Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department Bachelor Degree: Istanbul Uni. - Faculty of Economic and Administrative Sciences- Department of Economics	14

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (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 YEAR ENDED 31 DECEMBER 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 29 November 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 was executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on 11 August 2006, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Bank corresponding to 24.98% was completed in the first week of May 2007 and Halkbank shares were traded on İstanbul Stock Exchange (“ISE”) as of 10 May 2007 with the base price of TRY full 8,00. As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (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 31 December 2012, the Bank operates with a total of 821 branches consisting of 816 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 25 satellite branches and 2 financial services branches. The Bank has also 1 representative office in Iran.

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

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial associate, Bileşim Alternatif Dağ. Kan. AŞ, is accounted in the consolidated financial statements prepared in accordance with International Financial Reporting Standards based on equity method of accounting.

The Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Banka AD, Skopje and Halk Faktoring AŞ are included in the scope of consolidation by line-by-line method.

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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 YEAR ENDED 31 DECEMBER 2012

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

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

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

Additional paragraph for convenience translation to English

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

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

a) The Bank’s strategy on financial instruments:

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (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 31 December 2012 and 31 December 2011.

3. Investments held to maturity

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (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 foreign currency associates purchased before 1 January 2005 recorded over their restated values by the occurred indexes at transaction dates until 31 December 2004.

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (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.

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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (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 dated 1 March 2012 and published in the 8 March 2012 dated 28227 numbered Official Gazette.

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9,8%. Moreover, after the transfer to SII, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2012, no technical deficit has been reported.

XVI. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 31 December 2011 has been paid in April 2012, accrued advance tax as of 31 December 2012 will be paid in February 2013.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (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.

As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

XIX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXI. EXPLANATIONS ON SEGMENT REPORTING

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

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

XXII. EXPLANATION ON OTHER MATTERS

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

	Subsidiaries	Marketable securities revaluation fund/ Shareholders' Equity
Cost	839.080	-
Effect of change in related accounting policies	809.721	809.721
Financial assets at fair value	1.648.801	809.721

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CAPITAL ADEQUACY RATIO

The capital adequacy ratio calculations are made in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” published in Official Journal No 28337 of 28 June 2012. The solo basis capital adequacy ratio of the Bank is 16,17 % as of 31 December 2012. The Bank did not recalculate the capital adequacy ratio related to prior periods, according to “Publicly Announced Communiqué on Financial Statements and Related Disclosures and Footnotes” published in Official Gazette dated 28 June 2012 and numbered 28337.

In the calculation process of credit risk, asset types, ratings and credit risk mitigators are taken into account. While simple approach is taken into account for banking book items, the Bank uses comprehensive approach for trading book items in the credit mitigation process.

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

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

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

In the calculation of counterparty credit risk arising from trading account, the current exposure method is used.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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 Weights							
	0%	10%	20%	50%	75%	100%	150%	200%
Surplus credit risk weighted	-	-	1.125.474	9.781.931	16.207.062	30.907.354	1.853.915	10.130.710
Risk classifications:								
Claims on sovereigns and Central Banks	24.075.410	-	787	2.685.080	-	-	-	-
Claims on regional governments or local authorities	4.968	-	310.528	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	651	-	41.194	-	-	58.646	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	636.524	-	4.482.971	891.073	-	46.804	-	-
Claims on corporates	385.981	-	156.806	-	-	27.422.636	-	-
Claims included in the regulatory retail portfolios	1.174.808	-	131.417	-	21.174.404	-	-	-
Claims secured by residential property	25.367	-	2.649	15.845.450	-	-	-	-
Overdue loans	-	-	-	119.461	-	223.547	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	1.235.943	5.065.355
Secured by mortgages	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-
Other receivables	2.713.731	-	501.019	22.798	435.012	3.155.721	-	-

2. Capital adequacy ratio summary:

		Current Period
A	Capital to be employed for credit risk (Amount subject to credit risk*0,08) (I)	5.600.516
B	Capital to be employed for market risk (II)	133.905
C	Capital to be employed for operational risk (III)	601.101
	Shareholders' equity	12.808.583
	Shareholders' equity / (I+II+III) * 12,5*100	16,17

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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 premium	-	-
Share repeal	-	-
Legal reserves	6.052.800	4.386.767
Adjustment to legal reserves	-	-
Profit	2.595.211	2.045.134
<i>Net current period profit</i>	<i>2.595.211</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	328.300	194.000
Profit on sale of associates, subsidiaries and buildings	-	-
Primary subordinated loans	-	-
Loss that is not covered with reserves (-)	-	-
<i>Net current period loss</i>	<i>-</i>	<i>-</i>
<i>Prior period loss</i>	<i>-</i>	<i>-</i>
Development cost of operating lease (-)	78.860	70.079
Intangible assets (-)	37.285	27.570
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-
Total Core Capital	11.330.617	8.998.703
SUPPLEMENTARY CAPITAL		
General reserves	972.148	656.783
45% of increase in revaluation fund of movables	-	-
45% of increase in revaluation fund of fixed assets	-	-
Free shares from investment and associates, subsidiaries and joint ventures that is not recognized in profit	4.969	4.422
Primary subordinated loans which are ignored in the calculation of core capital	-	-
Secondary subordinated loans	-	-
45% of value increase fund of financial assets available for sale and associates and subsidiaries	539.786	(266.778)
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)	-	-
Total Supplementary Capital	1.516.903	394.427
CAPITAL	12.847.520	9.393.130
DEDUCTIONS FROM THE CAPITAL	38.937	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	36.311	28.350
Securitisation positions that is deducted -preferably- from the shareholders' equity	-	-
Other	2.626	3.288
TOTAL SHAREHOLDERS' EQUITY	12.808.583	9.352.673

4. Information on assessment process of internal capital adequacy requirements:

The Bank uses economic capital model in the process of internal capital adequacy assessment process. Calculations are done by considering the confidence interval which corresponds to the rating targeted by Bank. In the analyses, credit, market, operational risks and asset - liability management risks and correlation effect are taken into account, correlation effect is considered while risks are consolidated. The Bank takes one year period into account in its calculations.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK

In accordance with the Bank's risk management policies, the limits are specified in respect of main and sub-sectors. That limits are monitored periodically.

The Bank, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Bank's risk is concentrated in Turkey. In loan procedure, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically with the Treasury department, concerning the off-balance sheet operations based on the customers and banks.

Except for the restructured loan follow-up system determined in the related communiqué, such loans are incorporated into the new rating groups or risk weightings under the risk management systems of the banks, and new precautionary measures are taken for these processes. Since long-term commitments are more risky than the short-term commitments, risks are assorted in accordance with the Bank's risk management system.

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

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

As of 31 December 2012, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 20,60% and 24,94% of its total cash loans.

As of 31 December 2012, receivables of the Bank from its top 100 and 200 non-cash loan customers are respectively 53,90% and 63,78% of its total non-cash loans.

As of 31 December 2012, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 15,89% and 19,79% of its total balance sheet and off-balance sheet assets.

As of 31 December 2012, general loan loss provision related to the credit risk incurred by the Bank in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 972.148 (31 December 2011: TRY 656.783).

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK(continued)

Risk Classifications:	Current Period Risk Amount^(*)	Average Risk Amount^(**)
Claims on sovereigns and Central Banks	26.761.277	25.986.450
Claims on regional governments or local authorities	315.496	324.404
Claims on administrative bodies and other non-commercial undertakings	100.491	128.696
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	6.057.372	3.988.414
Claims on corporates	27.965.423	27.872.984
Claims included in the regulatory retail portfolios	22.480.629	21.863.820
Claims secured by residential property	15.873.466	15.386.819
Overdue loans	343.008	325.161
Higher risk categories decided by the Board	6.301.298	5.675.638
Secured by mortgages	-	-
Securitization positions	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	-
Other receivables	6.828.281	6.192.812

(*) Includes the risk amounts after credit conversions.

(**) Average risk amounts are the arithmetical average of the amounts after credit conversions in July- December period.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Risk profile according to the geographical concentration:

Risk Classifications^(*)

	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Overdue loans	Total
Current Period											
1. Domestic	26.761.277	315.496	100.491	2.953.180	27.508.481	22.416.360	15.872.446	343.008	6.301.298	6.828.148	109.400.185
2. EU Countries ^(**)	-	-	-	525.275	75.245	-	-	-	-	-	600.520
3. OECD Countries	-	-	-	1.504.130	-	-	-	-	-	-	1.504.130
4. Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-
5. USA, Canada	-	-	-	364.053	-	-	-	-	-	-	364.053
6. Other Countires	-	-	-	201.653	280.620	64.269	1.020	-	-	133	547.695
7. Investment and associates, subsidiaries and joint ventures	-	-	-	509.081	101.077	-	-	-	-	-	610.158
8. Undistributed Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-	-	-	-
9. Total	26.761.277	315.496	100.491	6.057.372	27.965.423	22.480.629	15.873.466	343.008	6.301.298	6.828.281	113.026.741

^(*) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

^(**) OECD Countires other than the EU Countries, USA and Canada.

^(***) Includes loan classified under Uniform Accounting Standarts –loans except in the first 3 columns-and compliant with Article 48 of the Banking Law.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Risk Profile according to sectors:

	Risk Classifications ¹⁾										TC	FC	Total
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Overdue loans			
Agricultural	13	35	268	-	80.360	396.596	80.057	23.757	-	46.612	579.147	48.551	627.698
<i>Farming and raising livestock</i>	13	35	268	-	64.741	375.418	80.057	23.559	-	46.533	558.229	32.395	590.624
<i>Forestry</i>	-	-	-	-	-	3.197	-	184	-	79	3.460	-	3.460
<i>Fishing</i>	-	-	-	-	15.619	17.981	-	14	-	-	17.458	16.156	33.614
Manufacturing	-	172	63.114	-	14.153.640	3.530.064	4.051.443	121.683	-	120.669	9.962.329	12.078.456	22.040.785
<i>Mining</i>	-	56	38.433	-	169.749	97.691	49.141	2.167	-	-	153.705	203.532	357.237
<i>Production</i>	-	116	19.005	-	12.903.174	3.401.996	3.798.142	119.461	-	120.669	9.388.710	10.973.853	20.362.563
<i>Electric, gas and water</i>	-	-	5.676	-	1.080.717	30.377	204.160	55	-	-	419.914	901.071	1.320.985
Construction	-	41	-	-	2.479.756	706.926	703.917	25.593	-	331.503	2.817.195	1.430.541	4.247.736
Services	25.337.689	116.191	34.319	6.057.372	9.822.224	9.532.835	4.277.362	133.284	-	2.096.202	35.462.008	21.945.470	57.407.478
<i>Wholesale and retail trade</i>	-	226	16.000	-	4.494.235	5.307.990	2.983.195	94.898	-	5.192	10.649.846	2.251.890	12.901.736
<i>Hotel, food and beverage services</i>	-	10	-	-	1.014.906	320.943	245.458	4.086	-	91	513.728	1.071.766	1.585.494
<i>Transportation and telecommunication</i>	-	-	201	-	475.235	2.136.678	479.930	10.975	-	600	2.610.256	493.363	3.103.619
<i>Financial institutions</i>	25.329.375	-	-	6.057.372	541.565	35.370	-	403	-	1.881.809	18.555.046	15.290.848	33.845.894
<i>Real estate and renting services</i>	252	114.257	16.641	-	2.766.361	1.274.256	387.326	4.338	-	202.235	2.359.217	2.406.449	4.765.666
<i>Self-employment services</i>	-	6	-	-	363	295.845	54.427	1.229	-	6.195	357.858	207	358.065
<i>Education services</i>	254	2	1.391	-	88.491	51.267	25.680	242	-	3	143.223	24.107	167.330
<i>Health and social services</i>	7.808	1.690	86	-	441.068	110.486	101.346	17.113	-	77	272.834	406.840	679.674
Other	1.423.575	199.057	2.790	-	1.429.443	8.314.208	6.760.687	38.691	6.301.298	4.233.295	25.982.903	2.720.141	28.703.044
Total	26.761.277	315.496	100.491	6.057.372	27.965.423	22.480.629	15.873.466	343.008	6.301.298	6.828.281	74.803.582	38.223.159	113.026.741

⁽¹⁾Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Distribution of maturity risk factors according to their outstanding maturities:

Risk Classifications	According to outstanding maturities				1 year and over
	1 month	1-3 month	3-6 month	6-12 month	
1.Claims on sovereigns and Central Banks	4.083.391	5.375.373	2.096.707	3.434.728	11.719.059
2.Claims on regional governments or local authorities	4.823	4.074	1.671	79.163	224.732
3.Claims on administrative bodies and other non-commercial undertakings	66.840	3.875	14.794	7.239	7.791
4.Claims on banks and intermediary institutions	4.396.631	343.394	96.822	107.896	440.643
5.Claims on corporate	6.197.317	2.214.468	2.909.161	4.127.909	15.643.653
6.Claims included in the regulatory retail portfolios	2.682.391	1.907.608	2.615.226	4.832.015	26.979.466
7. Overdue loans	343.008	-	-	-	-
8. Other receivables	5.358.301	172.390	142.782	495.728	659.080
Total	23.132.702	10.021.182	7.877.163	13.084.678	55.674.424

(*) Commitments amounting TRY 3.236.592 are not included in the table above.

(**) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

(***) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporates and claims included in the regulatory retail portfolios.

Information on the risk classifications as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

In determining the risk weights for the exposures to banks which are settled abroad, Fitch Ratings' risk ratings are used.

Additionally, for the foreign exchange securities issued by Turkish Treasury and for the foreign exchange exposures to Turkish Central Government, Fitch Ratings' risk ratings are used.

Mapping Table	Credit Quality Grade	Fitch Ratings
Long term Credit Assessments	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below
Short term Credit Assessments	1	F1+ and F1
	2	F2
	3	F3
	4	F3 and below
	5	---
	6	---

Risk balances according to risk weights:

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	Reductions from the shareholders' equity
1. Pre-Amount of Credit Risk Mitigation	27.358.643	-	5.341.348	3.598.950	35.590.763	34.835.739	1.235.943	5.065.355	155.082
2. Amount after Credit Risk Mitigation	29.017.440	-	5.627.371	19.563.862	21.609.416	30.907.354	1.235.943	5.065.355	155.082

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Information according to sectors and counterparties:

Sectors / Counterparties	Loans		Value Adjustments	Provisions
	Non-performing loans	OverDue ^(**)		
Agricultural	103.642	15.318	640	79.885
<i>Farming and raising livestock</i>	95.758	14.982	627	72.199
<i>Forestry</i>	902	208	9	718
<i>Fishing</i>	6.982	128	4	6.968
Manufacturing	687.349	213.626	45.869	565.666
<i>Mining</i>	11.286	48.970	4.288	9.119
<i>Production</i>	675.152	163.468	41.570	555.691
<i>Electric, gas and water</i>	911	1.188	11	856
Construction	114.672	61.018	1.317	89.079
Services	669.673	304.923	10.220	536.389
<i>Wholesale and retail trade</i>	441.956	201.343	7.180	347.058
<i>Hotel, food and beverage services</i>	76.265	40.461	787	72.179
<i>Transportation and telecommunication</i>	53.495	32.550	860	42.520
<i>Financial institutions</i>	10.207	1.372	40	9.804
<i>Real estate and renting services</i>	28.188	15.558	847	23.850
<i>Self-employment services</i>	5.470	5.030	158	4.241
<i>Education services</i>	1.853	1.962	61	1.611
<i>Health and social services</i>	52.239	6.647	287	35.126
Other	384.310	237.151	7.758	345.619
Total	1.959.646	832.036	65.804	1.616.638

^(*) Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

^(**) Overdue Loans; are the loans that overdue upto 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.

Information about value adjustments and changes in the loan impairment:

	The opening balance	Provision amounts set aside during the period	The cancelation of the provisions	Other adjustments	Close out balance
1. Specific Provisions	1.401.737	382.808	167.907	-	1.616.638
2. General Provisions	656.783	315.365	-	-	972.148

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

The table below shows the maximum risk exposure to credit risk for the components of the financial statements.

Gross Maximum Exposure	Current Period	Prior Period
Due from banks	2.619.412	1.475.000
Money Market Receivables	12.355	-
Financial Assets at Fair Value through profit or loss	104.777	128.199
Financial Assets Available for Sale	9.383.212	9.207.310
Held to maturity Investments	13.455.515	13.997.928
Loans	65.893.838	56.216.404
Total	91.469.109	81.024.841
Contingent Liabilities	19.734.203	17.846.457
Commitments	14.156.031	11.256.067
Total	33.890.234	29.102.524
Total Credit Risk Exposure	125.359.343	110.127.365

Over due and individually impaired assets are not available in due from banks, financial assets at fair value through profit or loss, financial assets available for sale and held to maturity investments.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Corporate and Commercial Loans	Internal/External Valuation Grade	Total	Entrepreneur Firms	Internal/External Valuation Grade	Total
Risk rating group 1	AAA	85.361	High		
Risk rating group 2	AA	6.269.364	Risk rating group 1	1	1.146.803
Risk rating group 3	A	6.321.543	Risk rating group 2	2	1.728.652
Risk rating group 4	BBB	9.553.296	Standard		
Risk rating group 5	BB	7.583.121	Risk rating group 3	3	1.618.863
Risk rating group 6	B	8.226.354	Risk rating group 4	4	2.123.267
Risk rating group 7	CCC	2.769.230	Risk rating group 5	5	4.089.038
Risk rating group 8	CC	429.705	Below the standard		
Risk rating group 9	C	11.390	Risk rating group 6	6	3.569.916
			Risk rating group 7	7	4.020.528
Total		41.249.364	Total		18.297.067

(1) Loans for which the risk does not belong to the Bank amounting TRY 1.333.740 are not included the table above.

(2) Prepared in accordance with the internal grading results of the Bank.

(3) Only graded firms are included.

(4) Includes the total of cash and non cash loans.

Risk Grade (1-4)	Risk Group	Definition of risk group	Risk Grade (%)
1,00 - 1,40	AAA	The firm is an extremely positive firm with its financial and non financial criteria and it can pursue its high credibility in the long run.	100 -86
1,41 - 1,80	AA	The firm is a positive firm with its financial and non financial criteria and it can pursue its high credibility in the long run.	85 -73
1,81 - 2,00	A	The firm that has performed its optimization and has a high credibility in the short run and is a credible firm in the medium run.	72 - 67
2,01 - 2,20	BBB	The firm is a credible firm despite the fact that it cannot perform the optimization certain aspects of its financial and non financial criteria.	66 - 60
2,21 - 2,40	BB	The firm cannot retain optimization in the major parts of its financials and non financial criteria. It has speculative attributes but its a credible firm in the short run.	59 - 53
2,41 - 2,60	B	Some of the financial and non financial criteria are negative. It carries highly speculative attributes. In the short run it is a credible firm dependent on the positive conjuncture.	52 - 47
2,61 - 2,80	CCC	The major part of its financial and non financial criteria is negative and the firm is having difficulties in meetings its commitments. But it has guaranteed short run credibility dependent on the positive conjuncture.	46 - 40
2,81 - 3,20	CC	The firm force acceptable risk limits when its financial and non financial criteria considered together, and has poor credibility.	39 - 27
3,21 - 3,60	C	The firm has no credibility when its financial and non financial criteria considered together	26 - 13
3,61 - 4,00	D	The firm has no credibility under any condition.	12 - 0

Entrepreneur Loans Decision Module (“GKKM”) is the rating module which is used for assessment of loan applications of companies which are classified by the Bank as a small and medium sized enterprises (SME) Customers within the SME in GKKM are evaluated by both qualitative and quantitative characteristics of firm, the size of endorsement and requested amount of loan before bank creates score card forms for each customers Score card which categorize firms according to their risk, includes 1 to 7 rating group and 1 has the lowest risk. Guarantees for companies that can be assessed by GKKM, converted into cash during the time it takes to prevent probable loss of value and the conversion process is divided into two main groups according to the criteria. The conversion of cash collateral to compensate for any losses in a margin, "Liquid Collateral Value" is referred to as the facility where the customer the amount of collateral to be determined by risk group, and the collateral value of the liquid.

Carrying amount per class of financial assets whose terms have been renegotiated:

	Current Period	Prior Period
Loans^{(1), (2)}		
Corporate Loans	37.964	72.027
SME Loans	26.712	42.917
Consumer Loans	16.098	22.260
Other	152	201
Total	80.926	137.405

(1) Accruals are not included to the table above.

(2) Presents loans accounted under in restructured or rescheduled loan accounts.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

The net value and type of collaterals of the loans amounting TRY 1.910.626 followed under loans and other receivables under close monitoring section is below: (31 December 2011 : TRY 641.037).

Collateral Types	Net Value of Collateral Current Period⁽¹⁾	Net Value of Collateral Prior Period
Real estate mortgage	1.519.823	428.717
Salary pledge, vehicle pledge and pledge of commercial undertaking	75.401	53.484
Financial collaterals (cash, securities pledge, etc.)	14.047	33
Cheque /bills	11.204	5.090
Suretyship	188.735	92.888
Other	101.416	60.825
Total	1.910.626	641.037

(1)The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered in the table above.

(2)Income accruals amounting to TRY 22.411 (31 December 2011: TRY 8.280) are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 1.959.646 followed under non performing loans section is below: (31 December 2011: TRY 1.668.695)

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Cash	1.845	2.045
Mortgage	511.841	494.886
Pledge	37.805	27.138
Cheque,bills	4.899	8.723
Suretyship	1.000.072	786.225
Bond	-	3
Other ⁽²⁾	403.184	349.675
Total	1.959.646	1.668.695

(1) The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered in the table above.

(2) Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE MARKET RISK

In accordance with the Bank' risk management policy framework to avoid the effect of market risk, the Bank has determined the management activities and has taken necessary precautions within the framework of "Regulation On Measurement and Evaluation Of Capital Adequacy Of Banks" published in Official Journal No 28337 of 28 June 2012 by .

The Board of Directors set the risk limits by taking into account the main risk factors and these limits are periodically revised in accordance with the market conditions and Bank's strategies. Furthermore, the Board of Directors ensure that, the necessary measures to be taken by risk management department and all other executives in respect of defining, measuring, monitoring and managing the risks exposed by the Bank. The VAR based limits, that are determined by the Board of Directors, and the denominated interest rate risk of the Bank' is limited to certain percentage of the shareholders' equity.

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the Bank's possibility of loss that may cause due to the general market risk, currency risk, specific risk, commodity risk, clearing risk and counterparty credit risk is calculated by using the standart method. The following table discloses the amounts that are calculated using the standart method.

The Value at Risk (VaR) that is calculated by using internal model methods besides standard method, is validated by scenario analysis and stress tests. The VaR is calculated daily by using historical simulation and parametric approach and the results are reported the Executives.

a) Information related to market risk:

	Amount
(I) Capital requirement to be employed for general market risk	87.445
(II) Capital requirement to be employed for specific risk	13.498
(III) Capital requirement to be employed for specific risk in securitisation positions-Standard Method	-
(IV)Capital requirement to be employed for currency risk	30.714
(V)Capital requirement to be employed for commodity risk	-
(VI)Capital requirement to be employed for clearing risk	-
(VII)Total capital requirement to be employed for counterparty credit risk–Standard method	264
(VIII)Capital requirement to be employed for general market risk.	1.984
(IX) Total capital requirement to be employed for market risk	-
(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)	133.905
(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)	1.673.813

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE MARKET RISK (continued)

b) Average market risk calculated as of the end of months in the related period:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	146.617	189.317	99.271	124.632	148.678	111.264
Share Risk	2.413	2.686	1.672	2.109	2.320	2.042
Currency Risk	26.365	37.330	18.235	17.345	38.424	9.342
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Options Risk	185	290	79	195	1.234	32
Counterparty Credit Risk	2.406	3.142	1.931	-	-	-
Amount Subject to Total Risk	177.986	232.765	121.188	144.281	190.656	122.680

Information about counterparty risk:

Counterparty credit risk is the risk that the counterparty to a transaction could default before the transaction's cash flows.

Over the counter derivatives, Credit Derivatives, Securities Financing Transactions, Long Settlement Transactions, Margin Lending Transactions are subject to counterparty credit risk calculations.

The Bank uses current exposure method in the calculation process of counterparty credit risk. The comprehensive financial collateral and simple financial collateral approaches are taken into account in the calculation process of counterparty credit risk of repo style transactions for trading and banking book activities, respectively.

Under the current exposure method, the Bank calculates the current replacement cost by marking contracts to market, thus capturing the current exposure without any need for estimation, and then adding a factor ("add on") to reflect the potential future exposure over the remaining life of the contract.

The contracts made according to the attribute of the transaction are evaluated by taking into account ISDA and CSA frame for derivative transactions, GMRA frame for repurchase agreements. The risk is mitigated by receiving cash or other forms of collateral. In secured lending and repo transactions, the haircut amounts are reduced from the counterparty's limits.

The Bank does not take part in transactions and contracts requiring extra collateral in accordance with possible changes of credit rating. Especially, in the process of signing ISDA, CSA and GMRA contracts related to treasury transactions, it is cared about not accepting the conditional statements and invalidation of the contracts due to the reduction of Bank's rating. Because possible falls or rises in rating affects the current replacement cost, margin call agreements are used as a risk mitigator.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE MARKET RISK (continued)

Gross positive fair value of contracts, the securities which are held and the net position of derivatives are disclosed below.

	Tutar*
Contracts based on Interest rate	-
Contracts based on currency	80.571
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	80.571
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	8.472
The net position of derivatives	80.571

(*) Counterparty risk related to the trading accounts is included.

IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK

In the calculation of the Bank's operational risk, the "Basic Indicator Method" is used. The amount subject to operational risk is calculated once a year in accordance with the Regulation on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 28337 on 28 June 2012. In the Basic Indicator Method, the amount subject to operational risk is calculated by multiplying 15% of the Bank's average gross revenue over the previous three years with 12,5. Amount subject to operational risk is TRY 7.513.762 for the current period.

	2 PP Value	1 PP Value	CD Value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	4.528.461	3.883.262	3.610.296	3	15	601.101
Amount subject to operational risk (Total*12,5)						7.513.762

V. EXPLANATIONS RELATED TO THE CURRENCY RISK

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

In accordance with "Regulation On Measurement and Evaluation of Capital Adequacy of Banks", the foreign currency position risk of the Bank is measured by "standard method" and is calculated daily and is reported monthly. Also VAR based values and limits are reported to the Executives on a daily basis by using internal model methods. The currency risk have been closely followed. The Bank make derivative transactions against the currency risk, in case of need.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

V. EXPLANATIONS RELATED TO THE CURRENCY RISK (continued)

Announced current foreign exchange buying rates of the Bank as at 31 December 2012 and the previous five working days in full TRY are as follows:

	24.12.2012	25.12.2012	26.12.2012	27.12.2012	28.12.2012	31.12.2012
USD	1,7750000	1,7700000	1,7700000	1,7700000	1,7700000	1,7650000
CHF	1,9371000	1,9329000	1,9378000	1,9332000	1,9345000	1,9262000
GBP	2,8590000	2,8111000	2,8545000	2,8513000	2,8528000	2,8628000
JPY	0,0209101	0,0208426	0,0207046	0,0205768	0,0205326	0,0203764
EURO	2,3428000	2,3343000	2,3434000	2,3401000	2,3401000	2,3284000

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 31 December 2012 are as follows:

	Monthly average
USD	1,7661905
CHF	1,9150381
GBP	2,8460238
JPY	0,0210508
EURO	2,3179190

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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	4.743.859	4.122.389	2.014.662	10.880.910
Banks	788.473	133.251	1.491.038	2.412.762
Financial assets at fair value through profit and loss ⁽³⁾	2.263	39.585	73	41.921
Money market placements	2.328	-	-	2.328
Financial assets available-for-sale ⁽⁵⁾	591.408	226.518	-	817.926
Loans ⁽²⁾	6.739.339	11.077.006	50.002	17.866.347
Subsidiaries, associates and entities under common control ⁽⁵⁾	-	-	-	-
Held-to-maturity investments	660.391	648.590	-	1.308.981
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	4	4
Intangible assets	-	-	-	-
Other assets ⁽³⁾	20.984	37.074	23	58.081
Total assets	13.549.045	16.284.413	3.555.802	33.389.260
Liabilities				
Bank deposits	3.903.165	724.051	1.303.620	5.930.836
Foreign currency deposits	8.980.269	8.859.738	2.052.545	19.892.552
Money market balances	-	310.222	-	310.222
Funds provided from other financial institutions	4.035.647	2.721.984	506	6.758.137
Bonds issued	-	1.346.168	-	1.346.168
Sundry creditors	14.564	49.143	18	63.725
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	57.243	118.826	7.788	183.857
Total liabilities	16.990.888	14.130.132	3.364.477	34.485.497
Net balance sheet position	(3.441.843)	2.154.281	191.325	(1.096.237)
Net off-balance sheet position				
Financial derivative assets⁽⁴⁾	2.876.630	(2.275.823)	134.601	735.408
Financial derivative assets ⁽⁴⁾	3.049.695	1.159.250	420.616	4.629.561
Financial derivative liabilities ⁽⁴⁾	173.065	3.435.073	286.015	3.894.153
Non-cash loans ⁽¹⁾	3.354.802	6.353.553	266.590	9.974.945
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				
Financial derivative assets	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 44.365 of foreign currency indexed loans and their accruals. (31 December 2011: 55.515 TL)

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 51.873), prepaid expenses (TRY 32) in assets; and derivative financial instruments foreign currency expense accruals (TRY 45.427) and shareholders' equity (TRY 45.241) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include credit default swaps amounting to TRY 88.250 and forward precious metal purchase transactions amounting to TRY 314.800. Financial derivative liabilities include forward precious metal sale transactions amounting to TRY 222.683.

⁽⁵⁾ Demirhalkbank NV (TRY 74.716), an associate operates in foreign currency, Macar Halkbank (TRY 2.063) International Garagum Bank (TRY 250), and a foreign currency subsidiary Halk Banka AD Skopje (TRY 145.359) followed as available for sale items in foreign currency, are presented in financials with their historical costs since they are non-monetary financial items.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

V. EXPLANATIONS RELATED TO THE CURRENCY RISK (continued)

Foreign currency sensitivity:

Bank is exposed to currency risk in EURO and USD terms in balance sheet and also utilizes from derivative instruments in order to compensate for currency risk.

The following table sets the Bank's sensitivity to a 10% increase and decrease in the TRY against USD, EURO and the other foreign currencies. 10% sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the possible change in foreign exchange rates. Negative amounts represent value decrease in profit and loss or shareholders' equity due to 10% decrease in value of TRY against EURO or USD.

	Change in currency rate in %	Effect on profit /loss before taxation	
		Current period	
USD	% 10 increase	(12.154)	(4.729)
EURO	% 10 increase	(56.521)	(30.123)
Other	% 10 increase	32.593	379

The Bank's sensitivity to foreign currency rates has increased due to the change of foreign currency position in the current period.

VI. EXPLANATIONS RELATED TO THE INTEREST RATE RISK

Interest rate sensitivity of assets, liabilities and off-balance sheet items are measured by the Bank. The Bank's interest rate risk is calculated using the general and specific interest rate risk tables in the standard method including the assets and liabilities and is considered as a part of the general market risk in the calculation of the capital adequacy standard ratio.

The priority of the Bank's risk management department is to avoid the effects of the interest rate volatility. Sensitivity analysis performed within this context is calculated by the risk management department and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budgeting process of the Bank. The effects of the fluctuations in the market interest rates on the financial position and on the cash flows are minimized by revising budget targets. The Bank's funding costs of TRY and foreign exchange deposits, repurchase agreements are determined by the Treasury Vice Presidency.

Since the Bank does not permit maturity mismatches or imposes limits on the mismatch, significant interest rate risk exposures are not expected.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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:

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	11.589	-	-	-	-	12.476.154	12.487.743
Banks and financial institutions	1.010.057	2.003	-	-	-	1.607.352	2.619.412
Financial assets at fair value through profit and loss	30.465	7.977	52.239	14.096	-	-	104.777
Money market placements	12.355	-	-	-	-	-	12.355
Financial assets available-for-sale	2.179.536	1.541.433	2.810.717	1.763.026	1.088.500	10.450	9.393.662
Loans	27.333.503	10.996.400	10.914.302	12.703.211	2.584.788	1.018.626	65.550.830
Held-to-maturity investments	3.708.038	3.576.657	2.512.340	2.910.462	748.018	-	13.455.515
Other assets ^{(1), (2)}	88.356	2.725	12.980	37.270	9.634	4.506.377	4.657.342
Total assets	34.373.899	16.127.195	16.302.578	17.428.065	4.430.940	19.618.959	108.281.636
Liabilities							
Bank deposits	2.995.018	273.235	356.116	-	-	3.800.731	7.425.100
Other deposits	38.161.559	17.344.106	4.809.758	39.306	-	12.194.072	72.548.801
Money market balances	164.804	216.426	-	-	-	-	381.230
Sundry creditors	311.342	4.460	767.298	-	-	120.317	1.203.417
Bonds issued	717.874	-	31.423	1.289.141	-	-	2.038.438
Funds provided from other financial institutions ⁽⁴⁾	1.882.526	2.500.125	2.012.148	555.893	345.726	6.917	7.303.335
Other liabilities ⁽³⁾	1.570.354	740.462	350.953	-	-	14.719.546	17.381.315
Total liabilities	45.803.477	21.078.814	8.327.696	1.884.340	345.726	30.841.583	108.281.636
Balance sheet long position	-	-	7.974.882	15.543.725	4.085.214	-	27.603.821
Balance sheet short position	(11.429.578)	(4.951.619)	-	-	-	(11.222.624)	(27.603.821)
Off-balance sheet long position	20.368	113.612	11.125	-	-	-	145.105
Off-balance sheet short position	(20.368)	(25.362)	(70.225)	-	-	-	(115.955)
Total position	(11.429.578)	(4.863.369)	7.915.782	15.543.725	4.085.214	(11.222.624)	29.150

⁽¹⁾ TRY 224.281 of deferred tax assets is disclosed under the non interest bearing column in other assets.

⁽²⁾ TRY 343.008 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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⁾	0,57	0,34	-	5,74
Financial assets at fair value through profit and loss	-	2,10	-	6,14
Money market placements	1,75	-	-	8,50
Available-for-sale financial assets	4,59	5,33	-	8,43
Loans ⁽²⁾	4,61	4,14	2,17	12,46
Held-to-maturity investments	6,42	5,99	-	9,07
Liabilities				
Bank deposits	0,02	1,18	-	3,15
Other deposits ⁽⁴⁾	3,03	2,92	-	7,68
Money market borrowings	2,30	1,46	-	4,78
Sundry creditors ⁽³⁾	-	-	-	4,13
Bonds issued	-	2,44	-	8,66
Funds provided from other financial institutions	1,46	1,97	-	7,67
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,50	-	-	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 twelve months as of 31 December 2012.

⁽⁴⁾ Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 December 2012.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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 within the limits are determined by BRSA that obtained from the calculation intended for demand deposits by using core deposit and duration analysis is taken into account.

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

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

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

	Currency	Applied Shock (+/- x basis points)	Gains/ Losses	Gains/Shareholders' Equity – Losses/ Shareholders' Equity
1	TRY	500 (400)	(1.261.829) 1.282.128	(9,849%) 10,008%
2	EURO	200 (200)	303.520 (266.543)	2,369% (2,081%)
3	USD	200 (200)	4.701 12.343	0,037% 0,096%
Total (For negative shocks)			1.027.928	8,023%
Total (For positive shocks)			(953.608)	(7,443%)

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO THE POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Comparison		
	Balance Sheet Value	Fair Value Change	Market Value
1. Associates	92.888	-	-
Quoted in a stock exchange	-	-	-
2. Subsidiaries	1.794.160	1.648.801	-
Quoted in a stock exchange ⁽¹⁾	245.245	245.245	-

⁽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.

Realised gains/losses, revaluation surpluses and unrealised gains/losses on equity securities and results included in core and supplementary capitals:

Portfolio	Revaluated appreciation in the fair value			Unrealised gains and losses	
	Realised gains (losses) in the current period	Included to supplementary capital	Total	Included to total core capital	Included to supplementary capital
1. Private equity investments	-	-	-	-	-
2. Share Certificates quoted in a stock exchange ⁽¹⁾	-	186.195	83.788	-	-
3. Other share certificates	-	623.526	280.587	-	-
4. Total	-	809.721	364.375	-	-

⁽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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. 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	1.562.475	2.713.399	4.978.853	3.177.168	55.532	316	-	12.487.743
Banks	1.607.352	1.010.057	2.003	-	-	-	-	2.619.412
Financial assets at fair value through profit and loss	-	30.426	7.975	52.239	14.137	-	-	104.777
Money market placements	-	12.355	-	-	-	-	-	12.355
Financial assets available-for-sale	-	565.547	230.082	2.326.652	3.188.150	3.072.781	10.450	9.393.662
Loans ⁽²⁾	822.424	7.423.224	5.623.205	19.628.905	28.247.466	3.805.606	-	65.550.830
Held-to-maturity investments	-	474.771	395.318	2.350.827	7.968.702	2.265.897	-	13.455.515
Other assets ⁽³⁾	495.250	35.557	8.271	60.233	37.270	9.634	4.011.127	4.657.342
Total assets	4.487.501	12.265.336	11.245.707	27.596.024	39.511.257	9.154.234	4.021.577	108.281.636
Liabilities								
Bank deposits	3.800.731	2.995.018	273.235	356.116	-	-	-	7.425.100
Other deposits	12.194.072	38.157.362	17.333.940	4.709.991	149.221	4.215	-	72.548.801
Funds provided from other financial institutions ⁽⁴⁾	819	205.112	279.232	3.233.882	1.871.749	1.712.541	-	7.303.335
Money market balances	-	164.804	216.426	-	-	-	-	381.230
Bonds issued	-	717.874	-	31.423	1.289.141	-	-	2.038.438
Sundry creditors	127.386	334.107	57.673	230.654	453.597	-	-	1.203.417
Other liabilities ⁽¹⁾	2.888.291	235.752	845.808	636.135	231.156	221.218	12.322.955	17.381.315
Total liabilities	19.011.299	42.810.029	19.006.314	9.198.201	3.994.864	1.937.974	12.322.955	108.281.636
Liquidity gap	(14.523.798)	(30.544.693)	(7.760.607)	18.397.823	35.516.393	7.216.260	(8.301.378)	-
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 343.008 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK (continued)

Analysis of non-derivative financial liabilities by remaining contractual maturities:

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	57.263.265	17.798.366	5.239.599	152.143	4.215	(483.687)	79.973.901
Funds provided from other financial institutions	220.812	278.567	3.333.610	2.091.966	1.854.599	(476.219)	7.303.335
Money market borrowings	164.825	216.968	-	-	-	(563)	381.230
Securities issued	726.147	-	32.266	1.581.881	-	(301.856)	2.038.438
Funds	618.814	98.686	280.166	228.713	239.295	(57.787)	1.407.887
Sundry Creditors	461.493	57.673	230.654	453.597	-	-	1.203.417
Total	59.455.356	18.450.260	9.116.295	4.508.300	2.098.109	(1.320.112)	92.308.208

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	49.018.994	13.449.613	3.940.195	263.650	2.515	(428.033)	66.246.934
Funds provided from other financial institutions	116.227	242.101	3.039.070	1.447.852	1.973.045	(527.068)	6.291.227
Money market borrowings	4.259.706	333.153	344.220	-	-	(32.547)	4.904.532
Securities issued	498.675	-	-	-	-	(3.060)	495.615
Funds	616.898	75.101	253.089	227.475	224.475	(51.804)	1.345.234
Sundry Creditors	521.687	49.772	183.988	373.067	6	-	1.128.520
Total	55.032.187	14.149.740	7.760.562	2.312.044	2.200.041	(1.042.512)	80.412.062

Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

In accordance with the Communiqué on the “Measurement and Assessment of Liquidity of the Banks” published in the official gazette dated 1 November 2006 No: 26333, beginning from 1 June 2007 liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%. Liquidity ratio as at 31 December 2012 and 2011 are presented below:

	Current Period				Prior Period			
	First maturity Tranche(Weekly)		First maturity Tranche(Monthly)		First maturity Tranche(Weekly)		First maturity Tranche(Monthly)	
	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC
Average	174,60	196,96	126,02	123,65	154,91	154,98	104,30	106,78
Maximum	230,51	250,27	149,85	141,13	214,63	206,10	129,89	121,41
Minimum	131,56	154,38	106,25	104,22	119,96	136,93	81,85	100,23

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK (continued)

Analysis of Bank's derivative financial instruments according to their remaining maturities:

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	657.762	503.262	156.391	349	-	1.317.764
Forward Contracts – Sell	654.690	594.598	156.378	374	-	1.406.040
Swaps – Buy	704.421	2.281.832	117.536	529.500	-	3.633.289
Swaps – Sell	705.785	2.258.622	117.605	514.175	-	3.596.187
Credit Default Swap – Buy	-	-	-	88.250	-	88.250
Credit Default Swap – Sell	-	-	-	59.100	-	59.100
Forward Precious Metal - Buy	-	314.800	-	-	-	314.800
Forward Precious Metal - Sell	-	222.683	-	-	-	222.683
Money Buy Options	540	95.317	44.711	-	-	140.568
Money Sell Options	540	95.340	44.686	-	-	140.566
Total	2.723.738	6.366.454	637.307	1.191.748	-	10.919.247

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	465.213	162.649	70.521	-	-	698.383
Forward Contracts – Sell	466.418	1.703.426	71.104	-	-	2.240.948
Swaps – Buy	1.670.280	153.225	-	93.000	-	1.916.505
Swaps – Sell	1.683.159	153.119	-	59.500	-	1.895.778
Credit Default Swap – Buy	-	186.000	-	93.000	-	279.000
Credit Default Swap – Sell	-	138.970	-	59.100	-	198.070
Forward Precious Metal - Buy	-	1.500.223	-	-	-	1.500.223
Forward Precious Metal - Sell	-	7.849	-	-	-	7.849
Money Buy Options	36.785	10.663	21.932	-	-	69.380
Money Sell Options	36.811	10.638	21.931	-	-	69.380
Total	4.358.666	4.026.762	185.488	304.600	-	8.875.516

IX. EXPLANATIONS RELATED TO THE SECURITIZATION POSITIONS:

Securitization positions:

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

X. EXPLANATIONS RELATED TO THE CREDIT RISK MITIGATION TECHNIQUES:

Credit risk mitigation techniques:

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

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

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

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

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

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

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

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

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

Informations about guaranties according to risk classifications :

Risk Classifications	Amount	Financial guaranties	Other/Physical guaranties	Guarantees and credit derivatives
Claims on sovereigns and Central Banks	26.761.277	-	-	-
Claims on regional governments or local authorities	315.496	9.201	-	-
Claims on administrative bodies and other non-commercial undertakings	100.491	2.270	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	6.057.372	-	-	-
Claims on corporates	27.965.423	529.004	-	7.235
Claims included in the regulatory retail portfolios	22.480.629	1.391.852	-	44.447
Claims secured by residential property	15.873.466	28.074	-	-
Overdue loans	343.008	-	-	-
Higher risk categories decided by the Board	6.301.298	-	-	-
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	6.828.281	-	-	-

(*)In the determination of the amounts, the non-cash loans and other off-balance sheet items are taken into account after being multiplied by credit conversion rates.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XI. EXPLANATIONS RELATED TO THE 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 expected loss amount is estimated by the Bank and the Bank analyses whether own funds will be able to compensate the loss. Furthermore, the effect of possible shocks is analyzed periodically by scenario analysis and stress tests.

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

Overdue loans and their customer segmentations and sectors are periodically monitored.

Foreign Exchange Risk:

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

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

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

Interest Rate Risk:

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XI. EXPLANATIONS RELATED TO THE 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION

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

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

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

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

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

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

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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XII. 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 31 December 2012 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment⁽¹⁾	Elimination⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	1.276.590	1.005.258	9.552.764	7.470.001	(10.313.630)	8.990.983
<i>Interest on loans</i>	672.695	768.542	4.921.350	367.954	-	6.730.541
<i>Interest income on marketable securities</i>	-	-	-	2.238.713	-	2.238.713
<i>Interest received from banks</i>	-	-	-	12.181	-	12.181
<i>Other interest income⁽²⁾</i>	603.895	236.716	4.631.414	4.851.153	(10.313.630)	9.548
Interest expense	950.726	760.028	7.118.050	5.999.732	(10.313.630)	4.514.906
<i>Interest on deposits</i>	416.090	171.514	3.321.467	175.229	-	4.084.300
<i>Interest on borrowings</i>	2.808	13.023	10.784	122.640	-	149.255
<i>Interest on money market borrowings</i>	-	-	-	134.448	-	134.448
<i>Interest on marketable bonds issued</i>	-	-	-	96.597	-	96.597
<i>Other interest expense⁽²⁾</i>	531.828	575.491	3.785.799	5.470.818	(10.313.630)	50.306
Net interest income	325.864	245.230	2.434.714	1.470.269	-	4.476.077
Net fees and commissions income	187.774	150.501	453.469	66.680	-	858.424
Net trading profit / (loss)	-	-	-	554.644	-	554.644
Dividend income	-	-	-	64.024	-	64.024
Other income	1.142	24.124	218.983	115.993	-	360.242
Loans and other receivables' impairment loss	49.836	44.341	290.519	501.920	-	886.616
Other expenses	22.110	53.912	942.819	1.078.815	-	2.097.656
Income before taxes	442.834	321.602	1.873.828	690.875	-	3.329.139
Income tax provision	-	-	-	(733.928)	-	(733.928)
Net profit for the period	442.834	321.602	1.873.828	(43.053)	-	2.595.211
SEGMENT ASSETS						
Marketable securities	-	-	-	22.870.798	-	22.870.798
Derivative financial assets held for trading	-	-	-	83.156	-	83.156
Banks and money market receivables	-	-	-	2.631.767	-	2.631.767
Associates and subsidiaries (net)	-	-	-	1.887.048	-	1.887.048
Loans	10.349.116	9.552.386	40.585.669	5.406.667	-	65.893.838
Other assets ⁽¹⁾	597	8.554	713.351	14.192.527	-	14.915.029
TOTAL ASSETS	10.349.713	9.560.940	41.299.020	47.071.963	-	108.281.636
SEGMENT LIABILITIES						
Deposits	12.539.825	4.183.138	55.389.430	7.861.508	-	79.973.901
Derivative financial liabilities held for trading	-	-	-	50.666	-	50.666
Money market balances	-	-	-	381.230	-	381.230
Borrowing funding loans	8.155	219.674	220.342	6.855.164	-	7.303.335
Bonds issued	-	-	-	2.038.438	-	2.038.438
Other liabilities	33.071	86.758	2.556.752	1.206.009	-	3.882.590
Provisions and tax payable	16.217	18.851	90.809	2.202.644	-	2.328.521
Shareholders' equity	-	-	-	12.322.955	-	12.322.955
TOTAL LIABILITIES	12.597.268	4.508.421	58.257.333	32.918.614	-	108.281.636
OFF BALANCE SHEET ITEMS						
Guarantees and surety ships	9.885.399	4.813.275	4.898.985	136.544	-	19.734.203
Commitments	33.667	342.791	6.185.456	68.732.470	-	75.294.384
Derivative financial instruments	-	-	-	9.610.192	-	9.610.192

⁽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 1.123.165 (net) and deferred tax assets amounting TRY 224.281 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	906.902	766.928	7.573.218	6.000.806	(7.969.194)	7.278.660
<i>Interest on loans</i>	478.406	598.862	3.863.407	305.226	-	5.245.901
<i>Interest income on marketable securities</i>	-	-	-	2.018.505	-	2.018.505
<i>Interest received from banks</i>	-	-	-	9.229	-	9.229
<i>Other interest income⁽²⁾</i>	428.496	168.066	3.709.811	3.667.846	(7.969.194)	5.025
Interest expense	673.738	540.020	5.458.666	5.102.187	(7.969.194)	3.805.417
<i>Interest on deposits</i>	295.061	113.428	2.539.616	224.087	-	3.172.192
<i>Interest on borrowings</i>	2.612	11.229	5.651	107.023	-	126.515
<i>Interest on money market borrowings</i>	-	-	-	453.091	-	453.091
<i>Interest on imported tangible assets</i>	-	-	-	17.310	-	17.310
<i>Other interest expense⁽²⁾</i>	376.065	415.363	2.913.399	4.300.676	(7.969.194)	36.309
Net interest income	233.164	226.908	2.114.552	898.619	-	3.473.243
Net fees and commissions income	71.346	97.301	484.841	74.679	-	728.167
Net trading profit / (loss)	-	-	-	207.539	-	207.539
Dividend income	-	-	-	48.531	-	48.531
Other income	4.861	29.863	326.791	232.936	-	594.451
Loans and other receivables' impairment loss	3.433	45.545	168.136	472.870	-	689.984
Other expenses	14.508	50.787	850.320	809.636	-	1.725.251
Income before taxes	291.430	257.740	1.907.728	179.798	-	2.636.696
Income tax provision	-	-	-	(591.562)	-	(591.562)
Net profit for the period	291.430	257.740	1.907.728	(411.764)	-	2.045.134
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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	103.613.844	88.030.253	100.084.905	85.745.919
Cash and Balances with the Central Bank of Turkey	12.487.743	7.272.370	12.487.743	7.272.370
Financial assets fair value changes reflected to income statement	104.777	128.199	104.777	128.199
Banks	2.619.412	1.475.000	2.619.412	1.475.000
Money market placements	12.355	-	12.355	-
Available for sale financial assets ⁽¹⁾	9.383.212	9.207.310	9.383.212	9.207.310
Held to maturity investments	13.455.515	13.997.928	13.336.577	13.721.824
Loans ⁽²⁾	65.550.830	55.949.446	62.140.829	53.941.216
Financial Liabilities	90.952.227	79.134.004	90.644.050	78.685.712
Deposits	79.973.901	66.246.934	80.086.060	66.349.901
Derivative financial liabilities held for trading	50.666	65.358	50.666	65.358
Funds provided from other financial institutions	7.303.335	6.291.227	6.946.820	5.858.089
Money market borrowings	381.230	4.904.532	381.230	4.904.532
Securities issued	2.038.438	495.615	2.038.438	495.615
Miscellaneous payables	1.203.417	1.128.520	1.139.596	1.010.399
Leasing payables	1.240	1.818	1.240	1.818

⁽¹⁾ As of 31 December 2012 TRY 10.450 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2011: TRY 12.760).

⁽²⁾ Net of follow-up loans has not been included in the table above.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- The fair value of the held to maturity assets is determined by market places, when the market prices are not available, quoted market prices of other marketable securities which are subject to redemption with the same terms of interest maturity and other similar conditions have been used.
- ii- The applicable interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial institutions and sundry creditors.

Classification of Fair Value Measurement

IFRS 7 – Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE(continued)

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

Current Period	Level 1	Level 2	Level 3	Total
¹ Financial assets at fair value through profit/loss:				
³ Financial assets held for trading purpose ⁽²⁾ :	19.018	83.156	-	102.174
³ Debt securities	19.018	-	-	19.018
¹ Derivative financial assets held for trading purpose	-	83.156	-	83.156
^A Available-for-sale financial assets ⁽¹⁾	9.383.212	-	-	9.383.212
^r Debt securities	9.383.212	-	-	9.383.212
^a Total Financial Assets	9.402.230	83.156	-	9.485.386
¹ Financial liabilities at fair value through profit/loss:				
^k Derivative financial liabilities held for trading purpose	-	50.666	-	50.666
^c Total Financial Liabilities	-	50.666	-	50.666

¹As of 31 December 2012 share certificates amounting to TRY 10.450 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

⁽²⁾ As of 31 December 2012, marketable securities amounting to TRY 2.603 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

Prior Period	Level 1	Level 2	Level 3	Total
¹ Financial assets at fair value through profit/loss:				
³ Financial assets held for trading purpose ⁽²⁾ :	32.136	93.966	-	126.102
³ Debt securities	32.136	-	-	32.136
¹ Derivative financial assets held for trading purpose	-	93.966	-	93.966
¹ Bonds	-	-	-	-
^A Available-for-sale financial assets ⁽¹⁾	9.207.310	-	-	9.207.310
^r Debt securities	9.207.310	-	-	9.207.310
^a Total Financial Assets	9.239.446	93.966	-	9.333.412
¹ Financial liabilities at fair value through profit/loss:				
^k Derivative financial liabilities held for trading purpose	-	65.358	-	65.358
² Total Financial Liabilities	-	65.358	-	65.358

⁽¹⁾ As of 31 December 2011 share certificates amounting to TRY 12.760 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

⁽²⁾ As of 31 December 2011, marketable securities amounting to TRY 2.097 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

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

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

The Bank does not engage in transaction based on trust.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	523.326	162.093	386.367	95.434
Central Bank of Turkey	1.083.507	10.718.803	2.124.824	4.665.730
Other	-	14	-	15
Total	1.606.833	10.880.910	2.511.191	4.761.179

Information on the account of Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	1.076.051	876.801	2.120.213	705.092
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits ⁽²⁾	7.456	9.842.002	4.611	3.960.638
Total	1.083.507	10.718.803	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 11,5% according to their maturities (31 December 2011: between 6% and 11 % according to their maturities), respectively as per the Communiqué no.2011/11 and 2011/13 “Reserve Deposits” of the Central Bank of Turkey.

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

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

- (2) Financial assets at fair value through profit and loss:

- a) Financial assets at fair value through profit and loss blocked/given as collateral:

None.

- b) Financial assets at fair value through profit and loss subject to repurchase agreements:

None.

- c) Positive differences related to the derivative financial assets held-for-trading:

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	6.455	-	4.957
Swap transactions	-	76.658	-	88.970
Futures transactions	-	-	-	-
Options	5	38	37	2
Other	-	-	-	-
Total	5	83.151	37	93.929

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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	169.258	473.232	24	602.661
Foreign banks	37.392	1.939.530	11.310	861.005
Branches and offices abroad	-	-	-	-
Total	206.650	2.412.762	11.334	1.463.666

b) Information on foreign banks:

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	322.998	795.651	-	-
USA and Canada	84.504	38.731	-	-
OECD Ülkeleri ⁽¹⁾	1.448.154	12.058	-	-
Offshore Banking Regions	-	-	-	-
Other	121.266	25.875	-	-
Total	1.976.922	872.315	-	-

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	64.482	96.796	-	-
Total	64.482	96.796	-	-

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

None.

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

	Current period	Prior period
Debt securities	9.385.785	9.317.482
<i>Quoted on a stock exchange</i>	9.385.785	9.317.482
<i>Not quoted</i>	-	-
Share certificates	29.333	25.095
<i>Quoted on a stock exchange</i>	-	-
<i>Not quoted</i>	29.333	25.095
Impairment provision(-)	21.456	122.507
Total	9.393.662	9.220.070

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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	126.697	-	117.787	-
Total	126.697	-	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)	Agreement conditions modified	Loans and other receivables (Total)	Agreement conditions modified	
		Payment plan extensions	Other	Payment plan extensions	Other
Cash loans					
Non-specialized loans	50.866.985	535.864	-	1.759.468	1.067.322
<i>Corporation loans</i>	28.927.812	415.873	-	1.498.542	1.064.223
<i>Export loans</i>	2.173.099	80.226	-	34.460	1.732
<i>Import loans</i>	-	-	-	-	-
<i>Loans given to financial sector</i>	1.678.983	20.000	-	-	-
<i>Consumer loans⁽¹⁾</i>	16.139.353	19.037	-	182.691	1.367
<i>Credit cards⁽²⁾</i>	1.278.289	-	-	31.469	-
<i>Other</i>	669.449	728	-	12.306	-
Specialized lending	12.013.224	66.333	-	151.158	1.166
Other receivables	-	-	-	-	-
Accruals	737.584	7.064	-	22.411	12.533
Total	63.617.793	609.261	-	1.933.037	1.081.021

⁽¹⁾ Includes TRY 91.514 of personnel loans.

⁽²⁾ Includes TRY 35.183 of personnel credit cards.

	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
Number of modifications made to extend payment plan		
Extended by 1 or 2 times	509.109	1.059.929
Extended by 3,4 or 5 times	77.059	7.016
Extended by more than 5 times	16.029	1.543

^(*) Accruals amounting to TRY 7.064 are not included in the table above.

^(**) Accruals amounting to TRY 12.533 are not included in the table above.

	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
Extended period of time		
0-6 Months	425.088	1.056.026
6 Months - 12 Months	128.464	7.039
1-2 Years	28.195	4.179
2-5 Years	19.346	634
5 Years and over	1.104	610

^(*) Accruals amounting to TRY 7.064 are not included in the table above.

^(**) Accruals amounting to TRY 12.533 are not included in the table above.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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) Loans according to their maturity structure:

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
Short term loans and other receivables	16.891.398	324.803	197.468	37.562
<i>Non-specialized loans</i>	16.580.920	310.067	193.945	37.122
<i>Specialized lending</i>	114.639	10.970	1.234	5
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	195.839	3.766	2.289	435
Medium and long term loans and other receivables	46.117.134	284.458	654.548	1.043.459
<i>Non-specialized loans</i>	33.750.201	225.797	498.201	1.030.200
<i>Specialized lending</i>	11.832.252	55.363	148.758	1.161
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	534.681	3.298	7.589	12.098

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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 consumer loans, individual credit cards, personnel loans and credit cards:

	Short-term	Medium and long-term	Total
Consumer loans-TRY	254.012	15.687.212	15.941.224
<i>Real estate loans</i>	5.280	6.582.838	6.588.118
<i>Automobile loans</i>	2.954	95.488	98.442
<i>Consumer loans</i>	245.766	8.979.858	9.225.624
<i>Other</i>	12	29.028	29.040
Consumer loans- Indexed to FC	-	133	133
<i>Real estate loans</i>	-	133	133
<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	1.162.796	1.249	1.164.045
<i>Installment</i>	413.507	-	413.507
<i>Non-installment</i>	749.289	1.249	750.538
Individual credit cards-FC	7	-	7
<i>Installment</i>	-	-	-
<i>Non-installment</i>	7	-	7
Personnel loans-TRY	5.062	86.452	91.514
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	5.062	86.452	91.514
<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	35.177	5	35.182
<i>Installment</i>	14.617	-	14.617
<i>Non-installment</i>	20.560	5	20.565
Personnel credit cards-FC	1	-	1
<i>Installment</i>	-	-	-
<i>Non-installment</i>	1	-	1
Overdraft accounts-TRY (Retail customer)	289.173	-	289.173
Overdraft accounts-FC (Retail customer)	-	-	-
Total	1.746.228	15.775.051	17.521.279

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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)

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	5.641	610.695	616.336
<i>Business residential loans</i>	119	363.988	364.107
<i>Automobile loans</i>	5.522	246.707	252.229
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	-	37.474	37.474
<i>Business residential loans</i>	-	37.474	37.474
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Corporate credit cards-TRY	110.509	-	110.509
<i>Installment</i>	21.442	-	21.442
<i>Non-installment</i>	89.067	-	89.067
Corporate credit cards-FC	14	-	14
<i>Installment</i>	-	-	-
<i>Non-installment</i>	14	-	14
Overdraft accounts-TRY (Commercial customer)	278.988	-	278.988
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	395.152	648.169	1.043.321

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

f) Loan according to type of borrowers:

	Current period	Prior period
Public	1.707.174	1.798.381
Private	63.843.656	54.151.065
Total	65.550.830	55.949.446

g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	65.197.297	55.533.345
Foreign loans	353.533	416.101
Total	65.550.830	55.949.446

h) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	299.727	144.642
Indirect loans granted to subsidiaries and associates	-	-
Total	299.727	144.642

i) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	210.052	89.188
Loans and receivables with doubtful collectability	87.200	22.057
Uncollectible loans and receivables	1.319.386	1.290.492
Total	1.616.638	1.401.737

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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)

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period	49.445	5.259	83.234
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	49.445	5.259	83.234
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

j.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 (+)	641.654	32.685	95.638
Transfers from other categories of loans under follow-up (+)	-	229.698	158.108
Transfers to other categories of loans under follow-up (-)	277.679	110.127	-
Collections (-)	158.838	37.916	282.272
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	349.296	144.948	1.465.402
Specific provision (-)	210.052	87.200	1.319.386
Net balance on balance sheet	139.244	57.748	146.016

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

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	139.244	57.748	146.016
Loans to granted real persons and legal entities (Gross)	349.189	144.658	1.426.581
Specific provisions (-)	209.945	86.910	1.280.565
Loans to granted real persons and legal entities (Net)	139.244	57.748	146.016
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	107	290	38.821
Specific provisions (-)	107	290	38.821
Other loans and receivables (Net)	-	-	-
Prior period (Net)	54.971	8.551	203.436
Loans to granted real persons and legal entities (Gross)	144.021	30.350	1.452.789
Specific provisions (-)	89.050	21.799	1.249.353
Loans to granted real persons and legal entities (Net)	54.971	8.551	203.436
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	138	258	41.139
Specific provisions (-)	138	258	41.139
Other loans and receivables (Net)	-	-	-

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

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

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

l) Explanations on write-off policy:

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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)

m) Aging analysis of overdue but not impaired financial assets per classes of financial instruments:

Current Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	8.766	5.624	14.545	28.935
SME Loans	80.765	32.350	20.697	133.812
Consumer Loans	15.657	5.919	3.913	25.489
Credit cards	100.296	15.219	6.770	122.285
Total	205.484	59.112	45.925	310.521

(*)Only the overdue loans that subject to outstanding principal payment amounting to TRY 521.515 are included.

Prior Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	244	1.483	1.451	3.178
SME Loans	79.147	26.178	13.677	119.002
Consumer Loans	12.901	4.792	2.236	19.929
Credit cards	79.797	13.358	4.216	97.371
Total	172.089	45.811	21.580	239.480

(*)Only the overdue loans that subject to outstanding principal payment amounting to TRY 341.197 are included.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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	2.172.312	461.592	2.620.979	417.083
Total	2.172.312	461.592	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	62.980	333.509	4.004.244	895.666
Total	62.980	333.509	4.004.244	895.666

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

	Current period	Prior period
Government bonds	13.455.515	13.997.928
Treasury bills	-	-
Other public sector debt securities	-	-
Total	13.455.515	13.997.928

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	13.455.515	13.997.928
<i>Quoted on a stock exchange</i>	<i>11.623.088</i>	<i>11.595.218</i>
<i>Not quoted</i>	<i>1.832.427</i>	<i>2.402.710</i>
Impairment provision (-)	-	-
Total	13.455.515	13.997.928

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

	Current period	Prior period
Beginning balance	13.997.928	12.719.179
Foreign currency differences on monetary assets	(83.455)	328.614
Purchases during the year ⁽¹⁾	2.135.045	1.944.289
Disposals through sales and redemptions ⁽²⁾	(2.594.003)	(994.154)
Impairment provision (-) / provision reversal (+)	-	-
Balance at the of the period	13.455.515	13.997.928

⁽¹⁾ Interest income accrual difference between 31 December 2012 amounting to TRY 815.308 and 31 December 2011 amounting to TRY 725.676 has been included in purchases row.

⁽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 31 December 2012, the Bank reclassified TRY 159.827 of financial assets from held to maturity investments portfolio to available for sale portfolio. Related amount was presented in "Disposals Through Sales and Redemptions" row.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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: (continued)

e) Information on held-to-maturity investments accounts:

The breakdown of the held to maturity securities of the Bank is as follows:

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of Treasury of Republic of Turkey ⁽²⁾	7.541.130	-	8.198.174	-	6.592.294	-	7.038.990	-
Obtained with the transfer	1.800.000	-	1.832.427	-	2.340.938	-	2.402.709	-
Reclassified from other securities portfolios ⁽¹⁾	2.049.330	254.067	2.115.933	270.795	2.424.517	1.229.627	2.554.706	1.289.865
Other	-	995.680	-	1.038.186	-	684.876	-	711.658
Total	11.390.460	1.249.747	12.146.534	1.308.981	11.357.749	1.914.503	11.996.405	2.001.523

(1) While paragraph 54 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB") permit reclassification of financial assets from Available for Sale Financial Assets to Held to Maturity Portfolio, with the Communiqué 105, dated 31 October 2008 and published in the Official Gazette 27040, TASB, made an amendment related to Article 50 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement and also permitted the reclassification of financial assets recognized as Financial Assets at Fair Value Through Profit and Loss Portfolio to Held to Maturity Financial Assets Portfolio within a certain period identified in the amendments. In order to avoid the effect of market fluctuations on financial assets portfolio, on 3 October 2008 and 8 October 2008, the Bank reclassified from Financial Assets at Fair Value Through Profit and Loss from Available for Sale Financial Assets to Held to Maturity Investments.

(2) The Bank has not reclassified any financial assets from other portfolios to held to maturity investment portfolio during 2012. The additions for the period and financial assets are shown under "Obtained from Under Secretariat of Treasury of Republic of Turkey" row.

(7) Information on associates (Net):

a) Information on associates:

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	4.212.101	494.562	26.982	86.999	28.387	30.181	7.822	-
2.	46.695	46.488	127	-	-	909	1.933	-
3.	28.297	13.131	4.542	446	88	1.400	2.379	-
4.	75.321	57.644	4.076	1.299	-	23.655	12.265	-
5.	28.465	22.672	13.462	-	-	4.189	3.179	-

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

⁽²⁾ The information is presented from financial statements as 30 September 2012.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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):

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	96.105	143.527
Movements during the period	(3.217)	(47.422)
<i>Purchases</i>	-	1.000
<i>Bonus shares obtained profit from current year's share</i>	-	1.238
<i>Dividends from current year income</i>	-	-
<i>Sales⁽²⁾</i>	(717)	-
<i>Transfers⁽¹⁾</i>	(3.006)	(49.660)
<i>Revaluation decrease (-) / increase</i>	-	-
<i>Provision for impairment (-) / reversals (+)</i>	506	-
Balance at the end of the period	92.888	96.105
Capital commitments	-	1.000
Share percentage at the end of the period (%)	-	0,00

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

⁽²⁾Fintek A.Ş. with cost of TRY 717 was sold for TRY 1.512 on 28 December 2012.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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	5.555	13.785	11.435	24.474	16.688	-	2.009	-
Extraordinary Reserves	-	-	606	-	43	-	(10.010)	-
Profit / Loss	6.268	3.843	38.163	17.699	24.577	36	703	108
<i>Net Profit</i>	<i>6.080</i>	<i>12.102</i>	<i>34.225</i>	<i>9.922</i>	<i>15.720</i>	<i>275</i>	<i>428</i>	<i>108</i>
<i>Prior Period Profit/Loss</i>	<i>188</i>	<i>(8.259)</i>	<i>3.938</i>	<i>7.777</i>	<i>8.857</i>	<i>(239)</i>	<i>275</i>	<i>-</i>
Leasehold Improvements (-)	-	-	1.763	205	518	-	-	-
Intangible Assets (-)	226	1.736	448	13	451	10	1.006	300
Total Core Capital	57.597	55.895	119.993	518.955	134.771	5.026	77.579	19.808
SUPPLEMENTARY CAPITAL	-	-	6.122	-	-	-	3.998	-
CAPITAL	57.597	55.895	126.115	518.955	134.771	5.026	81.577	19.808
NET AVAILABLE CAPITAL⁽¹⁾	57.597	55.895	126.115	518.955	134.771	5.026	81.577	19.808

⁽¹⁾ The information is presented from financial statements subject to consolidation as of 30 September 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 519 articles of Turkish Commercial Code no. 6102.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

(8) Information on subsidiaries (continued)

b) Information on subsidiaries: (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	İstanbul	99,94	99,96
2. Halk Sigorta AŞ	İstanbul	89,18	89,18
3. Halk Hayat ve Emeklilik AŞ	İstanbul	94,40	99,46
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul	99,84	99,99
5. Halk Finansal Kiralama AŞ	İstanbul	99,99	99,99
6. Halk Portföy Yönetimi AŞ	İstanbul	55,99	98,71
7. Halk Banka AD, Skopje	Macedonia	98,78	98,78
8. Halk Faktoring AŞ	İstanbul	95,00	100,00

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value ⁽²⁾
1.	270.975	57.823	2.212	11.016	455	6.080	8.669	78.753
2.	290.741	57.631	4.178	8.321	3.119	12.102	(8.259)	245.245
3.	363.723	128.326	2.738	22.164	14.023	34.225	25.644	485.216
4.	679.652	519.173	608.002	1.561	71	9.922	27.456	614.016
5.	1.159.165	135.740	1.252	59.602	-	15.720	5.648	200.980
6.	5.174	5.036	88	365	6	275	(160)	3.482
7.	467.228	78.792	20.966	19.786	2.116	428	(172)	-
8.	20.272	20.108	347	603	-	108	-	21.109

⁽¹⁾ The information is presented from financial statements subject to consolidation as 30 September 2012.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

I. 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	962.789	235.290
<i>Purchases⁽¹⁾</i>	88.882	166.910
<i>Bonus shares obtained profit from current year's share</i>	64.186	-
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer</i>	-	49.660
<i>Revaluation increase</i>	809.721	-
<i>Reversal of provision for impairment (-)</i>	-	18.720
Balance at the end of the period	1.794.160	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. The payment of TRY 25.970 was made for the increase in capital of the Halk Sigorta A.Ş. and the payment of TRY 43.912 was made for the shares of Ziraat Banka AD, Skopje after the merger of Halk Banka AD, Skopje and Ziraat Banka AD, Skopje through the transfer of shares on 1 October 2012.

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

	Current period	Prior period
Banks	145.359	101.447
Insurance companies	730.461	77.460
Factoring companies	21.109	-
Leasing companies	200.980	131.043
Financing companies	-	-
Other financial subsidiaries	696.251	521.421

f) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock ⁽¹⁾	245.245	-
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 since Halk Sigorta AŞ does not have transaction depth on the Istanbul Stock Exchange ISE.

(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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

(12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Immovables	634.189	18.395	5.152	(16.880)	630.552
Tangible assets purchased through financial lease	40.474	220	3.870	-	36.824
Office machines	194.274	64.738	23.410	-	235.602
Fixed assets obtained due to non-performing loans	356.167	166.263	131.840	65.094	455.684
Lease hold improvements costs	218.474	18.486	3.074	-	233.886
Other	119.829	35.067	7.356	-	147.540
Total Cost	1.563.407	303.169	174.702	48.214	1.740.088
Accumulated depreciation:					
Immovables	188.714	12.660	1.596	(4.441)	195.337
Tangible assets purchased through financial lease	37.329	748	3.866	-	34.211
Office machines	90.667	34.055	11.095	-	113.627
Fixed assets obtained due to non-performing loans	6.343	5.113	2.736	142	8.862
Lease hold improvements costs	167.383	16.458	2.152	-	181.689
Other	49.750	25.742	6.812	-	68.680
Total accumulated depreciation	540.186	94.776	28.257	(4.299)	602.406
Provision for impairment (-)					
Immovables	7.183	-	597	(66)	6.520
Tangible assets purchased through financial lease	-	-	-	-	-
Office machines	-	-	-	-	-
Fixed assets obtained due to non-performing loans	5.016	4.105	1.124	-	7.997
Other	-	-	-	-	-
Total provision for impairment (-)	12.199	4.105	1.721	(66)	14.517
Net Book Value	1.011.022	204.288	144.724	52.579	1.123.165

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

(12) Information on tangible assets(continued):

Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Immovables	661.377	22.051	(34.077)	(15.162)	634.189
Tangible assets purchased through financial lease	45.895	2.846	(8.267)	-	40.474
Office machines	177.635	107.969	(91.330)	-	194.274
Fixed assets obtained due to non-performing loans	308.856	333.416	(198.727)	(87.378)	356.167
Lease hold improvements costs	100.608	29.019	(9.798)	-	119.829
Other	208.739	15.764	(6.029)	-	218.474
Total Cost	1.503.110	511.065	(348.228)	(102.540)	1.563.407
Accumulated depreciation:					
Immovables	185.735	12.864	(5.144)	(4.741)	188.714
Tangible assets purchased through financial lease	42.154	3.273	(8.098)	-	37.329
Office machines	105.265	23.940	(38.538)	-	90.667
Fixed assets obtained due to non-performing loans	11.949	3.924	(11.039)	1.509	6.343
Lease hold improvements costs	34.440	21.519	(6.209)	-	49.750
Other	155.602	16.318	(4.537)	-	167.383
Total accumulated depreciation	535.145	81.838	(73.565)	(3.232)	540.186
Provision for impairment (-)					
Immovables	8.457	24	(1.008)	(290)	7.183
Tangible assets purchased through financial lease	-	-	-	-	-
Office machines	-	-	-	-	-
Fixed assets obtained due to non-performing loans	14.140	4.326	(13.450)	-	5.016
Other	-	-	-	-	-
Total provision for impairment (-)	22.597	4.350	(14.458)	(290)	12.199
Net Book Value	945.368	424.877	(260.205)	(99.018)	1.011.022

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

(13) Information on intangible assets:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	30.944	14.303	(2.282)	-	42.965
Total Cost	30.944	14.303	(2.282)	-	42.965
Accumulated Depreciation:					
Other intangible assets	3.374	2.456	(150)	-	5.680
Total Accumulated Depreciation	3.374	2.456	(150)	-	5.680
Net Book Value	27.570	11.847	(2.132)	-	37.285
Prior Period					
Cost:					
Other intangible assets	20.627	12.388	(2.071)	-	30.944
Total Cost	20.627	12.388	(2.071)	-	30.944
Accumulated Depreciation:					
Other intangible assets	2.962	1.727	(1.315)	-	3.374
Total Accumulated Depreciation	2.962	1.727	(1.315)	-	3.374
Net Book Value	17.665	10.661	(756)	-	27.570

(14) Information on investment property:

None

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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⁾	99.430	76.851
Revaluation of Financial Assets	125.769	(4.513)
Other	(918)	(174)
Deferred Tax (Asset) /Liability:	224.281	72.164
Deferred tax accounted in shareholders' equity	(102.987)	32.737
Fair value differences for available for sale financial assets	(102.987)	32.737

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

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

	Current period	Prior period
Cost	3.788	84.009
Accumulated Depreciation (-) ⁽¹⁾	(812)	(1.837)
Net Book Value	2.976	82.172
Opening Balance	82.172	98.131
Acquisitions (Transfers) (Net)	(48.214)	102.540
Disposals (Net)	(31.924)	(116.712)
Impairment Charge/Cancellation	(83)	50
Amortization Charge ⁽¹⁾	1.025	(1.837)
Net Book Value	2.976	82.172

⁽¹⁾ The amount of accumulated depreciation belongs to asset held for sale in current period.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 1.039.579 and does not exceed 10% of the balance sheet total (31 December 2011: TRY 693.285).

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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	2.563.522	-	335.368	20.810.899	2.373.604	406.168	681.048	114.646	27.285.255
Foreign currency deposits	2.945.516	-	1.268.870	8.688.674	1.953.360	1.061.284	2.041.097	11.144	17.969.945
<i>Residents in Turkey</i>	2.380.868	-	1.239.838	8.490.388	1.827.781	785.953	1.434.000	11.006	16.169.834
<i>Residents abroad</i>	564.648	-	29.032	198.286	125.579	275.331	607.097	138	1.800.111
Public sector deposits	2.212.833	-	602.583	4.195.036	374.235	17.313	34.467	-	7.436.467
Commercial inst. deposits	2.158.531	-	1.338.364	7.007.998	2.151.522	173.019	65.477	-	12.894.911
Other inst. deposits	391.063	-	2.538.913	1.050.647	668.795	317.580	72.618	-	5.039.616
Precious metals	1.922.607	-	-	-	-	-	-	-	1.922.607
Interbank deposits	3.800.731	-	2.331.665	542.250	139.224	437.281	173.949	-	7.425.100
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	3.461	-	87.708	82.230	135.683	81.040	-	-	390.122
<i>Foreign banks</i>	3.713.932	-	2.243.957	460.020	3.541	356.241	173.949	-	6.951.640
<i>Participation banks</i>	83.338	-	-	-	-	-	-	-	83.338
Total	15.994.803	-	8.415.763	42.295.504	7.660.740	2.412.645	3.068.656	125.790	79.973.901

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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	13.331.212	12.713.126	13.891.236	12.046.510
Foreign currency saving deposits	3.820.318	3.663.365	7.099.773	5.963.493
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	80.179	66.115	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

- b.1.2. Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

- c) Saving deposits which are not under the guarantee of deposit insurance fund:

	Current period	Prior period
Foreign branches' saving deposits and other accounts	130.342	151.869
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	2.553	3.734
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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	-	5.086	-	45.829
Swap transactions	-	45.427	-	19.443
Future transactions	-	-	-	-
Options	14	139	44	42
Other	-	-	-	-
Total	14	50.652	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	227.349	248.874	221.380	216.162
Foreign banks, institutions and funds	317.849	6.509.263	157.703	5.695.982
Total	545.198	6.758.137	379.083	5.912.144

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	197.901	3.498.043	182.627	2.829.244
Medium and long-term	347.297	3.260.094	196.456	3.082.900
Total	545.198	6.758.137	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 80% of banks deposits and 27% of other deposits consist of foreign currency deposits.

Information on funds provided from repurchase agreement transactions:

	Current period		Prior period	
	TRY	FC	TRY	FC
From domestic transactions	70.718	-	3.947.963	-
Financial inst. and organizations	7.697	-	3.891.146	-
Other institutions and organizations	36.784	-	26.422	-
Real persons	26.237	-	30.395	-
From overseas transactions	278	308.654	101.445	842.706
Financial inst. and organizations	-	308.654	101.257	842.706
Other institutions and organizations	-	-	-	-
Real persons	278	-	188	-
Accruals	12	1.568	7.194	5.224
Total	71.008	310.222	4.056.602	847.930

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills ⁽¹⁾	692.270	-	495.615	-
Bonds ⁽²⁾	-	1.346.168	-	-
Total	692.270	1.346.168	495.615	-

⁽¹⁾As of 20 July 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
	9.624	1.398.263	2.719	1.342.515

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 1.270.046 and does not exceed 10% of the balance sheet total (31 December 2011: TRY 568.411).

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

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

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

b) Explanation on finance lease payables:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years ⁽¹⁾	1.737	1.240	2.754	1.818
More than 4 years	-	-	-	-
Total	1.737	1.240	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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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	972.148	656.783
Provisions for first group loans and receivables	844.129	596.273
<i>Additional provisions for the loans with extended payment plan</i>	28.583	25.131
Provisions for second group loans and receivables	65.804	7.145
<i>Additional provisions for the loans with extended payment plan</i>	53.421	3.661
Provisions for non cash loans	62.215	53.365
Other	-	-

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

None.

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

As of 31 December 2012, the Bank's specific provision for unindemnified non-cash loans balance is TRY 62.896 (31 December 2011: TRY 41.419). The Bank provides 50% of provision for these non cash loans. TRY 2.483 (31 December 2011: TRY 2.525) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

d) Information on other provisions:

Total other provision balance amounting to TRY 452.941 (31 December 2011: TRY 277.156) consists of TRY 62.896 (31 December 2011: TRY 41.419) for specific provisions for unindemnified non cash loans, TRY 26.870 (31 December 2011: TRY 21.437) for legal cases filed against the Bank, TRY 328.300 (31 December 2011: TRY 194.000) provision for prudence in consideration for any changes that may arise in the economy and the market, TRY 34.875 (31 December 2011: TRY 20.300) of other provisions.

d.1.) Movement of employee termination benefits:

Severance indemnity provision is calculated by an independent company by using the Severance indemnity provision as of 31 December 2012 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation, according to TAS 19, is as follows;

	Current Period ⁽¹⁾	Prior Period
Discount Rate	7,63%	Değişken
Inflation Rate	5,00%	Değişken
Wage growth	2,63%	Değişken
Estimated Real Wage Growth Rate	5,20%	%2

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

Information on other provisions(continued):

Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	225.930	203.258
Charge for the year	16.877	14.725
Interest Expense	21.201	19.756
Actuarial gain/loss	49.210	12.962
Payment/The limitation of benefits/ Loss (Gain) because of discharge	7.700	8.776
Benefits paid within the period(-)	(27.494)	(33.547)
Total	293.424	225.930

As of 31 December 2012, unused vacation provision is TRY 101.715. and severance indemnity provision for outsource firms is TRY 6.609. This amount is followed under employee benefits provision under liabilities (31 December 2011: TRY 87.110 TL for unused vacation provision; TRY 4.974 for severance indemnity provision for outsource firms).

Actuarial gains and losses are recognized and accounted in current period.

- e) Liabilities on pension rights
- e.1. Liabilities for pension funds established in accordance with “Social Security Institution”:
None.
- e.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees:

Based on the results of the actuarial report prepared as of 31 December 2012 and 31 December 2011, no technical deficit has been reported. Besides, no technical deficit for T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported as of 31 December 2012 and 31 December 2011.

- (10) Explanations related to tax liabilities:

- a) Information on current tax liability:

- a.1. Information on tax provision:

As of 31 December 2012, the Bank’s corporate tax payable is amounting to TRY 375.625 after setting off TRY 646.143 of prepaid taxes from TRY 1.021.768 of corporate tax liabilities tax provision.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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(continued):

a) Information on current tax liability(continued):

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	375.625	86.320
Income on securities tax	65.518	50.386
Property income tax	626	507
Banking and insurance transactions tax (BITT)	32.614	25.179
Foreign exchange transactions tax	3	2
Value added tax payable	-	196
Other	15.631	12.740
Total	490.017	175.330

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	14	10
Social insurance premiums-employer	15	13
Bank social aid pension fund premium-employee	4.462	3.386
Bank social aid pension fund premium-employer	6.211	4.609
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	-	-
Unemployment insurance-employer	-	-
Other	965	714
Total	11.667	8.732

b) Explanations regarding deferred tax liability:

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

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

None.

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

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

(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)	809.721	-	-	-
Revaluation difference	344.562	45.241	76.746	(343.524)
Exchange rate difference	-	-	-	-
Total	1.154.283	45.241	76.746	(343.524)

i) Information on legal reserves:

	Current period	Prior period
First Legal Reserves	498.255	395.998
Second Legal Reserves	384.225	352.151
Legal reserves appropriated in accordance with the law	1.856	1.503
Total	884.336	749.652

j) Information on the extraordinary reserves

	Current period	Prior period
Reserves appropriated by General Assembly	5.113.614	3.589.934
Retained Earnings	54.850	47.181
Accumulated Reserves	-	-
Foreign Currency Translation Differences (-)	-	-
Total	5.168.464	3.637.115

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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	6.013.182	4.614.215
Payment commitments for cheques	4.575.929	3.976.513
Loan granting commitments	1.053.442	890.035
Two days forward foreign exchange buy/sell transactions	1.309.055	677.085
Commitments for credit cards and banking services promotions	30.707	26.857
Tax and fund liabilities from export commitments	13.903	11.389
Share capital commitments to associates and subsidiaries ⁽¹⁾	-	1.000
Other irrevocable commitments	1.159.813	1.058.973
Total	14.156.031	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	2.808.022	4.080.511
Letters of credit	1.183.307	627.992
Other guarantees	551.962	423.056
Total	4.543.291	5.131.559

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

	Current period	Prior period
Letters of certain guarantees	7.205.696	5.993.331
Letters of advance guarantees	1.715.752	1.660.373
Letters of tentative guarantees	1.036.387	948.430
Letters of guarantee given to customs offices	399.607	324.948
Other letters of guarantee	4.833.470	3.787.816
Total	15.190.912	12.714.898

c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	352.259	160.706
<i>Within one year or less original maturity</i>	495	674
<i>Within more than one year maturity</i>	351.764	160.032
Other non-cash loans	19.381.944	17.685.751
Total	19.734.203	17.846.457

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

(1) Information on off-balance sheet liabilities(continued):

c) Total non-cash loans(continued):

c.1) Non-cash loans sectoral risk concentrations:

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	15.850	0,16	7.564	0,08	9.191	0,10	14.280	0,16
<i>Farming and raising livestock</i>	13.616	0,14	7.405	0,07	8.840	0,10	14.280	0,16
<i>Forestry</i>	311	0,00	-	0,00	110	-	-	-
<i>Fishing</i>	1.923	0,02	159	0,00	241	-	-	-
Manufacturing	2.497.573	25,59	5.429.819	54,43	2.899.659	32,86	4.911.296	54,44
<i>Mining</i>	52.277	0,54	117.185	1,17	33.649	0,38	173.010	1,92
<i>Production</i>	1.913.354	19,61	5.055.379	50,68	2.592.261	29,38	4.454.421	49,37
<i>Electric, gas and water</i>	531.942	5,45	257.255	2,58	273.749	3,10	283.865	3,15
Construction	2.911.411	29,83	2.221.757	22,27	2.447.520	27,73	2.088.187	23,15
Services	4.231.887	43,36	2.266.499	22,72	3.426.793	38,83	1.802.737	19,98
<i>Wholesale and retail trade</i>	1.724.829	17,67	1.139.607	11,42	1.393.864	15,80	824.833	9,14
<i>Hotel, food and beverage services</i>	52.285	0,54	9.808	0,10	56.007	0,63	10.480	0,11
<i>Transportation and telecommunication</i>	111.747	1,15	37.707	0,38	106.658	1,21	56.650	0,63
<i>Financial Institutions</i>	1.951.977	20,00	573.612	5,75	1.606.045	18,20	358.091	3,97
<i>Real estate and renting services</i>	351.881	3,61	490.056	4,91	239.586	2,71	546.387	6,06
<i>Self-employment services</i>	8.836	0,09	327	0,00	5.339	0,06	344	-
<i>Education services</i>	5.348	0,05	2.698	0,03	2.842	0,03	5.357	0,06
<i>Health and social services</i>	24.984	0,26	12.684	0,13	16.452	0,19	595	0,01
Other	102.537	1,05	49.306	0,49	41.944	0,48	204.850	2,27
Total	9.759.258	100,00	9.974.945	100,00	8.825.107	100,00	9.021.350	100,00

c.2) Non-cash loans classified in Group I and II:

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	9.673.959	9.870.795	85.299	104.150
Letters of guarantee	9.362.824	5.645.258	85.299	97.531
Bank acceptances	31.047	1.152.260	-	-
Letters of credit	1.661	2.799.742	-	6.619
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	278.427	273.535	-	-

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

(1) Information on off-balance sheet liabilities(continued):

c.3) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Risk Management	
	Current period	Prior period	Current period	Prior period
Types of trading transactions				
Foreign currency related derivative transactions (I)	8.925.359	6.213.289	-	-
Forward foreign currency buy/sell transactions	1.414.749	2.262.246	-	-
Currency buy/sell swap	7.229.476	3.812.283	-	-
Currency futures	-	-	-	-
Currency put/call options	281.134	138.760	-	-
Interest related derivative transactions (II)	-	-	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	-	-	-	-
Interest rate put/call options	-	-	-	-
Interest rate buy/sell futures	-	-	-	-
Other trading derivative transactions (III)⁽¹⁾	684.833	1.985.142	-	-
A. Total trading derivative transactions (I+II+III)	9.610.192	8.198.431	-	-
Types of derivative transactions for risk management				
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B. Total derivative transactions for hedging	-	-	-	-
Total derivative transactions (A+B)	9.610.192	8.198.431	-	-

⁽¹⁾ Other trading derivatives include credit default swap purchases and sale transactions amounting TRY 88.250 and TRY 59.100 respectively and forward precious metal purchase and sale transactions amounting TRY 314.800, TRY 222.683 respectively.

d) Information on contingent liabilities and assets:

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

On the other hand, according to the decision numbered 11-55/1438 dated 2 November 2011 of the Competition Board, investigation on some enterprises in banking sector, including 12 banks and 2 financial services institutions, including the parent bank, allegedly violating the fourth substance of Law numbered 4054 is continuing. As determined by Bank's management all activities subject to investigation is in conformity with the legislation, therefore, provided no provision as of 31 December 2012.

e) Services supplied on behalf of others:

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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	1.971.246	168.548	1.623.275	192.604
Medium and long term loans	3.668.294	842.744	2.670.376	627.530
Interest on non-performing loans	79.709	-	132.115	1
Premiums from resource utilization support fund	-	-	-	-
Total	5.719.249	1.011.292	4.425.766	820.135

⁽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	6.274	1.386	53	737
Overseas banks	1.347	3.174	751	7.688
Head office and branches	-	-	-	-
Total	7.621	4.560	804	8.425

c) Interest income on marketable securities:

	Current Period		Prior Period	
	DC	FC	DC	FC
Financial Assets Held for Trading	1.104	543	4.703	549
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	736.397	69.895	653.163	69.605
Held-to-Maturity Investments	1.317.630	113.144	1.173.705	116.780
Total	2.055.131	183.582	1.831.571	186.934

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries and associates	8.716	5.749

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	23.594	112.906	15.631	101.950
<i>Central Bank of Turkey</i>	-	-	-	-
<i>Domestic banks</i>	18.956	7.129	15.631	5.466
<i>Overseas banks</i>	4.638	105.777	-	96.484
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	12.755	-	8.934	-
Total	36.349	112.906	24.565	101.950

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	33.160	28.193

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	66.938	29.659	17.310	-
Total	66.938	29.659	17.310	-

d) Maturity structure of interest expenses on deposits:

Account name	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	91	65.320	15.757	906	737	-	-	82.811
Saving deposits	6	23.851	1.831.250	214.020	32.512	75.019	8.354	2.185.012
Public deposits	437	35.271	269.660	27.380	10.248	2.932	-	345.928
Commercial deposits	20	129.788	463.854	107.403	16.268	4.340	-	721.673
Other deposits	31	32.937	128.489	45.573	43.978	2.997	-	254.005
7 days call accounts	-	-	-	-	-	-	-	-
Total	585	287.167	2.709.010	395.282	103.743	85.288	8.354	3.589.429
Foreign currency								
Deposits	153	52.317	269.060	63.052	26.348	60.763	-	471.693
Bank deposits	-	23.178	-	-	-	-	-	23.178
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
Total	153	75.495	269.060	63.052	26.348	60.763	-	494.871
Grand total	738	362.662	2.978.070	458.334	130.091	146.051	8.354	4.084.300

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

(3) Information on dividend income:

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	622	620
Other	63.402	47.911
Total	64.024	48.531

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

	Current period	Prior period
Profit	8.284.069	6.953.400
Profit from the capital market operations	388.537	104.991
Profit on derivative financial instruments	1.454.742	1.677.612
Foreign exchange gains	6.440.790	5.170.797
Loss (-)	7.729.425	6.745.861
Loss from the capital market operations	3.263	8.943
Loss on derivative financial instruments	1.662.579	1.521.514
Foreign exchange losses	6.063.583	5.215.404

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	1.454.742	1.677.612
Effect of the change in foreign exchange on profit	1.454.742	1.615.952
Effect of the change in interest rate on profit	-	61.660
Loss on derivative financial instruments (-)	1.662.579	1.521.514
Effect of the change in foreign exchange on loss	1.601.565	1.491.881
Effect of the change in interest rate on loss	61.014	29.633
Profit/loss on derivative financial instruments	(207.837)	156.098

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	195.388	436.493
-Specific provision reversals for Loans under follow up	173.030	284.483
-Other prior period expense reversals income	22.358	152.010
Receivable from the asset sale on credit terms	118.011	117.078
Rent income	6.016	6.276
Cheques	5.364	5.619
Provision for communication expenses	7.632	7.579
Other income	27.831	21.406
Total	360.242	594.451

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	382.808	211.056
<i>Group - III loans and receivables</i>	260.139	107.771
<i>Group - IV loans and receivables</i>	37.234	20.637
<i>Group - V loans and receivables</i>	85.435	82.648
General loan provision expenses	315.365	266.662
Provision expenses for possible losses	134.300	186.400
Marketable securities impairment losses	6.548	-
<i>Financial assets at fair value through profit and loss</i>	-	-
<i>Financial assets available for sale</i>	6.548	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Jointly controlled entities (joint ventures)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Other	47.595	25.866
Total	886.616	689.984

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	842.962	731.842
Reserve for employee termination benefits	96.623	58.201
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	24
Depreciation expenses of fixed assets	89.663	77.914
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	2.456	1.727
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	3.514	4.326
Amortization expenses of assets that will be disposed of	5.113	3.924
Impairment expense for property and equipment held for sale	7	-
Other operating expenses	756.866	592.951
<i>Operational leasing expenses</i>	108.667	84.621
<i>Maintenance expenses</i>	14.719	16.161
<i>Advertisement expenses</i>	95.942	54.869
<i>Other expenses</i>	537.538	437.300
Loss on sales of assets	337	2.100
Other	300.115	252.242
Total	2.097.656	1.725.251

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

- (8) Information on profit/loss from continuing and discontinued operations before taxes:
The Bank's income before tax is due from continuing activities. TRY 4.476.077 of the income before tax consists of net interest income, TRY 858.424 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Bank is amounting to TRY 3.329.139.
- (9) Information on tax provisions for continuing and discontinued operations:
For the nine-month period ended 31 December 2012, the Bank's tax provision amounting to TRY 733.928 consists of TRY 1.021.768 of current tax charge and TRY 287.840 of deferred tax income.
- (10) Information on net operating income/expense from continuing and discontinued operations after tax:
For the nine-month period ended 31 December 2012; the Bank's net operating income after tax is amounting to TRY 2.595.211.
- (11) Information on net profit/loss from continuing and discontinued operations:
- a) Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Bank's performance for the period between 1 January 2012 and 31 December 2012.
- b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.
- c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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:

The “net increase/(decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 3.807.302 thousands for the year 2012. The “others” item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TRY 766.373 thousands for the year 2012.

For the year ended 31 December 2012, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 516.724 decrease (31 December 2011: TRY 865.256, increase).

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

	Current period	Prior period
Cash	7.272.370	4.649.560
<i>Cash in TRY and foreign currency</i>	481.801	379.280
<i>Central Bank and others⁽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	12.487.743	7.272.370
<i>Cash in TRY and foreign currency</i>	685.419	481.801
<i>Central Bank and others⁽¹⁾</i>	11.802.324	6.790.569
Cash Equivalents	2.631.767	1.475.000
<i>Demand and Time Deposits Up to 3 Months</i>	2.619.412	1.475.000
<i>Money Market Placements</i>	12.355	-
Cash and Banks	15.119.510	8.747.370
Reserve deposits in Central Bank of Turkey	(9.849.458)	(3.965.249)
Accruals on banks	(566)	(219)
Total Cash and Cash Equivalents	5.269.486	4.781.902

⁽¹⁾ Others items include cheques received.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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	299.727	340.509	-	-	-	-
Interest and commissions income	8.716	1.824	-	-	-	-

- b) Prior period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	75.704	36.366	-	-	-	-
Closing balance	144.642	84.051	-	-	-	-
Interest and commissions income	5.581	168	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Beginning balance	306.082	284.026	-	-	-	-
Closing Balance	579.099	306.082	-	-	-	-
Interest expense on deposits	33.160	28.193	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Financial Assets At Fv Through Profit And Loss						
Beginning balance	62.206	-	-	-	-	-
Closing Balance	68.331	62.206	-	-	-	-
Total Profit/Loss	(384)	-	-	-	-	-

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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	299.727	%0,46
Non-cash loans	340.509	%1,73
Deposits	579.099	%0,73
Forward and option contracts	68.331	%0,71
Banks and financial institutions	-	-

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

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

d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 6.399 as of 31 December 2012 (31 December 2011: TRY 5.253).

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

- (1) Explanations on the Bank's domestic branches, agencies/branches abroad and off-shore branches

	Quantity	Number of employees	Country	Total Assets	Legal Capital
Domestic Branches	816	14.930			
Agencies Abroad	1	2	Tahran/İRAN		
Overseas Branches	4	19	Lefkoşa/KKTC	202.217	50.000
		9	Gazimagosa/KKTC	27.317	-
		6	Girne/KKTC	24.903	-
		2	Paşaköy/KKTC	434	-
Off-shore Branches	1	3	Manama/BAHREYN	4.448.351	-

- (2) Explanations on branch and agency openings or closings of the Bank:
The Bank opened 50 domestic branches during the year.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

In addition to the existing bonds issuance, the Bank made an application to the Capital Markets Board (CMB) on 31 December 2012 related to bond issuance with collateral and without collateral along with the foreign countries up to value USD 2 billion or equivalently in other foreign currencies with the different maturities and different currencies. Bond issuance amounting to nominal value USD 750 million with the maturity of 7 years was approved by Capital Markets Board (CMB) on 22 January 2013 and the bond issuance was carried out by the Bank on 5 February 2013.

The Bank made an application to the Capital Markets Board (CMB) regarding to the issuance of treasury bills up to TRY 3.000.000 million with different maturities on 7 December 2012. Treasury bills amounting to nominal value TRY 750 million with the maturity of 175 days was approved by Capital Markets Board (CMB) on 4 January 2013 and the issuance was carried out by the Bank on 11 January 2013.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

SECTION VII: INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements as of and for the year ended 31 December 2012 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 13 February 2013 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.