

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

Türkiye Halk Bankası Anonim Şirketi

**Consolidated Financial Statements
As of and For the Six-Month Period Ended 30 June 2013
With Independent Auditors' Review Report Thereon**
*(Convenience Translation of Consolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

2 August 2013

*This report contains "Independent Auditors'
Review Report" comprising 1 pages and;
"Consolidated Financial Statements and Related
Disclosures and Footnotes" comprising 92
pages.*

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

**INDEPENDENT AUDITORS' REVIEW REPORT
AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013**

To the Board of Directors of Türkiye Halk Bankası AŞ;

We have reviewed the consolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") and its financial affiliates (together "the Group") as of 30 June 2013 and the consolidated statements of income, cash flows and changes in shareholders' equity for the six-month period then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility as independent auditors is to issue a review report on these consolidated financial statements based on our review.

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

The accompanying consolidated financial statements as of 30 June 2013 include a general reserve amounting to TRY 328.300 thousands of which had been recognized as expense in the prior periods, provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

Based on our review, except for the effect of the matter described in the third paragraph above on the consolidated financial statements, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements are not presented fairly, the financial position of Türkiye Halk Bankası AŞ as of 30 June 2013, and the result of its operations and cash flows for the six-month period then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 and Article 38 of the ("Turkish") Banking Law No. 5411 and other regulations, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

İstanbul,
2 August 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 CONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

1. The Bank's Headquarter Address:
Barbaros Mahallesi Şebboy Sokak No:4 Ataşehir/İstanbul
2. The Bank's Contact Phone and Facsimile:
Phone : 0216 503 70 70
Facsimile : 0212 340 93 99
3. The Bank's Website and E-mail Address:
Website: www.halkbank.com.tr

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

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

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

Subsidiaries		Associates	
1.	Halk Yatırım Menkul Değerler AŞ	1.	Demir-Halkbank NV
2.	Halk Sigorta AŞ	2.	Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3.	Halk Hayat ve Emeklilik AŞ		
4.	Halk Gayrimenkul Yatırım Ortaklığı AŞ		
5.	Halk Finansal Kiralama AŞ		
6.	Halk Portföy Yönetimi AŞ		
7.	Halk Faktoring AŞ		
8.	Halk Banka AD, Skopje		

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures as of and for the six-month period ended 30 June 2013 are prepared in thousand Turkish Lira and they have been independently reviewed and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Ankara, 2 August 2013

Hasan Cebeci	Süleyman Aslan	Sabahattin Birdal	Ahmet Yarız	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

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TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

As of 30 June 2013 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	30 June 2013	%	31 December 2012	%
Prime Ministry Privatization Administration ^(1,2)	638.276	51,06	638.276	51,06
Public shares ⁽²⁾	611.271	48,90	611.266	48,90
Other shareholders	453	0,04	458	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 Parent Bank’s shares were registered to Capital Market Board records by decision number 16/471 dated 26 April 2007. The shares were traded on Borsa İstanbul AŞ 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 of the Parent Bank are controlled and represented by the Parent Bank’s Minister until the sales completion of these shares.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

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

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

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

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan CEBECİ	Chairman of the Board of Directors	13.4.2005	Ankara Eco. and Com. Science (ECS) Academy - Economy Finance	34
Süleyman KALKAN	Vice Chairman of the Board of Directors	1.4.2013	Ankara University, Faculty of Political Science – International Relations Department.	30
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.	30
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	İstanbul Uni. Faculty of Economics Business Administration-Finance	28
Ahmet KAHRAMAN	Member of the Board of Directors	18.4.2012	Bachelor Degree: İstanbul University – Department of Law	1
İsmail Erol İŞBİLEN	Member of the Board of Directors	1.4.2013	Bachelor Degree: Ankara University, Faculty of Political Sciences – Economy and Public Finance Department	28
Faruk ÖZÇELİK	Member of the Audit Committee	29.3.2013 ^(*)	Master's Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	3
Ali ARSLAN	Member of the Audit Committee	29.3.2013 ^(*)	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.	24
Mustafa SAVAŞ	Executive Vice President	12.8.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	22
Erol GÖNCÜ	Executive Vice President	14.6.2005	METU Faculty of Arts and Sciences-Mathematics Department.	24
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.	22
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.	27
Ufuk Hacer DENİZCİ YÜCE	Executive Vice President	12.10.2010	Istanbul Technical University Business Administration Faculty-Business Engineering.	24
Mürsel ERTAŞ	Executive Vice President	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences-Foreign Trade & Exchange.	27
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	15

^(*) Assigned date for Audit Committee.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

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

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

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

- a) The professionals to the Parent Bank's top management who have assigned to their position in 2013 are listed with titles and dates of assignment.

Name	Title	Assignment Date
Süleyman KALKAN	Member of the Board of Directors and Vice Chairman of the Board	29 March 2013
İsmail Erol İŞBİLEN	Member of the Board of Directors	29 March 2013

- b) The professionals from the Parent Bank's top management who have left their position in 2013 are listed with titles and dates of leaving.

Name	Title	Assignment Date
Mehmet Emin ÖZCAN	Member of the Board of Directors and Vice Chairman of the Board	29 March 2013
Hikmet Aydın SİMİT	Member of the Board of Directors	29 March 2013

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

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

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

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

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

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

a) General information about the Parent Bank:

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

b) Law numbered 4603 regarding the “Law on Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası Anonim Şirketi and Türkiye Emlak Bankası Anonim Şirketi”, was prepared within the framework of the macro-economic program for the period 2000-2002. The purpose of the law is to modernize the operations of the banks to arrive at a point where the requirements of the international norms and international competition can both be reached and it also aims to sell the majority of the banks’ shares to individuals or legal entities in the private sector. The Parent Bank revised its charter of establishment, elected a new board of directors and increased its nominal capital from TRY 250.000 to TRY 1.250.000 in the extraordinary general assembly held on 14 April 2001. Within the scope of the restructuring process, the Parent Bank received government bonds in settlement of the accumulated specific duty losses and the Parent Bank’s whole specific duty loss receivable was thus eliminated as at 30 April 2001. In addition, a significant number of personnel were encouraged to sign new contracts 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 Parent Bank were to be concluded under the provisions of Law No: 4046 based on the “Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law”. The procedures relating to restructuring and sale of the shares were to be completed within three years (until 25 November 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term “ 3 years” in Article 2.2 of Law numbered 4603 was previously amended to “5 years” and subsequently by Law No: 5572 dated 10 January 2007 the related term was amended to “10 years”. As a result of this amendment, the privatization period of the Parent Bank was prolonged. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended by the half of that “10 years” period by the Decree numbered 2010/964 and dated 6 November 2010.

c.1 When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Parent Bank shares were decided to be sold before 25 May 2008 using the block sale method. By the Privatization High Council’s decree numbered 2006/4258 and dated 29 November 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 was executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on 11 August 2006, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Parent Bank corresponding to 24.98% was completed in the first week of May 2007 and Halkbank shares were traded on Borsa İstanbul AŞ 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

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

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

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

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

As of 30 June 2013, the Parent Bank operates with a total of 866 branches consisting of 861 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 40 satellite branches and 2 financial services branches. The Parent Bank has also 1 representative office in Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

- Halk Yatırım Menkul Değerler AŞ
- Halk Sigorta AŞ
- Halk Hayat ve Emeklilik AŞ
- Halk Gayrimenkul Yatırım Ortaklığı AŞ
- Halk Finansal Kiralama AŞ
- Halk Portföy Yönetimi AŞ
- Halk Faktoring AŞ
- Halk Banka AD, Skopje

are consolidated line by line in the accompanying consolidated financial statements.

The Parent Bank’s associates;

- Demir-Halkbank NV
- Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ

is accounted by “equity method” in the accompanying consolidated financial statements.

Halk Gayrimenkul Yatırım Ortaklığı AŞ (“the Company”), a subsidiary of the Parent Bank established in 2010, was registered on 18 October 2010. The Company’s main line of business is, to form and improve real estate portfolios and to invest in real estate based capital market instruments. The Company’s main operative target is, based on the Capital Markets Board’s (“CMB”) regulation regarding the investment properties, to invest in capital market instruments based on real estates, real estate projects and rights based on real estates.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

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

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

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

As at 15 February 2013 28% shares of Halk GYO has been offered to public. After the collecting the demand the Company's shares started to be traded on Borsa İstanbul AŞ at 22 February 2013.

Halk Finansal Kiralama AŞ ("Halk Leasing"), was an associate of the Parent Bank with 47,75% of the shares and consolidated according to the equity method until 27 May 2011. The Group obtained the control of Halk Leasing by acquiring 52,24% of the shares and voting interests in the company as of 27 May 2011. As a result, the Group's equity interest in Halk Leasing has increased from 47,75% to 99,99%. Halk Leasing was established in September 1991 in Turkey and operates under the provisions of the Turkish financial leasing law number 3226.

Halk Banka AD Skopje, formerly Export and Credit Bank AD Skopje is a subsidiary of the Parent Bank. The Group obtained the control of Halk Banka AD, Skopje by acquiring 98,12% of the shares and voting interests of the company as of 8 April 2011 and 8 August 2011. Halk Banka AD Skopje has taken over Ziraat Banka AD Skopje which is the a Turkish capital bank that operates in Macedonia, through the merger as of 1 October 2012. As a result, the Group's equity interest in Halk Banka AD, Skopje has increased from 98,12% to 98,78%. Halk Banka AD, Skopje is operating in Republic of Macedonia. Its main activities include commercial lending, receiving of deposits, foreign exchange deals, and payment operation services in the country and abroad and retail banking services.

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

Halk Faktoring AŞ("Halk Faktoring"), was a subsidiary of the Parent Bank with capital payments of amounting to TRY 19.000 and 95% of shares. After, it was registered to trade registry on 6 June 2012, establishment has been completed. Halk Faktoring's main line of business is to provide factoring services, that include legitimate commercial lending for all domestic and international trade operation.

For the purposes of the consolidated financial statements, the Parent Bank and its consolidated subsidiaries are referred to as "the Group".

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

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

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

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

Demir-Halkbank NV ("Demir Halk Bank") and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ which are qualified as investments in associates, are presented in the financial statements based on equity method of accounting. An associate is a partnership in whose capital the Parent Bank participates and over which it has a significant influence but no control, established at home and abroad.

Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ are not consolidated in the financial statements since the Parent Bank has no control and significant influence over them and are recorded at cost since the reliable fair values of these associates can not be determined.

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

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

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

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SECTION II: CONSOLIDATED FINANCIAL STATEMENTS

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

Additional paragraph for convenience translation to English

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

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

1. The Group’s strategy on financial instruments:

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

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

2. The Group’s explanations on foreign currency transactions:

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

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

Assets and liabilities of the foreign branches and subsidiaries of the Parent Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. The foreign branches’ income and expenses are converted by at exchange rates at the dates of the transactions. The foreign subsidiaries’ income and expenses are converted by average rate of the exchange of the current year.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION

1. Basis of consolidation:

The accompanying consolidated financial statements are prepared in accordance with the communiqué on “Preparation of Consolidated Financial Statements of Banks” and the Turkish Accounting Standards are applied in the consolidation.

a. Basis of consolidation of subsidiaries:

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

A subsidiary is an entity that is controlled by the Parent Bank. Control is the power of the Parent Bank to appoint or remove from office the decision-taking majority of members of board of directors through direct or indirect possession of the majority of a legal person’s capital irrespective of the requirement of owning minimum fifty-one per cent of its capital; or by having control over the majority of the voting right as a consequence of holding privileged shares or of agreements with other shareholders although not owning the majority of capital.

Under line-by-line method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Parent Bank on a line-by-line basis. The book value of the Parent Bank’s investment in each subsidiary and the Group’s portion of equity of each subsidiary are eliminated. All significant transactions and balances between the Parent Bank and its consolidated subsidiaries are eliminated reciprocally. Minority interests in the net income and in the equity of consolidated subsidiaries are calculated separately from the Group’s net income and the Group’s shareholders’ equity. Minority interests are identified separately in the balance sheet and in the income statement.

In preparing the consolidated financial statements, if a subsidiary uses accounting policies other than those adapted by the Parent Bank, appropriate adjustments are made to subsidiaries’ financial statements. There is no item that a different accounting policy is applied.

b. Basis of consolidation of associates:

Demir-Halkbank NV (“Demir Halk Bank”) and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ, which are qualified as investments in associates, are presented in the accompanying financial statements based on the equity method of accounting. An associate is a partnership in whose capital the Parent Bank participates and over which it has a significant influence but no control, established at home and abroad.

Significant influence is the power to participate in the financial and operating policy of the investee. If the Parent Bank holds ten percent or more of the voting power of the associate, it is presumed that the Parent Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

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

1. Basis of consolidation (continued):

b. Basis of consolidation of associates (continued):

Qualified share is the share that directly or indirectly constitute ten percent of an entity's capital or voting rights and irrespective of this requirement, possession of privileged shares giving right to appoint members of board of directors.

Equity method is an accounting method of associates by which book value of the associate is increased or decreased due to changes in the Parent Bank's share in the associates' equity and dividends received from associate is deducted from the share of Bank calculated as explained above.

Accounting principles used by Demir Halkbank NV and Kobi Girişim Sermayesi AŞ which is a consolidated associate by the equity method of accounting, has the same accounting principles of the Parent Bank.

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures.

d. Principles applied during share transfer, merger and acquisition:

Accounting for business combinations

From 1 January 2010 the Group will apply IFRS 3 Business Combinations (2008) in accounting for business combinations. Business Combinations that occurred before 1 January 2010 had not been restated and the accounting policies applicable to those acquisitions are set out below. The new accounting policy in respect of business combinations is as follows.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 January 2010

The Group measures goodwill at the acquisition date as the total of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

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

1. Basis of consolidation (continued):

d. Principles applied during share transfer, merger and acquisition (continued):

Accounting for business combinations (continued)

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss. When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquirer's employees (acquirer's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquirer's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions before 1 January 2010

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalized as part of the cost of the acquisitions.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

V. INTEREST INCOME AND EXPENSES

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

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

VI. FEES AND COMMISSION INCOME AND EXPENSES

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

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

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

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

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

1. Cash and banks

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

2. Financial assets at fair value through profit and loss

a. Financial assets held for trading

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

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

b. Financial assets at fair value through profit and loss

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

The Group has not any financial assets at fair value through profit and loss as of 30 June 2013 and 31 December 2012.

3. Investments held to maturity

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

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

5. Loans and receivables

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

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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 (“Communique”)” 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. Unindemnified non-cash loans extended to follow-up entities are added to the follow-up risk amount after conversion by credit conversion rates defined in the Communique. The Bank sets 100% provision for the outstanding follow-up risk amount, that are calculated by deducting the collateral amount, and calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation. 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.

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

SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

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

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

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

IX. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the consolidated balance sheet of the Group.

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

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

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

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

Investment properties are kind of property which is held by the Group to earn rent.

These are listed in the attached consolidated financial statements at acquisition costs less accumulated amortization and impairment provisions. The accounting policies mentioned for tangible assets are also valid for investment properties.

XV. EXPLANATIONS ON LEASING TRANSACTIONS

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

In the cases of the Group is renter, at the beginning of the lease operation the value of assets held under financial leases are recognized as financial lease receivables in the balance sheet. Interest income obtained by the difference between total financial lease receivables and investment value of assets held under financial leases is recorded in the income statement by distributing the receivables in the related accounting period with the constant interest rate. The interest income which is not accrued in the related period, is recognized in the account of unaccrued interest income.

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

XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

Insurance premium income is obtained subsequent the share of reinsurers in policy income is diminished.

Claims are recorded in expense as they are reported. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers' share of claims paid and outstanding loss are offset in these provisions.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

According to the current insurance regulation, insurance companies should recognize provisions for unearned premium claims, unexpired risk reserves, provision for outstanding claims, life-mathematical provisions and equalization provisions.

The provision for unearned premiums consists of the gross overlapping portion of accrued premiums for insurance contracts that are in effect to the subsequent period or periods of balance sheet date on a daily basis without a commission or any other discount.

In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision is recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer.

Claim provision is recognized for the accrued claims which are not paid in the current period or in the prior periods or for the claims realized with the expected costs but not reported.

Mathematical provision is recognized in order to meet the requirements of policyholders and beneficiaries for long-time life, health and personal accident insurance contracts on actuarial bases.

Equalization provision is recognized in order to balance the fluctuations in the claim ratios.

Effective 1 January 2005, the Group's insurance subsidiaries adopted TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts has more fully addressed. TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts.

Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 revised.

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium.

In conformity with TFRS 4, at each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of related Deferred Acquisition Costs (DAC) and premiums receivable. Investment income from the assets backing the liabilities is taken into account in calculating the provision. Any deficiency, if there is, is immediately charged to the income statement initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests. Any DAC written off as a result of this test cannot subsequently be reinstated.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XVIII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and numbered 26731, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 “Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws”, which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. However related transfer period has been prolonged for 2 years by the Cabinet decision dated 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and numbered 27900. In addition, by the Law numbered 6283 “Emendating Social Security and General Health Insurance Act”, which was published on the Official Gazette dated 8 March 2012 and numbered 28227, this period of 2 years has been raised to 4 years after that related transfer period has been prolonged for one more year by the Cabinet decision dated 8 April 2013, which was published on the Official Gazette dated 3 May 2013 and numbered 28636.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES (continued)

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.

XX. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 31 December 2012 has been paid in February 2013, accrued advance tax as of 30 June 2013 will be paid in August 2013.

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

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

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

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority on each consolidated entity's non-consolidated financial statements. Deferred tax assets and liabilities are also offset.

Tax practices in the countries that foreign branches and financial institution operate:

Turkish Republic of Northern Cyprus (TRNC)

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XX. EXPLANATIONS ON TAXATION (continued)

Tax practices in the countries that foreign branches and financial institution operate: (continued)

Bahrain

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

Tax practices for the subsidiaries which are subject to consolidation

Halk Gayrimenkul Yatırım Ortaklığı AŞ

The Parent Bank's subsidiary, Halk Gayrimenkul Yatırım Ortaklığı AŞ, is established in the 2010. Income derived from the operations related with the investment properties is exempt from corporate tax in accordance with the Article 5/1(d) (4) of the Corporate Tax Law No: 5520. This exemption is also used for the accrued advanced tax terms.

Halk Banka AD Skopje

The Parent Bank's newly acquired subsidiary in 2011 Halk Banka AD, Skopje is subject to tax regulations in the Republic of Macedonia. A new tax regime had become effective according which the base for income tax computation had been shifted from the profit before taxes to the income "distribution" concept in the Republic of Macedonia.

"Distributions" are split into two components:

- Tax on any dividend distribution – i.e. the tax base is the dividend paid,
- Tax on non deductible items – i.e. the tax base is the non deductible items specified in the tax rulebook less any allowable tax credits. The tax on non deductible items is paid each month in monthly advance installments based on the previous fiscal year computation of such non deductible differences. At year end a final tax computation is prepared with a final tax settlement.

As such, the new income tax regime provokes certain implications on the presentation of the tax in the financial statements which are summarized below:

(i) Tax on dividend distribution:

Tax on dividend distribution is considered to be income tax within scope of International Accounting Standards - Tax on Income ("IAS 12").

The timing of recognition of this type of income tax is to be consistent with the underlining dividend liability recognition (i.e., recognized when the dividend is paid and/or declared). As such no provisions are required for income tax arising from dividend distribution until the dividend is declared and/or paid.

When the tax on dividend distribution arises on interim (advance) dividend paid before the year end, the income tax charge is recognized and presented in the Statement of comprehensive income after profit and loss before tax as income tax expense.

When the tax on dividend distribution arises from retained earnings, it is recognized and presented in the statement of changes in equity.

(ii) Tax on non deductible items:

Tax on non deductible items is not income tax and is out of scope of IAS 12. Accordingly, such tax expense is presented within the operating results, and related tax payable/receivable is presented within the other assets/other liabilities in the statement of financial position.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XX. EXPLANATIONS on TAXATION (continued)

Tax practices for the subsidiaries which are subject to consolidation (continued)

Halk Banka AD Skopje (continued)

Recognition of tax provisions:

In case of tax contingencies, provisions are made in line with International Accounting Standards – Provisions, Contingent Liabilities and Contingent Assets adopted in the Republic of Macedonia (“IAS 37”).

Such provisions are not presented as deferred tax assets or deferred tax liabilities, but as other assets or other liabilities.

Recognition/reversal of such tax provisions (that is not income taxes) is presented within the other expenses/other income.

XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

Interest rate and liquidity risks are reduced by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitization and borrowing with collateral and bears higher interest than costs of those instruments. Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

XXII. EXPLANATIONS ON SHARES AND SHARE ISSUE

Share issuances related to costs are accounted under shareholders’ equity. Dividend income related with the equity shares are determined by the General Assembly of the Parent Bank.

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

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

Halk GYO has applied to CMB by 29 August 2012 for the purpose of initial public offering of the increasing amount of B group of shares TRY 185.500 notional amount which is increased from TRY 477.000 issued capital of the Halk GYO to TRY 662.500 within TRY 1.500.000 registered capital ceiling. Application was approved in accordance with the decision promulgated by CMB’s numbered 4/97 on 8 February 2013. As at 15 February 2013 there has been an initial public offering of B group shares of TRY 185.000 notional amount by restricting the existent shareholders for purchasing the new shares. After the collecting the demand the Company’s shares started to be traded on Borsa İstanbul AŞ at 22 February 2013.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XXIII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

None.

XXV. EXPLANATIONS ON SEGMENT REPORTING

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

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

XXVI. EXPLANATION ON OTHER MATTERS

None.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO

The capital adequacy ratio calculations are made in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” published in Official Gazette No 28337 of 28 June 2012. The consolidated basis capital adequacy ratio of the Group is 14,10 % as of 30 June 2013. (31 December 2012: 15,32%)

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

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

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

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

1. Information on the consolidated capital adequacy ratio:

	Risk Weight															
	The Parent Bank						Consolidated									
	0%	10%	20%	50%	75%	100%	150%	200%	0%	10%	20%	50%	75%	100%	150%	200%
Surplus credit risk weighted	-	-	634.552	10.855.302	17.866.146	34.277.515	2.961.969	13.757.080	-	-	645.795	10.867.482	18.127.843	35.129.728	2.961.969	13.757.080
Risk classifications:																
Claims on sovereigns and Central Banks	27.046.867	-	2.010	1.554.597	-	-	-	-	27.246.270	-	2.010	1.554.597	-	-	-	-
Claims on regional governments or local authorities	15.647	-	275.228	-	-	-	-	-	15.647	-	275.228	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	3.959	-	49.702	-	-	119.067	-	-	3.959	-	49.702	-	-	119.067	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	709.282	-	2.536.911	2.187.253	-	86.076	-	-	354.503	-	2.593.127	2.189.233	-	87.472	-	-
Claims on corporates	372.937	-	121.692	71.108	-	30.896.004	-	-	353.599	-	121.692	71.108	-	32.711.801	-	-
Claims included in the regulatory retail portfolios	1.257.572	-	117.031	-	22.979.094	-	-	-	1.257.572	-	117.031	-	23.313.546	-	-	-
Claims secured by residential property	25.616	-	2.755	17.765.948	-	-	-	-	25.616	-	2.755	17.788.329	-	-	-	-
Overdue loans	-	-	-	129.190	-	245.551	-	-	-	-	-	129.190	-	332.879	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	1.974.646	6.878.540	-	-	-	-	-	-	1.974.646	6.878.540
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	2.118.056	-	67.430	2.507	842.434	2.930.817	-	-	2.125.800	-	67.430	2.507	856.911	1.878.509	-	-

⁽¹⁾ As of 30 June 2013, overdue finance lease receivables amounting to TRY 85.175 is included in the 100% risk weighted of overdue loans above.

2. Consolidated Capital adequacy ratio summary:

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Capital to be employed for credit risk (Amount subject to credit risk*0,08) (I)	6.428.205	5.600.516	6.519.192	5.630.141
Capital to be employed for market risk (II)	206.833	133.905	211.340	134.452
Capital to be employed for operational risk (III)	712.998	601.101	748.688	623.637
Shareholders' equity	13.521.737	12.808.583	13.181.273	12.235.539
Shareholders' equity / (I+II+III) * 12,5*100	14,72	16,17	14,10	15,32

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

3. Information on equity items:

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
CORE CAPITAL				
Paid-in capital	1.250.000	1.250.000	1.250.000	1.250.000
<i>Nominal capital</i>	<i>1.250.000</i>	<i>1.250.000</i>	<i>1.250.000</i>	<i>1.250.000</i>
<i>Capital commitments (-)</i>	-	-	-	-
Adjustment to paid-in capital	1.220.451	1.220.451	1.220.451	1.220.451
Share premium	-	-	36.384	-
Share repeal	-	-	-	-
Legal reserves	8.093.256	6.052.800	7.998.795	5.939.622
Adjustment to legal reserves	-	-	-	-
Profit	1.428.483	2.595.211	1.499.791	2.678.327
<i>Net current period profit</i>	<i>1.428.483</i>	<i>2.595.211</i>	<i>1.425.242</i>	<i>2.642.347</i>
<i>Prior period profit</i>	-	-	<i>74.549</i>	<i>35.980</i>
Provisions for possible losses up to 25% of core capital	328.300	328.300	328.300	328.300
Profit on sale of associates, subsidiaries and buildings	-	-	-	-
Primary subordinated loans	-	-	-	-
Minority shares	-	-	196.818	4.762
Loss that is not covered with reserves (-)	-	-	-	-
<i>Net current period loss</i>	-	-	-	-
<i>Prior period loss</i>	-	-	-	-
Development cost of operating lease (-)	75.867	78.860	76.594	80.513
Intangible assets (-)	40.370	37.285	60.523	56.007
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-	-	-
Goodwill (Net) (-)	-	-	-	-
Total Core Capital	12.204.253	11.330.617	12.393.422	11.284.942
SUPPLEMENTARY CAPITAL				
General reserves	1.148.131	972.148	1.160.898	976.215
45% of increase in revaluation fund of movables	-	-	-	-
45% of increase in revaluation fund of fixed assets	-	-	-	-
Free shares from investment and associates, subsidiaries and joint ventures that is not recognized in profit	6.679	4.969	1.941	231
Primary subordinated loans which are ignored in the calculation of core capital	-	-	-	-
Secondary subordinated loans	-	-	-	-
45% of value increase, 100% of value decrease fund of financial assets available for sale and associates and subsidiaries	222.940	539.786	(129.382)	183.088
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)	-	-	-	-
Minority shares	-	-	-	-
Total Supplementary Capital	1.377.750	1.516.903	1.033.457	1.159.534
CAPITAL	13.582.003	12.847.520	13.426.879	12.444.476
DEDUCTIONS FROM THE CAPITAL	60.266	38.937	245.606	208.937
Equity Shares in Banks and Financial Institutions Which Are Excluded from the Consolidation	-	-	-	-
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated debt and debt instruments purchased from such parties qualified as primary or secondary subordinated debt	-	-	-	-
Shareholdings in the banks and financial institutions which are accounted for under the equity pick up method but the assets and liabilities are not consolidated	-	-	185.340	170.000
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-	-	-	-
The net book value of properties exceeding 50% of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	58.063	36.311	58.063	36.311
Securitization Positions to be Deducted from Equity	-	-	-	-
Other	2.203	2.626	2.203	2.626
TOTAL SHAREHOLDERS' EQUITY	13.521.737	12.808.583	13.181.273	12.235.539

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK

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

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

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

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

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

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

As of 30 June 2013, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 19,31% and 23,57% of its total cash loans.

As of 30 June 2013, receivables of the Group from its top 100 and 200 non-cash loan customers are respectively 52,25% and 61,84% of its total non-cash loans.

As of 30 June 2013, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 15,64% and 19,24% of its total balance sheet and off-balance sheet assets.

As of 30 June 2013, general loan loss provision related to the credit risk incurred by the Group in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 1.160.898 (31 December 2012: TRY 976.215).

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III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK

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

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

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

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

a) Information related to consolidated market risk:

	Amount
(I) Capital requirement to be employed for general market risk	143.994
(II) Capital requirement to be employed for specific risk	35.432
(III) Capital requirement to be employed for specific risk in securitization positions- Standard Method	-
(IV)Capital requirement to be employed for currency risk	28.321
(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	1.313
(VIII)Capital requirement to be employed for general market risk.	2.280
(IX) Total capital requirement to be employed for market risk	-
(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)	211.340
(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)	2.641.750

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK (continued)

Information about counterparty risk:

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

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

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

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

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

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

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

	Amount*
Contracts based on Interest rate	-
Contracts based on currency	81.970
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	81.970
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	3.247
The net position of derivatives	81.970

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK

In the calculation of the Group’s operational risk, the “Basic Indicator Method” is used. The amount subject to operational risk is calculated once a year in accordance with the Regulation on “Measurement and Assessment of the Capital Adequacy of Banks” published in the Official Gazette numbered 28337 on 28 June 2012. In the Basic Indicator Method, the amount subject to operational risk is calculated by multiplying 15% of the Group’s average gross revenue over the previous three years with 12,5. Amount subject to operational risk is TRY 9.358.597 for the current period. (31 December 2012: 7.795.467 TL).

V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK

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

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

Announced current foreign exchange buying rates of the Parent Bank as at 30 June 2013 and the previous five working days in full TRY are as follows:

	21.06.2013	24.06.2013	25.06.2013	26.06.2013	27.06.2013	28.06.2013
USD	1,9150000	1,9300000	1,9150000	1,9150000	1,9000000	1,9100000
CHF	2,0480000	2,0631000	2,0369000	2,0307000	2,0043000	2,0196000
GBP	2,9425000	2,9693000	2,9467000	2,9366000	2,8874000	2,9002000
JPY	0,0196055	0,0197621	0,0195484	0,0196428	0,0192839	0,0192358
EURO	2,5160000	2,5288000	2,5049000	2,4915000	2,4736000	2,4876000

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 30 June 2013 are as follows:

	Monthly average
USD	1,8785000
CHF	2,0070100
GBP	2,9029450
JPY	0,0192599
EURO	2,4760900

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

Information related to the consolidated 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	6.026.858	5.184.997	2.087.338	13.299.193
Banks	1.742.229	148.390	151.192	2.041.811
Financial assets at fair value through profit and loss ⁽³⁾	3.766	53.926	517	58.209
Money market placements	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	783.671	1.249.346	34.142	2.067.159
Loans ⁽²⁾	7.734.263	13.228.225	270.672	21.233.160
Subsidiaries, associates and entities under common control ⁽⁵⁾	171.011	-	-	171.011
Held-to-maturity investments	-	-	115.400	115.400
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	31.447	31.447
Intangible assets	-	-	-	-
Other assets ⁽³⁾	579.450	617.128	40.771	1.237.349
Total assets	17.041.248	20.482.012	2.731.479	40.254.739
Liabilities				
Bank deposits	3.790.671	747.461	333.298	4.871.430
Foreign currency deposits	12.385.603	7.547.924	2.376.031	22.309.558
Money market balances	-	39.917	-	39.917
Funds provided from other financial institutions	5.140.345	5.568.938	34.562	10.743.845
Bonds issued	-	2.897.652	-	2.897.652
Sundry creditors	25.052	54.254	550	79.856
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	62.308	109.428	47.568	219.304
Total liabilities	21.403.979	16.965.574	2.792.009	41.161.562
Net balance sheet position	(4.362.731)	3.516.438	(60.530)	(906.823)
Net off-balance sheet position				
Financial derivative assets⁽⁴⁾	4.607.437	878.396	375.608	5.861.441
Financial derivative liabilities⁽⁴⁾	354.236	4.427.191	223.673	5.005.100
Non-cash loans⁽¹⁾	3.549.639	7.540.555	296.971	11.387.165
Prior period				
Total assets	14.274.083	16.588.064	3.993.703	34.855.850
Total liabilities	17.557.382	14.358.699	3.653.328	35.569.409
Net balance sheet position	(3.283.299)	2.229.365	340.375	(713.559)
Net off-balance sheet position				
Financial derivative assets	3.033.396	1.159.250	420.616	4.613.262
Financial derivative liabilities	173.065	3.417.423	286.015	3.876.503
Non-cash loans⁽¹⁾	3.354.802	6.378.215	266.590	9.999.607

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

⁽²⁾ Includes TRY 369.770 of foreign currency indexed loans and their accruals. (31 December 2012: 44.365 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 41.100), prepaid expense (TRY 113), foreign currency intangible assets (TRY 16.482); and derivative financial instruments foreign currency expense accruals (TRY 19.081) and shareholders' equity (TRY 50.981) and foreign currency minority shares (TRY 1.648) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include credit default swaps amounting to TRY 95.500 and forward precious metal purchase transactions amounted to TRY 95.727. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 77.634. Besides forward asset purchase commitments are included.

⁽⁵⁾ Macar Halkbank (TRY 2.063) and International Garagum Bank (TRY 250), followed as available for sale items in foreign currency, are presented in financials with their historical costs since they are non-monetary financial items.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK

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

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

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

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

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	39.368	-	-	-	-	15.220.444	15.259.812
Banks and financial institutions	1.836.905	28.700	12.513	-	-	237.510	2.115.628
Financial assets at fair value through profit and loss	10.459	99.707	20.396	59.997	30.374	519	221.452
Money market placements	1.255	176.526	-	-	-	-	177.781
Financial assets available-for-sale	1.364.709	1.586.981	2.435.100	1.775.501	2.019.737	20.927	9.202.955
Loans	30.686.077	8.534.668	13.640.972	16.527.786	2.831.695	1.316.122	73.537.320
Held-to-maturity investments	2.927.260	4.367.191	2.233.197	1.916.322	674.343	-	12.118.313
Other assets ^{(1), (2)}	133.016	373.716	453.008	857.273	103.018	3.424.673	5.344.704
Total assets	36.999.049	15.167.489	18.795.186	21.136.879	5.659.167	20.220.195	117.977.965
Liabilities							
Bank deposits	3.786.867	241.028	562.399	-	-	4.134.297	8.724.591
Other deposits	39.043.672	14.566.491	6.075.742	54.182	69.763	13.324.253	73.134.103
Money market balances	1.613.926	483.949	-	-	-	-	2.097.875
Sundry creditors	1.234.495	33.767	79.952	11.744	-	130.565	1.490.523
Bonds issued	678.757	-	-	1.502.018	1.421.896	-	3.602.671
Funds provided from other financial institutions ⁽⁴⁾	2.792.609	2.938.954	4.515.522	1.275.679	349.930	8.370	11.881.064
Other liabilities ⁽³⁾	1.470.414	202.030	119.471	1.463	-	15.253.760	17.047.138
Total liabilities	50.620.740	18.466.219	11.353.086	2.845.086	1.841.589	32.851.245	117.977.965
Balance sheet long position	-	-	7.442.100	18.291.793	3.817.578	-	29.551.471
Balance sheet short position	(13.621.691)	(3.298.730)	-	-	-	(12.631.050)	(29.551.471)
Off-balance sheet long position	15.160	137.875	83.277	-	-	-	236.312
Off-balance sheet short position	(15.160)	(101.475)	(83.280)	-	-	-	(199.915)
Total position	(13.621.691)	(3.262.330)	7.442.097	18.291.793	3.817.578	(12.631.050)	36.397

(1) TRY 135.219 of deferred tax assets is disclosed under the non interest bearing column in other assets.

(2) TRY 376.894 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	33.026	-	-	-	-	12.484.052	12.517.078
Banks and financial institutions	971.370	2.003	-	-	-	1.615.064	2.588.437
Financial assets at fair value through profit and loss	34.018	33.139	67.874	13.281	-	1.435	149.747
Money market placements	162.534	-	-	-	-	-	162.534
Financial assets available-for-sale	2.208.349	1.588.181	2.829.910	1.869.932	1.143.266	16.027	9.655.665
Loans	27.348.206	11.026.850	10.893.353	12.810.027	2.477.136	1.018.626	65.574.198
Held-to-maturity investments	3.860.547	3.576.657	2.516.285	2.941.584	748.018	-	13.643.091
Other assets ^{(1),(2)}	116.902	59.363	260.312	634.961	201.925	3.490.519	4.763.982
Total assets	34.734.952	16.286.193	16.567.734	18.269.785	4.570.345	18.625.723	109.054.732
Liabilities							
Bank deposits	2.990.561	273.257	356.116	-	-	3.800.718	7.420.652
Other deposits	38.121.142	17.250.278	4.610.986	100.902	170	12.295.393	72.378.871
Money market balances	162.193	553.083	-	-	-	-	715.276
Sundry creditors	318.213	16.968	780.792	4.022	-	153.681	1.273.676
Bonds issued	710.741	-	31.423	1.376.815	-	-	2.118.979
Funds provided from other financial institutions ⁽⁴⁾	1.922.042	2.719.001	2.228.287	797.451	345.910	18.379	8.031.070
Other liabilities ⁽³⁾	1.570.354	740.462	349.713	-	-	14.455.679	17.116.208
Total liabilities	45.795.246	21.553.049	8.357.317	2.279.190	346.080	30.723.850	109.054.732
Balance sheet long position	-	-	8.210.417	15.990.595	4.224.265	-	28.425.277
Balance sheet short position	(11.060.294)	(5.266.856)	-	-	-	(12.098.127)	(28.425.277)
Off-balance sheet long position	20.368	113.612	11.125	-	-	-	145.105
Off-balance sheet short position	(20.368)	(25.362)	(70.225)	-	-	-	(115.955)
Total position	(11.060.294)	(5.178.606)	8.151.317	15.990.595	4.224.265	(12.098.127)	29.150

⁽¹⁾ TRY 236.222 of deferred tax assets is disclosed under the non interest bearing column in other assets.

⁽²⁾ TRY 345.043 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

VI. EXPLANATIONS RELATED TO THE CONSOLIDATED 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⁾	0,1-0,50	-	-	3,50
Due from other banks and financial institutions ⁽¹⁾	0,49	0,51	-	7,24
Financial assets at fair value through profit and loss	-	3,09	-	7,87
Money market placements	-	-	-	-
Available-for-sale financial assets	5,61	5,17	-	7,48
Loans ⁽²⁾	4,89	5,14	-	10,97
Held-to-maturity investments	-	-	-	8,39
Liabilities				
Bank deposits	0,03	1,14	-	7,84
Other deposits ⁽⁴⁾	2,60	2,33	-	6,35
Money market borrowings	-	1,16	-	4,61
Sundry creditors ⁽³⁾	-	-	-	3,56
Bonds issued	-	2,19	-	6,52
Funds provided from other financial institutions	1,25	1,85	-	7,94
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,1-0,50	-	-	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	3,03	2,92	-	7,68
Money market borrowings	2,30	1,46	-	4,78
Sundry creditors	-	-	-	4,13
Bonds issued	-	2,44	-	8,66
Funds provided from other financial institutions ⁽⁴⁾	1,46	1,97	-	7,67

⁽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 six months as of 30 June 2013.

⁽⁴⁾ Customer based calculated stock interest rates are applied to TRY and FC deposits as of 30 June 2013.

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

The Parent Bank's standard interest rate shock methods are being used on a daily basis in respect of measuring the risk arising from repricing mismatch of asset and liability items. The duration within the limits are determined by BRSA that obtained from the calculation intended for demand deposits by using core deposit and duration analysis is taken into account.

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

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

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

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

	Currency	Applied Shock (+/- x basis points)	Gains/ Losses	Gains/Shareholders' Equity – Losses/ Shareholders' Equity
1	TRY	500	(1.232.789)	(%9,110)
		(400)	1.257.655	%9,300
2	EURO	200	331.214	%2,450
		(200)	(358.593)	(%2,650)
3	USD	200	233.880	%1,730
		(200)	(262.602)	(%1,940)
Total (For negative shocks)			636.460	%4,710
Total (For positive shocks)			(667.695)	(%4,930)

VII. EXPLANATIONS RELATED TO THE CONSOLIDATED POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Comparison		
	Balance Sheet Value	Fair Value Change	Market Value
1. Associates	191.994	-	-
Quoted in a stock exchange	-	-	-
2. Subsidiaries	-	-	-
Quoted in a stock exchange	-	-	-

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

None.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK

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

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

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK (continued)

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	1.676.182	6.316.626	4.311.103	2.921.218	34.283	400	-	15.259.812
Banks	237.510	1.836.905	28.700	12.513	-	-	-	2.115.628
Financial assets at fair value through profit and loss	5.509	5.098	76.443	19.464	75.100	39.319	519	221.452
Money market placements	-	-	177.781	-	-	-	-	177.781
Financial assets available-for-sale	-	194.243	157.270	1.825.323	3.074.252	3.930.940	20.927	9.202.955
Loans ⁽²⁾	343.312	7.090.537	5.589.484	23.009.294	32.436.812	5.067.881	-	73.537.320
Held-to-maturity investments	-	201.420	635.758	3.506.785	5.305.632	2.468.718	-	12.118.313
Other assets ⁽³⁾	184.161	87.859	409.756	457.141	862.256	103.018	3.240.513	5.344.704
Total assets	2.446.674	15.732.688	11.386.295	31.751.738	41.788.335	11.610.276	3.261.959	117.977.965
Liabilities								
Bank deposits	4.134.297	3.786.867	241.028	562.399	-	-	-	8.724.591
Other deposits	13.324.253	38.793.555	14.711.820	6.067.225	232.172	5.078	-	73.134.103
Funds provided from other financial institutions ⁽⁴⁾	1.130	2.490.152	531.637	3.844.090	3.107.110	1.906.945	-	11.881.064
Money market balances	-	1.613.926	483.949	-	-	-	-	2.097.875
Bonds issued	-	678.757	-	-	1.502.018	1.421.896	-	3.602.671
Sundry creditors	122.721	512.731	85.614	253.907	515.490	60	-	1.490.523
Other liabilities ⁽¹⁾	2.478.382	385.868	281.804	626.796	219.395	237.873	12.817.020	17.047.138
Total liabilities	20.060.783	48.261.856	16.335.852	11.354.417	5.576.185	3.571.852	12.817.020	117.977.965
Liquidity gap	(17.614.109)	(32.529.168)	(4.949.557)	20.397.321	36.212.150	8.038.424	(9.555.061)	-
Previous period								
Total assets	4.669.168	12.452.443	11.403.889	27.861.180	40.353.792	9.301.529	3.012.731	109.054.732
Total liabilities	19.183.278	42.810.984	19.480.550	9.227.823	4.450.954	1.877.088	12.024.055	109.054.732
Liquidity gap	(14.514.110)	(30.358.541)	(8.076.661)	18.633.357	35.902.838	7.424.441	(9.011.324)	-

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

⁽²⁾ TRY 376.894 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.

IX. EXPLANATIONS RELATED TO THE CONSOLIDATED SECURITIZATION POSITIONS:

Securitization positions:

None.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

X. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK MITIGATION TECHNIQUES:

Credit risk mitigation techniques:

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

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

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

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

The Bank review to reevaluate the value of the mortgages during the credit period.

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

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

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

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

Information about guaranties according to risk classifications:

Risk Classifications	Amount	Financial guaranties	Other/Physical guaranties	Guarantees and credit derivatives
Claims on sovereigns and Central Banks	28.802.877	-	-	-
Claims on regional governments or local authorities	290.875	19.710	-	-
Claims on administrative bodies and other non-commercial undertakings	172.728	9.782	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	5.224.335	-	-	-
Claims on corporate	33.258.200	559.487	-	9.817
Claims included in the regulatory retail portfolios	24.688.149	1.460.012	-	42.669
Claims secured by residential property	17.816.700	28.432	-	-
Overdue loans	462.069	-	-	-
Higher risk categories decided by the Board	8.853.186	-	-	-
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	4.931.157	-	-	-

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

XI. EXPLANATIONS RELATED TO THE CONSOLIDATED RISK MANAGEMENT TARGET AND POLICIES:

Risk management target and policies:

Credit Risk:

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

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

The expected loss amount is estimated by the Group and the Parent Bank analyses whether own funds will be able to compensate the loss. Furthermore, the effect of possible shocks is analyzed periodically by scenario analysis and stress tests.

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

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

Foreign Exchange Risk:

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

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

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

Interest Rate Risk:

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

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

XI. EXPLANATIONS RELATED TO THE CONSOLIDATED RISK MANAGEMENT TARGET AND POLICIES (continued)

Risk management target and policies (continued):

Liquidity Risk:

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION

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

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

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

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

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

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

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

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION (continued)

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 30 June 2013 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES							
Interest income	555.259	441.357	4.207.801	3.296.475	61.812	(4.087.984)	4.474.720
<i>Interest on loans</i>	354.331	364.434	2.539.178	200.655	-	-	3.458.598
<i>Interest income on marketable securities</i>	-	-	-	938.109	13.068	-	951.177
<i>Interest received from banks</i>	-	-	-	8.141	4	-	8.145
<i>Other interest income⁽²⁾</i>	200.928	76.923	1.668.623	2.149.570	48.740	(4.087.984)	56.800
Interest expense	299.069	246.513	3.277.044	2.201.126	19.185	(4.087.984)	1.954.953
<i>Interest on deposits</i>	165.623	71.520	1.399.975	71.328	-	-	1.708.446
<i>Interest on borrowings</i>	1.331	7.224	6.258	81.304	17.587	-	113.704
<i>Interest on money market borrowings</i>	-	-	-	22.379	-	-	22.379
<i>Interest on marketable bonds issued</i>	-	-	-	79.486	1.598	-	81.084
<i>Other interest expense⁽²⁾</i>	132.115	167.769	1.870.811	1.946.629	-	(4.087.984)	29.340
Net interest income	256.190	194.844	930.757	1.095.349	42.627	-	2.519.767
Net fees and commissions income	75.981	49.358	278.406	7.534	(3.946)	-	407.333
Net trading profit / (loss)	-	-	-	314.767	1.138	-	315.905
Dividend income	-	-	-	2.849	2.052	-	4.901
Other income	37.709	28.659	171.629	(10.810)	298.550	-	525.737
Loans and other receivables' impairment loss	15.210	52.975	198.787	148.694	14.755	-	430.421
Other expenses	14.650	33.695	579.174	714.856	214.412	-	1.556.787
Income before taxes	340.020	186.191	602.831	546.139	111.254	-	1.786.435
Income tax provision	-	-	-	(337.881)	(19.551)	-	(357.432)
Net profit for the period	340.020	186.191	602.831	208.258	91.703	-	1.429.003
SEGMENT ASSETS							
Marketable securities	-	-	-	21.159.004	295.393	-	21.454.397
Derivative financial assets held for trading	-	-	-	88.323	-	-	88.323
Banks and money market receivables	-	-	-	2.293.409	-	-	2.293.409
Associates and subsidiaries (net)	-	-	-	191.994	-	-	191.994
Loans	10.567.905	10.354.255	46.389.374	6.602.680	-	-	73.914.214
Other assets ⁽¹⁾	4.749	8.647	799.645	17.638.358	1.584.229	-	20.035.628
TOTAL ASSETS	10.572.654	10.362.902	47.189.019	47.973.768	1.879.622	-	117.977.965
SEGMENT LIABILITIES							
Deposits	9.286.630	3.203.368	56.004.878	13.363.818	-	-	81.858.694
Derivative financial liabilities held for trading	-	-	-	30.928	1.463	-	32.391
Money market balances	-	-	-	2.097.875	-	-	2.097.875
Borrowing funding loans	16.656	243.674	268.273	10.238.220	1.114.241	-	11.881.064
Bonds issued	-	-	-	3.515.014	87.657	-	3.602.671
Other liabilities	64.677	143.088	2.785.586	547.759	114.324	-	3.655.434
Provisions and tax payable	19.572	19.748	98.555	2.074.507	560.718	-	2.773.100
Shareholders' equity	-	-	-	11.607.163	469.573	-	12.076.736
TOTAL LIABILITIES	9.387.535	3.609.878	59.157.292	43.475.284	2.347.976	-	117.977.965
OFF BALANCE SHEET ITEMS							
Guarantees and surety ships	11.171.716	5.430.637	5.048.607	125.887	61.945	-	21.838.792
Commitments	37.271	416.751	6.703.288	11.796.222	157.501	-	19.111.033
Derivative financial instruments	-	-	-	12.048.379	119.323	-	12.167.702

⁽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 1.471.960 (net) and deferred tax assets amounting TRY 135.219 in other assets are presented under the Treasury / Investment column.

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

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

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XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION (continued)

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 December 2012 are presented in the table below.

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES							
(30 June 2012)							
Interest income	572.444	497.951	4.789.486	3.780.819	51.399	(5.154.110)	4.537.989
<i>Interest on loans</i>	287.349	390.271	2.380.570	188.770	-	-	3.246.960
<i>Interest income on marketable securities</i>	-	-	-	1.223.125	12.723	-	1.235.848
<i>Interest received from banks</i>	-	-	-	4.724	400	-	5.124
<i>Other interest income⁽²⁾</i>	285.095	107.680	2.408.916	2.364.200	38.276	(5.154.110)	50.057
Interest expense	412.769	367.487	3.509.706	3.118.392	19.148	(5.154.110)	2.273.392
<i>Interest on deposits</i>	169.626	74.608	1.652.163	117.932	-	-	2.014.329
<i>Interest on borrowings</i>	1.208	5.936	4.787	59.712	19.148	-	90.791
<i>Interest on money market borrowings</i>	-	-	-	105.705	-	-	105.705
<i>Interest on marketable bonds issued</i>	-	-	-	35.978	-	-	35.978
<i>Other interest expense⁽²⁾</i>	241.935	286.943	1.852.756	2.799.065	-	(5.154.110)	26.589
Net interest income	159.675	130.464	1.279.780	662.427	32.251	-	2.264.597
Net fees and commissions income	76.969	78.103	229.444	20.261	7.544	-	412.321
Net trading profit / (loss)	-	-	-	20.826	(3.068)	-	17.758
Dividend income	-	-	-	655	-	-	655
Other income	729	16.114	125.316	40.380	164.953	-	347.492
Loans and other receivables' impairment loss	11.141	14.411	131.828	211.442	1.023	-	369.845
Other expenses	12.623	26.560	459.427	472.605	119.980	-	1.091.195
Income before taxes	213.609	183.710	1.043.285	60.502	80.677	-	1.581.783
Income tax provision	-	-	-	(330.838)	(14.763)	-	(345.601)
Net profit for the period	213.609	183.710	1.043.285	(270.336)	65.914	-	1.236.182
SEGMENT ASSETS (31 December 2012)							
Marketable securities	-	-	-	23.127.317	238.374	-	23.365.691
Derivative financial assets held for trading	-	-	-	82.772	40	-	82.812
Banks and money market receivables	-	-	-	2.748.750	2.221	-	2.750.971
Associates and subsidiaries (net)	-	-	-	176.654	-	-	176.654
Loans	10.049.389	9.552.386	40.585.669	5.731.797	-	-	65.919.241
Other assets ⁽¹⁾	597	8.554	713.351	14.753.412	1.283.449	-	16.759.363
TOTAL ASSETS	10.049.986	9.560.940	41.299.020	46.620.702	1.524.084	-	109.054.732
SEGMENT LIABILITIES							
(31 December 2012)							
Deposits	11.909.003	4.183.138	55.389.430	8.317.952	-	-	79.799.523
Derivative financial liabilities held for trading	-	-	-	50.282	-	-	50.282
Money market balances	-	-	-	715.276	-	-	715.276
Borrowing funding loans	8.155	219.674	220.342	6.916.777	666.122	-	8.031.070
Bonds issued	-	-	-	2.031.305	87.674	-	2.118.979
Other liabilities	33.071	86.758	2.556.752	1.287.197	59.938	-	4.023.716
Provisions and tax payable	16.217	18.851	90.809	2.211.138	478.615	-	2.815.630
Shareholders' equity	-	-	-	11.416.329	83.927	-	11.500.256
TOTAL LIABILITIES	11.966.446	4.508.421	58.257.333	32.946.256	1.376.276	-	109.054.732
OFF BALANCE SHEET ITEMS							
(31 December 2012)							
Guarantees and surety ships	9.885.399	4.813.275	4.898.985	161.206	-	-	19.758.865
Commitments	33.667	342.791	6.185.456	7.989.141	-	-	14.551.055
Derivative financial instruments	-	-	-	9.576.243	-	-	9.576.243

⁽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 1.517.341 (net) and deferred tax assets amounting TRY 236.222 in other assets are presented under the Treasury / Investment column.

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

The Group does not engage in transaction based on trust.

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

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	434.727	125.743	523.334	169.982
Central Bank of Turkey	1.525.892	13.147.747	1.083.507	10.718.803
Other ⁽¹⁾	-	25.703	-	21.452
Total	1.960.619	13.299.193	1.606.841	10.910.237

⁽¹⁾As of 30 June 2013 blocked reserve deposits kept in Central Bank of Macedonia amounted TRY 25.697 (31 December 2012: TRY 21.438).

Information on the account of Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	1.517.690	1.101.671	1.076.051	876.801
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits ⁽²⁾	8.202	12.046.076	7.456	9.842.002
Total	1.525.892	13.147.747	1.083.507	10.718.803

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

⁽²⁾ Blocked reserve deposits kept in Central Bank of Turkey, 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 11,5% according to their maturities (31 December 2012: between 5% and 11% according to their maturities), foreign currency liabilities in USD, EUR and/or standard gold at the rates between 6% and 13% according to their maturities (31 December 2012: between 6% and 11,5 % according to their maturities), respectively as per the Communiqué no.2005/1 “Reserve Deposits” of the Central Bank of Turkey.

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

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

Reserve deposits required by the Central Bank of Turkey are not interest bearing except those kept by the Central Banks of TRNC and Macedonia.

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

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

The Group has been TRY of 1.976 financial assets at fair value through profit and loss blocked/given as collateral in the current period (31 December 2012: TRY 685).

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

The Group has been TRY of 18.844 financial assets at fair value through profit and loss subject to repurchase agreements in the current period (31 December: None).

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	12.768	-	6.111
Swap transactions	-	75.467	-	76.658
Futures transactions	-	-	-	-
Options	1	87	5	38
Other	-	-	-	-
Total	1	88.322	5	82.807

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	43.403	1.497.960	170.513	474.417
Foreign banks	30.414	543.851	37.555	1.905.952
Branches and offices abroad	-	-	-	-
Total	73.817	2.041.811	208.068	2.380.369

(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	210.779	903.603	191.490	96.796
Total	210.779	903.603	191.490	96.796

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	-	49.785	-	-
Total	-	49.785	-	-

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Debt securities		9.376.502		9.642.209
<i>Quoted on a stock exchange</i>		9.376.502		9.642.209
<i>Not quoted</i>		-		-
Share certificates		39.834		34.929
<i>Quoted on a stock exchange</i>		-		-
<i>Not quoted</i>		39.834		34.929
Impairment provision(-)		213.381		21.473
Total		9.202.955		9.655.665

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

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

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	152.487	-	129.890	-
Total	152.487	-	129.890	-

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	57.256.226	595.712	-	1.922.055	1.414.411	-
<i>Corporation loans</i>	32.242.939	451.919	-	1.680.281	1.411.937	-
<i>Export loans</i>	2.374.256	97.220	-	7.078	454	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	824.279	400	-	-	-	-
<i>Consumer loans⁽¹⁾</i>	19.132.177	45.758	-	188.852	2.020	-
<i>Credit cards⁽²⁾</i>	1.963.612	-	-	34.524	-	-
<i>Other</i>	718.963	415	-	11.320	-	-
Specialized lending	13.452.283	79.575	-	126.139	1.095	-
Other receivables	-	-	-	-	-	-
Accruals	758.686	7.248	-	21.931	15.194	-
Total	71.467.195	682.535	-	2.070.125	1.430.700	-

⁽¹⁾ Includes TRY 112.084 of personnel loans.

⁽²⁾ Includes TRY 40.403 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	581.291	1.404.889
Extended by 3,4 or 5 times	85.909	10.082
Extended by more than 5 times	8.087	535

^(*) Accruals amounting to TRY 7.248 are not included in the table above.

^(**) Accruals amounting to TRY 15.194 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	278.955	32.267
6 Months - 12 Months	173.418	21.760
1-2 Years	78.565	77.089
2-5 Years	131.678	370.799
5 Years and over	12.671	913.591

^(*) Accruals amounting to TRY 7.248 are not included in the table above.

^(**) Accruals amounting to TRY 15.194 are not included in the table above.

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	360.182	18.347.792	18.707.974
<i>Real estate loans</i>	4.283	7.844.258	7.848.541
<i>Automobile loans</i>	2.258	99.959	102.217
<i>Consumer loans</i>	353.521	10.363.385	10.716.906
<i>Other</i>	120	40.190	40.310
Consumer loans- Indexed to FC	-	74	74
<i>Real estate loans</i>	-	74	74
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	3.583	168.120	171.703
<i>Real estate loans</i>	112	13.702	13.814
<i>Automobile loans</i>	235	1.117	1.352
<i>Consumer loans</i>	3.098	145.046	148.144
<i>Other</i>	138	8.255	8.393
Individual credit cards-TRY	1.778.716	991	1.779.707
<i>Installment</i>	775.115	-	775.115
<i>Non-installment</i>	1.003.601	991	1.004.592
Individual credit cards-FC	25	16.409	16.434
<i>Installment</i>	-	16.409	16.409
<i>Non-installment</i>	25	-	25
Personnel loans-TRY	5.206	103.860	109.066
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	5.206	103.860	109.066
<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	84	2.934	3.018
<i>Real estate loans</i>	11	1.452	1.463
<i>Automobile loans</i>	7	20	27
<i>Consumer loans</i>	65	1.432	1.497
<i>Other</i>	1	30	31
Personnel credit cards-TRY	39.980	414	40.394
<i>Installment</i>	19.240	-	19.240
<i>Non-installment</i>	20.740	414	21.154
Personnel credit cards-FC	9	-	9
<i>Installment</i>	-	-	-
<i>Non-installment</i>	9	-	9
Overdraft accounts-TRY (Retail customer)	319.849	-	319.849
Overdraft accounts-FC (Retail customer)	9.345	-	9.345
Total	2.516.979	18.640.594	21.157.573

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

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	4.844	638.626	643.470
<i>Business residential loans</i>	169	344.758	344.927
<i>Automobile loans</i>	4.675	235.669	240.344
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	58.199	58.199
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	89.023	215.869	304.892
<i>Business residential loans</i>	-	40.036	40.036
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	89.023	175.833	264.856
Corporate credit cards-TRY	161.390	-	161.390
<i>Installment</i>	53.505	-	53.505
<i>Non-installment</i>	107.885	-	107.885
Corporate credit cards-FC	15	187	202
<i>Installment</i>	-	187	187
<i>Non-installment</i>	15	-	15
Overdraft accounts-TRY (Commercial customer)	284.781	-	284.781
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	540.053	854.682	1.394.735

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

f) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	72.680.796	64.897.570
Foreign loans	856.524	676.628
Total	73.537.320	65.574.198

g) Loans granted to subsidiaries and associates:

None.

h) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	205.800	212.374
Loans and receivables with doubtful collectability	118.070	88.113
Uncollectible loans and receivables	1.383.864	1.328.543
Total	1.707.734	1.629.030

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

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

(5) Information on loans: (continued)

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	60.658	8.579	87.139
(Gross amounts before the specific provisions)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	60.658	8.579	87.139
Prior 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

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	352.638	146.277	1.475.158
Additions (+)	352.051	16.098	26.776
Transfers from other categories of loans under follow-up (+)	-	226.367	154.820
Transfers to other categories of loans under follow-up (-)	263.219	117.968	-
Collections (-)	92.759	73.715	117.896
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	348.711	197.059	1.538.858
Specific provision (-)	205.800	118.070	1.383.864
Net balance on balance sheet	142.911	78.989	154.994

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

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

(5) Information on loans: (continued)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	3.216	2.777	10.149
Specific provisions(-)	2.787	2.407	8.795
Net balance in the balance sheet	429	370	1.354
Prior period			
Balance at the end of the period	3.342	1.329	9.756
Specific provisions(-)	2.322	913	9.157
Net balance in the balance sheet	1.020	416	599

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)			
	142.911	78.989	154.994
Loans to granted real persons and legal entities (Gross)	348.627	196.749	1.500.089
Specific provisions (-)	205.716	117.760	1.345.095
Loans to granted real persons and legal entities (Net)	142.911	78.989	154.994
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	84	310	38.769
Specific provisions (-)	84	310	38.769
Other loans and receivables (Net)	-	-	-
Prior period (Net)			
	140.264	58.164	146.615
Loans to granted real persons and legal entities (Gross)	352.531	145.987	1.436.337
Specific provisions (-)	212.267	87.823	1.289.722
Loans to granted real persons and legal entities (Net)	140.264	58.164	146.615
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	107	290	38.821
Specific provisions (-)	107	290	38.821
Other loans and receivables (Net)	-	-	-

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

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

(5) Information on loans: (continued)

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

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

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

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.

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

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

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

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	2.482.100	-	2.172.312	472.358
Total	2.482.100	-	2.172.312	472.358

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	1.582.059	-	62.980	333.509
Total	1.582.059	-	62.980	333.509

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds	12.111.248	-	13.636.006	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Total	12.111.248	-	13.636.006	-

c) Information on held-to-maturity investments:

	Current period		Prior period	
	TRY	FC	TRY	FC
Debt securities	12.118.313	-	13.643.091	-
<i>Quoted on a stock exchange</i>	<i>10.285.592</i>	-	<i>11.810.664</i>	-
<i>Not quoted</i>	<i>1.832.721</i>	-	<i>1.832.427</i>	-
Impairment provision (-)	-	-	-	-
Total	12.118.313	-	13.643.091	-

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Beginning balance	13.643.091	-	14.064.458	-
Foreign currency differences on monetary assets	(30)	-	(83.455)	-
Purchases during the year ⁽¹⁾	1.550.196	-	2.283.237	-
Disposals through sales and redemptions ⁽²⁾	(3.074.944)	-	(2.621.149)	-
Impairment provision (-) / provision reversal (+)	-	-	-	-
Balance at the of the period	12.118.313	-	13.643.091	-

⁽¹⁾ Interest income accrual difference between 30 June 2013 amounting to TRY 879.788 and 31 December 2012 amounting to TRY 818.367 has been included in purchases row.

⁽²⁾ In accordance with the tainting rules defined in Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 30 June 2013, the Parent Bank reclassified EUR 264.347 thousands and USD 342.113 thousands of financial assets from held to maturity investments portfolio to available for sale portfolio. Related amount was presented in "Disposals Through Sales and Redemptions" row.

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

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

(7) Information on associates (Net):

a) Information on unconsolidated associates, reasons for not consolidating:

The non-financial investments in associates are accounted under cost method of accounting since reliable fair values cannot be determined.

b) Information on unconsolidated associates:

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

Information related to the associates as sorted above:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	31.105	16.931	4.552	149	90	3.653	1.093	-
2.	87.759	65.259	42.640	125	-	18.271	16.868	-
3.	27.657	20.725	16.916	246	-	1.116	1.957	-

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

(2) The financial data of Bileşim Alternatif Dağ. Kan. AŞ and Kredi Kayıt Bürosu AŞ is obtained from 30 June 2013 unreviewed financial statements and the financial data of Bankalararası Kart Merkezi AŞ is obtained from 30 June 2013 reviewed financial statements.

c) Information on associates accounted under equity method:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demirhalkbank NV	Holland	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	32,26

Information related to the associates as sorted above:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	4.453.289	576.352	28.846	88.540	19.753	25.905	18.364	-
2.	45.790	45.529	52	869	-	15	665	-

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

(2) The financial data of Demirhalkbank NV and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ is obtained from 30 June 2013 unreviewed financial statements.

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

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

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

d) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	176.654	155.488
Movements during the period	15.340	21.166
<i>Purchases</i>	-	-
<i>Bonus shares obtained profit from current year's share</i>	-	-
<i>Dividends from current year income</i>	7.776	11.978
<i>Sales</i>	-	(717)
<i>Transfers</i>	-	(3.006)
<i>Revaluation decrease (-) / increase</i>	7.564	12.405
<i>Provision for impairment (-) / reversals (+)</i>	-	506
Balance at the end of the period	191.994	176.654
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

e) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	171.011	155.676
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	14.329	14.324

f) Associates quoted to a stock exchange:

None.

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

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

(8) Information on 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	55.000	70.000	113.000	673.639	114.950	5.000	109.685	20.000
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share Premiums	-	-	-	30.954	-	-	11.633	-
Legal Reserves	6.249	20.406	14.774	25.094	7.554	201	10.456	-
Profit / Loss	5.388	14.465	38.741	17.495	32.223	588	1.963	(1.029)
Net Profit	4.969	14.465	33.062	9.304	13.160	552	1.475	(768)
Prior Period Profit/Loss	419	-	5.679	8.191	19.063	36	488	(261)
Leasehold Improvements (-)	-	437	856	-	30	16	-	81
Intangible Assets (-)	336	2.083	568	13	479	8	1.301	184
Total Core Capital	66.301	102.351	165.091	747.169	154.218	5.765	132.436	18.706
SUPPLEMENTARY CAPITAL	1.063	10.029	(3.586)	-	-	-	5.777	-
CAPITAL	67.364	112.380	161.505	747.169	154.218	5.765	138.213	18.706
NET AVAILABLE CAPITAL	67.364	112.380	161.505	747.169	154.218	5.765	138.213	18.706

⁽¹⁾ The information is presented from financial statements subject to consolidation as of 30 June 2013.

There is no internal capital adequacy assessment approach for the subsidiaries.

Paid in capital (domestic) has been indicated as Turkish Lira in articles of incorporation and registered in trade registry.

Paid in capital (foreign) has been indicated as foreign currency in articles of incorporation and registered in trade registry.

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

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

Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the third clause of first and second paragraph of 466 and 519 articles of Turkish Commercial Code no. 6102.

b) Unconsolidated subsidiaries, reasons for not consolidating and information on total needed shareholder's equity that are subjected to minimum capital requirements:

None.

c) Information on unconsolidated subsidiaries:

None.

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

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

(8) Information on subsidiaries (continued)

d) Information on subsidiaries: (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	İstanbul	99,94	99,96
2. Halk Sigorta AŞ	İstanbul	89,18	92,45
3. Halk Hayat ve Emeklilik AŞ	İstanbul	94,40	99,62
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul	72,74	72,85
5. Halk Finansal Kiralama AŞ	İstanbul	100,00	100,00
6. Halk Portföy Yönetimi AŞ	İstanbul	56,00	99,63
7. Halk Banka AD, Skopje	Macedonia	98,78	98,78
8. Halk Faktoring AŞ	İstanbul	95,00	99,90

e) Information related to the subsidiaries as sorted above^{(1) (2)}:

	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.	535.800	67.364	2.101	14.989	976	4.969	4.108	87.747
2.	494.779	112.380	4.333	8.335	1.949	14.465	6.862	245.245
3.	451.559	161.505	2.611	19.410	13.332	33.062	18.868	523.920
4.	854.204	747.169	590.668	4.249	336	9.304	6.513	590.795 ⁽³⁾
5.	1.416.167	154.218	1.155	47.157	-	13.160	9.695	221.980
6.	6.042	5.765	87	182	1	552	156	3.482
7.	733.187	138.213	26.400	19.901	2.556	1.475	644	-
8.	331.200	18.706	520	2.483	1	(768)	-	21.109

⁽¹⁾ The information is presented from financial statements subject to consolidation as 30 June 2013.

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

⁽³⁾ The Parent Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 15 February 2013 and the shares are traded on the Borsa İstanbul AŞ dated 22 February 2013.

f) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period(before elimination)	1.794.160	831.371
Movements during the period	45.477	962.789
Purchases	-	88.882
Bonus shares obtained profit from current year's share	76.706	64.186
Dividends from current year income	-	-
Sales	-	-
Transfer	-	-
Revaluation increase	(31.229)	809.721
Reversal of provision for impairment (-)	-	-
Share capital elimination of subsidiaries	(1.839.637)	(1.794.160)
Balance at the end of the period	-	-
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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

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

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

	Current period	Prior period
Banks	145.359	145.359
Insurance companies	769.165	730.461
Factoring companies	21.109	21.109
Leasing companies	221.980	200.980
Financing companies	-	-
Other financial subsidiaries	682.024	696.251

h) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock ^{(1),(2)}	836.039	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 Borsa Istanbul AŞ 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.

⁽²⁾The Parent Banks's subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 15 February 2013 and the shares are traded on the Borsa Istanbul AŞ dated 22 February 2013.

(9) Information on jointly controlled entities (joint ventures):

None.

(10) Information on finance lease receivables (Net):

a) Maturity structure of investments on financial lease:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	397.255	322.613	330.266	259.213
Between 1-4 years	840.150	735.229	677.244	589.091
More than 4 years	172.429	161.850	240.259	225.913
Total	1.409.834	1.219.692	1.247.769	1.074.217

b) Information on gross investments of financial lease:

	Current period	Prior period
Gross financial lease investment	1.409.834	1.247.769
Unearned revenues from financial lease	(190.142)	(173.552)
Total	1.219.692	1.074.217

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

	Current period	Prior period
Financial lease receivables with limited collectability	19.161	7.876
Financial lease receivables with doubtful collectability	25.729	19.524
Uncollectible financial lease receivables	77.821	63.307
Specific provisions	(37.536)	(34.708)
Total	85.175	55.999

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

None.

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

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

(12) Information on tangible assets:

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

(13) Information on intangible assets:

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

(14) Information on investment property:

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

(15) Information on tax assets:

a) Current tax asset:

AS of 30 June 2013, the Group’s current tax asset is amounting TRY 62.019 (31 December 2012: TRY 255).

b) Deferred tax asset:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	117.951	102.686
Revaluation of Financial Assets	14.227	126.388
Other	3.041	7.148
Deferred Tax (Asset) /Liability:	135.219	236.222
Deferred tax accounted in shareholders’ equity	6.285	(102.753)
Fair value differences for available for sale financial assets	6.285	(102.753)

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

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

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

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 1.465.677 and does not exceed 10% of the balance sheet total (31 December 2012: TRY 1.323.615).

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

II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	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	3.093.353	-	364.255	20.371.752	1.632.723	615.335	725.372	123.162	26.925.952
Foreign currency deposits	2.344.155	-	1.368.685	7.674.217	4.982.006	1.569.092	2.408.245	11.488	20.357.888
<i>Residents in Turkey</i>	1.739.734	-	1.180.678	7.385.840	4.634.547	1.350.193	1.687.404	11.343	17.989.739
<i>Residents abroad</i>	604.421	-	188.007	288.377	347.459	218.899	720.841	145	2.368.149
Public sector deposits	2.539.619	-	715.325	4.591.763	608.616	13.713	7.102	-	8.476.138
Commercial inst. deposits	2.934.396	-	2.441.985	5.767.540	1.054.538	879.072	224.335	-	13.301.866
Other inst. deposits	461.060	-	320.040	703.583	310.570	163.874	161.462	-	2.120.589
Precious metals	1.951.670	-	-	-	-	-	-	-	1.951.670
Interbank deposits	4.134.297	-	3.624.224	310.868	151.565	212.866	290.771	-	8.724.591
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	10.962	-	1.941.718	37.188	76.973	75.638	6.235	-	2.148.714
<i>Foreign banks</i>	4.116.630	-	1.682.506	273.680	74.592	137.228	284.536	-	6.569.172
<i>Participation banks</i>	6.705	-	-	-	-	-	-	-	6.705
Total	17.458.550	-	8.834.514	39.419.723	8.740.018	3.453.952	3.817.287	134.650	81.858.694

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	2.563.522	-	335.368	20.810.899	2.373.604	406.168	681.048	114.646	27.285.255
Foreign currency deposits	3.058.762	-	1.299.703	8.727.684	2.008.067	1.111.080	2.101.243	11.144	18.317.683
<i>Residents in Turkey</i>	2.379.395	-	1.203.937	8.490.388	1.827.782	785.953	1.434.000	11.006	16.132.461
<i>Residents abroad</i>	679.367	-	95.766	237.296	180.285	325.127	667.243	138	2.185.222
Public sector deposits	2.212.833	-	602.583	4.195.036	374.235	17.313	34.467	-	7.436.467
Commercial inst. Deposits	2.146.606	-	1.168.876	6.704.188	2.119.078	173.019	65.477	-	12.377.244
Other inst. Deposits	391.063	-	2.538.913	1.050.647	668.794	317.580	72.618	-	5.039.615
Precious metals	1.922.607	-	-	-	-	-	-	-	1.922.607
Interbank deposits	3.800.718	-	2.327.209	542.250	139.245	437.281	173.949	-	7.420.652
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	3.793	-	158.095	82.230	135.683	81.040	-	-	460.841
<i>Foreign banks</i>	3.713.587	-	2.169.114	460.020	3.562	356.241	173.949	-	6.876.473
<i>Participation banks</i>	83.338	-	-	-	-	-	-	-	83.338
Total	16.096.111	-	8.272.652	42.030.704	7.683.023	2.462.441	3.128.802	125.790	79.799.523

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current period	Prior period	Current period	Prior period
Saving deposits	17.381.709	13.430.329	9.476.845	13.914.829
Foreign currency saving deposits	5.374.606	3.883.949	5.609.892	7.116.286
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	85.707	80.179	-	-
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	131.006	130.342
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	3.680	2.764
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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

II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	1.463	10.217	-	4.702
Swap transactions	-	20.486	-	45.427
Future transactions	-	-	-	-
Options	15	210	14	139
Other	-	-	-	-
Total	1.478	30.913	14	50.268

(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	598.525	507.428	267.204	178.167
Foreign banks, institutions and funds	538.694	10.236.417	317.849	7.267.850
Total	1.137.219	10.743.845	585.053	7.446.017

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	561.748	6.065.224	234.633	4.017.721
Medium and long-term	575.471	4.678.621	350.420	3.428.296
Total	1.137.219	10.743.845	585.053	7.446.017

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

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

Main liability of the Group is deposit, which is composed of 33 % of saving deposits and 25 % of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Parent Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Group's 56% of banks deposits and 30% of other deposits consist of foreign currency deposits.

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

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

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills ⁽¹⁾	617.291	-	685.137	-
Bonds ^{(2), (3)}	87.728	2.897.652	87.674	1.346.168
Total	705.019	2.897.652	772.811	1.346.168

⁽¹⁾ As of 11 January 2013, the treasury bills amounting to TRY 750.000 with maturity of 175 days are issued by the Parent Bank.

⁽²⁾ As of 19 July 2012 and 5 February 2013, the bonds respectively amounting to USD 750.000 thousands with maturity of 5 years and amounting to USD 750.000 thousands with the maturity of 7 years are issued by the Parent Bank.

⁽³⁾ As of 25 September 2012, the bonds amounting to TRY 100.000 with maturity of 24 months are issued by the Halk Leasing.

(5) Explanations to the funds:

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

a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	29.822	1.409.829	9.624	1.398.263

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 725.260 and does not exceed 10% of the balance sheet total (31 December 2012: TRY 1.342.153).

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

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

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

b) Explanation on finance lease payables:

None.

c) Explanations regarding operational leases:

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

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

II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	1.160.898	976.215
Provisions for first group loans and receivables	1.005.297	847.278
<i>Additional provisions for the loans with extended payment plan</i>	<i>31.536</i>	<i>28.583</i>
Provisions for second group loans and receivables	80.330	66.468
<i>Additional provisions for the loans with extended payment plan</i>	<i>70.799</i>	<i>53.421</i>
Provisions for non cash loans	75.271	62.469
Other	-	-

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

None.

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

As of 30 June 2013, the Parent Bank's specific provision for unindemnified non-cash loans balance is TRY 71.108 (31 December 2012: TRY 62.896). TRY 2.390 (31 December 2012: TRY 2.483) 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 503.491 (31 December 2012: TRY 455.484) consists of TRY 71.108 (31 December 2012: TRY 62.896) for specific provisions for unindemnified non cash loans, TRY 28.918 (31 December 2012: TRY 29.112) for legal cases filed against the Parent Bank, TRY 328.300 (31 December 2012: TRY 328.300) provision for prudence in consideration for any changes that may arise in the economy and the market, TRY 75.165 (31 December 2012: TRY 35.176) of other provisions.

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

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

e) Liabilities on pension rights

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

None.

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

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

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

	Current period	Prior period
Life-Mathematical Provisions	217.579	187.741
Provisions for unearned premium claims	210.414	180.963
Provision for outstanding claims	117.791	91.323
Provisions for unexpired risk reserves	-	85
Other	43	42
Total	545.827	460.154

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 30 June 2013, the Group’s corporate tax payable is amounting to TRY 2.143.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	2.143	379.523
Income on securities tax	45.547	65.642
Property income tax	966	628
Banking and insurance transactions tax (BITT)	34.127	35.039
Foreign exchange transactions tax	4	3
Value added tax payable	245	3.867
Other	19.770	18.106
Total	102.802	502.808

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

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

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	697	284
Social insurance premiums-employer	609	463
Bank social aid pension fund premium-employee	7.041	4.462
Bank social aid pension fund premium-employer	9.387	6.211
Pension fund membership fees-employee and provisions-employee	-	1
Pension fund membership fees-employer and provisions-employer	28	2
Unemployment insurance-employee	28	15
Unemployment insurance-employer	63	41
Other	2.211	1.369
Total	20.064	12.848

b) Explanations regarding deferred tax liability:

As of 30 June 2013, the Group's corporate tax payable is amounting to TRY 2.436 (31 December 2012: TRY 2.456).

(11) Information on liabilities regarding assets held for sale and discontinued operations: None.

(12) Explanations on the number of subordinated loans the Parent Bank used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any: None.

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

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

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

None.

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

None.

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

None.

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

None.

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

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

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

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

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

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	-	-	-	-
Revaluation difference	(75.125)	(52.319)	357.153	49.710
Exchange rate difference	-	-	-	-
Total	(75.125)	(52.319)	357.153	49.710

(14) a) Information on minority interest shares:

	Current Period	Prior period
Paid-in capital	170.989	4.206
Share Premium	13.710	199
Marketable Securities Revaluation Fund	(13)	23
Legal Reserves	842	119
Extraordinary Reserves	7.661	491
Retained Earnings	(186)	(883)
Other Profit Reserves	54	(90)
Net Period Income / Loss	3.761	697
Closing Balance	196.818	4.762

b) Movement of minority interest shares:

	Current Period	Prior period
Beginning Balance	4.762	6.840
Change in Minority Interest	188.295	(2.775)
Net Period Income / Loss	3.761	697
Closing Balance	196.818	4.762

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current period	Prior period
Commitments for credit card expenditure limits	9.522.873	6.021.405
Payment commitments for cheques	4.734.548	4.575.929
Loan granting commitments	1.321.030	1.053.442
Two days forward foreign exchange buy/sell transactions	1.646.761	1.309.055
Commitments for credit cards and banking services promotions	36.761	30.707
Tax and fund liabilities from export commitments	12.928	13.903
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	1.710.439	1.427.159
Total	18.985.340	14.431.600

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

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

	Current period	Prior period
Letters of credit	2.761.741	2.809.737
Bank acceptance loans	1.579.008	1.183.307
Other guarantees	791.783	551.962
Total	5.132.532	4.545.006

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

	Current period	Prior period
Letters of certain guarantees	8.456.676	7.205.696
Letters of advance guarantees	1.712.481	1.715.752
Letters of tentative guarantees	901.767	1.036.387
Letters of guarantee given to customs offices	383.224	399.607
Other letters of guarantee	5.252.112	4.856.417
Total	16.706.260	15.213.859

c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	400.468	376.921
<i>Within one year or less original maturity</i>	24.962	13.319
<i>Within more than one year maturity</i>	375.506	363.602
Other non-cash loans	21.438.324	19.381.944
Total	21.838.792	19.758.865

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

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

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

d) Information on contingent liabilities and assets:

The Group has provided TRY 28.918 (31 December 2012: TRY 29.112) 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 Bank, allegedly violating the fourth substance of Law numbered 4054 is continuing, as a result the Bank has been imposed a fine amounting TRY 89.691 on 8 February 2013 with the declaration of decision. As determined by Bank's management all activities subject to investigation are in conformity with the legislation, therefore, provided no provision as of 30 June 2013.

e) Services supplied on behalf of others:

None.

f) Information on revocable commitments:

As per the BRSA's article, dated 3 June 2013, non-cash loans and cash loans within credit agreements which are not been granted or do not have a guarantee to be granted should be accounted under the other off-balance sheet items. According to that article, the Parent Bank removed the amount TRY 61.138.353 from the Statement of Off-Balance Sheet Items, which was previously reported as revocable loan granting commitments under the Statement of Off-Balance Sheet Items.

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IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	838.483	61.445	984.774	95.800
Medium and long term loans	2.043.357	482.719	1.717.141	406.686
Interest on non-performing loans	32.309	285	42.343	216
Premiums from resource utilization support fund	-	-	-	-
Total	2.914.149	544.449	2.744.258	502.702

⁽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	4.038	1.580	1.245	964
Overseas banks	1.364	1.163	795	2.120
Head office and branches	-	-	-	-
Total	5.402	2.743	2.040	3.084

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	2.331	293	1.550	526
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	328.353	58.714	400.126	45.580
Held-to-Maturity Investments	559.939	1.547	731.513	56.553
Total	890.623	60.554	1.133.189	102.659

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income and commissions from associates	-	-

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IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	20.475	83.951	11.581	73.175
<i>Central Bank of Turkey</i>	-	-	-	-
<i>Domestic banks</i>	12.768	7.151	11.264	3.250
<i>Overseas banks</i>	7.707	76.800	317	69.925
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	9.278	-	5.346	689
Total	29.753	83.951	16.927	73.864

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	888	1.792

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	22.346	58.738	35.978	-
Total	22.346	58.738	35.978	-

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	24	24.699	5.382	1.831	393	-	-	32.329
Saving deposits	3	7.980	709.876	69.836	19.663	28.599	4.496	840.453
Public deposits	406	13.274	135.879	16.174	552	631	-	166.916
Commercial deposits	5	41.537	236.795	46.106	21.405	7.068	-	352.916
Other deposits	-	9.392	36.184	18.861	13.074	5.421	-	82.932
7 days call accounts	-	-	-	-	-	-	-	-
Total	438	96.882	1.124.116	152.808	55.087	41.719	4.496	1.475.546
Foreign currency								
Deposits	169	13.237	104.748	41.338	19.543	41.776	-	220.811
Bank deposits	2	11.995	-	-	48	44	-	12.089
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
Total	171	25.232	104.748	41.338	19.591	41.820	-	232.900
Grand total	609	122.114	1.228.864	194.146	74.678	83.539	4.496	1.708.446

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

(3) Information on dividend income:

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

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

	Current period	Prior period
Profit	5.325.554	4.567.561
Profit from the capital market operations	277.939	156.159
Profit on derivative financial instruments	725.543	878.964
Foreign exchange gains	4.322.072	3.532.438
Loss (-)	5.009.649	4.549.803
Loss from the capital market operations	5.654	86.811
Loss on derivative financial instruments	601.278	1.194.630
Foreign exchange losses	4.402.717	3.268.362

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	161.762	112.438
-Specific provision reversals for Loans under follow up	150.133	105.441
-Other prior period expense reversals income	11.629	6.997
Life insurance income	293.150	211.516
Receivable from the asset sale on credit terms	36.103	3.875
Rent income	4.040	3.568
Cheques	3.420	2.625
Other income	19.486	8.641
Total	517.961	342.663

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

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	209.691	155.887
<i>Group - III loans and receivables</i>	178.308	112.784
<i>Group - IV loans and receivables</i>	9.294	5.659
<i>Group - V loans and receivables</i>	22.089	37.444
General loan provision expenses	184.683	134.295
Provision expenses for possible losses	-	51.500
Marketable securities impairment losses	-	-
<i>Financial assets at fair value through profit and loss</i>	-	-
<i>Financial assets available for sale</i>	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Jointly controlled entities (joint ventures)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Other	36.047	28.163
Total	430.421	369.845

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	575.698	427.280
Reserve for employee termination benefits	35.840	30.611
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	54.057	46.510
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	2.901	2.160
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	1.680	2.059
Amortization expenses of assets that will be disposed of	2.037	2.688
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	536.237	346.600
<i>Operational leasing expenses</i>	63.117	51.204
<i>Maintenance expenses</i>	8.552	6.668
<i>Advertisement expenses</i>	102.185	31.119
<i>Other expenses</i>	362.383	257.609
Loss on sales of assets	601	109
Other	347.736	233.178
Total	1.556.787	1.091.195

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

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

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

The Group's income before tax is due from continuing activities. TRY 2.519.767 of the income before tax consists of net interest income, TRY 407.333 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is amounting to TRY 1.786.435.

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

For the first quarter 30 June 2013, the Bank's tax provision amounting to TRY 357.432 consists of TRY 147.311 of current tax charge and TRY 210.121 of deferred tax charge.

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

For the first quarter 30 June 2013 the Bank's net operating income after tax is amounting to TRY 1.429.003.

(11) Information on net profit/loss from continuing and discontinued operations:

- a) Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Group's performance for the period between 1 January 2013 and 30 June 2013.
- b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.
- c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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

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

(1) Explanations on inflation adjustments for equity items:

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

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

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

VI. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED CASH FLOW STATEMENT

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

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 1.179.403 for the current period. The “other” item under operating income composes of fees and commissions paid and other operating income excluding employee costs and other operating expenses, and amounts to TRY 1.263.611 for the current period.

For the first quarter 30 June 2013, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 373.441 increase (30 June 2012: TRY 424.679, decrease).

- (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	12.517.078	7.287.733
<i>Cash in TRY and foreign currency</i>	693.316	486.600
<i>Central Bank and others⁽¹⁾</i>	11.823.762	6.801.133
Cash equivalents	2.750.971	1.572.018
<i>Demand and Time Deposits Up to 3 Months</i>	2.588.437	1.538.705
<i>Money Market Placements</i>	162.534	33.313
Total cash and cash equivalents	15.268.049	8.859.751
Reserve deposits in Central Bank	(9.870.896)	(3.975.813)
Bank blockage balance ⁽²⁾	(140.697)	(96.889)
Accruals on money market placement	(34)	(56)
Accruals on banks	(1.728)	(3.027)
Cash and Cash Equivalents	5.254.694	4.783.966

(1) Others items include cheques received.

(2) Technical reserves of Halk Hayat ve Emeklilik AŞ. amounting to TRY 120.162, which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked. Technical reserves of Halk Sigorta AŞ. amounting to TRY 20.535, which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked.

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

	Current Period	Prior Period
Cash	15.259.812	10.729.558
<i>Cash in TRY and foreign currency</i>	560.470	483.534
<i>Central Bank and others⁽¹⁾</i>	14.699.342	10.246.024
Cash Equivalents	2.280.896	1.890.664
<i>Demand and Time Deposits Up to 3 Months</i>	2.103.115	1.790.733
<i>Money Market Placements</i>	177.781	99.931
Cash and Banks	17.540.708	12.620.222
Reserve deposits in Central Bank	(12.079.808)	(6.138.907)
Bank blockage balance ⁽²⁾	(144.705)	(75.951)
Accruals on reserve deposits	(167)	(147)
Accruals for money market placement	(167)	(17)
Accruals for banks	(2.827)	(2.912)
Total Cash and Cash Equivalents	5.313.034	6.402.288

(1) Others items include cheques received.

(2) Technical reserves of Halk Hayat ve Emeklilik AŞ. amounting to TRY 118.804, which is given as collateral to Republic of Turkey Prime Ministry Undersecretariat of Treasury, holds blocked. Also, Halk Sigorta AŞ. has blockage balance amounting to TRY 25.901 which is given as collateral to Republic of Turkey Prime Ministry Undersecretariat of Treasury.

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

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

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE PARENT BANK

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

a) Current period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Parent Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	-	2.726	-	-	-	-
Closing balance	-	1.869	-	-	-	-
Interest and commissions income	-	5	-	-	-	-

b) Prior period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Parent Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	-	4.477	-	-	-	-
Closing balance	-	2.726	-	-	-	-
Interest and commissions income	-	6	-	-	-	-

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

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Beginning balance	23.690	84.030	-	-	-	-
Closing Balance	27.503	23.690	-	-	-	-
Interest expense on deposits	888	1.792	-	-	-	-

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

None.

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

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

(2) Disclosures for risk group:

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

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

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

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

	Amount	% compared to the amounts in the financial statements
Cash loans	-	-
Non-cash loans	1.869	0,01
Deposits	27.503	0,03
Forward and option contracts	-	-
Banks and financial institutions	-	-

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

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

d) Transactions accounted under the equity method:

Demir-Halkbank NV, operating in Netherlands, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ qualified as investments in associates of the Parent Bank, are accounted for in the accompanying consolidated financial statements by the equity method of accounting.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 8.245 as of 30 June 2013 (30 June 2012: TRY 5.941).

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

VIII. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

The Parent Bank made an application to Capital Market Board (CMB) regarding to issuance of treasury bills up to TRY 3.000.000 million with different maturities on 7 December 2012. The Capital Market Board approved the application on 4 January 2013. Bond issuance amounting to nominal value of TRY 750.000 with the maturity of 175 days was carried out by the Parent Bank on 5 July 2013.

As per the decision has been taken by the Board of Directors on 27 May 2013 numbered 22, the Parent Bank decided to purchase 76% shares of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. which is the associate of the Parent Bank, from Ziraat Group (the shares of T.C. Ziraat Bank A.Ş. are 61%, the shares of Ziraat Finansal Kiralama A.Ş. is 15%) and thus make the company as the Parent Bank's subsidiary. The Parent Bank has appealed to the Competition Authority on 5 June 2013 for the approval. As per the decision has been taken by the Competition Authority on 18 July 2013 numbered 13-46/593-262, the transaction has been approved within Law no 4054. The Parent Bank completed the purchase process of the shares of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. on 22 July 2013 and made the company as the Parent Bank's subsidiary.

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SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE PARENT BANK'S OPERATIONS

None.

TÜRKİYE HALK BANKASI AŞ
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SECTION VII: INDEPENDENT AUDITORS' REVIEW REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REVIEW REPORT

The consolidated financial statements as of and for the six-month period ended 30 June 2013 were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Review Report dated 2 August 2013 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.