

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

Türkiye Halk Bankası Anonim Şirketi

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

*(Convenience Translation of Consolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi
10 August 2012

*This report contains "Independent Auditors'
Report" comprising 1 page and; "Consolidated
Financial Statements and Related Disclosures
and Footnotes" comprising 80 pages.*

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

INDEPENDENT AUDITORS' REVIEW REPORT

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 2012 and the related consolidated income statement, statement of cash flows and statement of 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 2012 include a general reserve amounting to TRY 245.500 thousands, TRY 194.000 thousands of which had been recognized as expense in the prior periods and TRY 51.500 thousands of which was charged to the income statement as expense in the current period, provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

Based on our review, except for the effect of the matter described in the third paragraph above on the consolidated financial statements, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements are not presented fairly, in all material respects, the consolidated financial position of Türkiye Halk Bankası AŞ as of 30 June 2012 and the results 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 38 of the (“Turkish”) Banking Law No: 5411 and other regulations, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

Istanbul
10 August 2012

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Partner

TÜRKİYE HALK BANKASI AŞ

THE CONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

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

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

- **Section One** : GENERAL INFORMATION ABOUT THE PARENT BANK
- **Section Two** : CONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES
- **Section Four** : INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP
- **Section Five** : EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** : OTHER EXPLANATIONS AND NOTES
- **Section Seven** : INDEPENDENT AUDITORS' 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 Banka AD, Skopje		
8.	Halk Faktoring AŞ		

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

Ankara, 10 August 2012

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

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

Name/Title : Nevin Buhan/Manager
Tel No : 0312 289 30 15
Fax No : 0312 289 30 50

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TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

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

Shareholders	30 June 2012	%	31 December 2011	%
Prime Ministry				
Privatization Administration ⁽¹⁾	937.276	74,98	937.276	74,98
Public shares	312.263	24,98	312.263	24,98
Other shareholders	461	0,04	461	0,04
Total	1.250.000	100,00	1.250.000	100,00

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

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

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

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

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

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan CEBECİ	Chairman of the Board of Directors	13.4.2005	Ankara Eco. and Com. Science (ECS) Academy - Economy&Finance	32
Mehmet Emin ÖZCAN	Vice Chairman of the Board of Directors	24.5.2010	Ankara University, Faculty of Political Sciences – Department of Economics and Finance.	29
Süleyman ASLAN	Member of the Board of Directors, Chief Executive Officer	15.7.2011	METU Faculty of Economic and Administrative Sciences- International Relations Department.	19
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.3.2003	Doctor's Degree: Washington International University- Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU – Faculty of Engineering - Mechanical Engineering.	28
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.4.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree: Marmara Uni. Banking and Insurance Ins. – International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	22
Dr. Ahmet YARIZ	Member of the Board of Directors	9.4.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins. - Banking Department. Bachelor Degree: Istanbul Uni. - Business Administration.	20
Salim ALKAN	Member of the Board of Directors	24.5.2010	Ankara Uni. Faculty of Political Science-Business Administration.	39
Sabahattin BİRDAL	Member of the Board of Directors	27.10.2010	İstanbul Uni. Faculty of Economics Business Administration-Finance	26
Faruk ÖZÇELİK	Member of the Audit Committee	24.5.2010	Master's Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	1
Yusuf DAĞCAN	Member of the Audit Committee	28.3.2003	Eskişehir Economics and Trade Academy- Economy&Finance.	32
Yakup DEMİRCİ	Executive Vice President	11.6.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	22
Mustafa SAVAŞ	Executive Vice President	12.8.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	20
Erol GÖNCÜ	Executive Vice President	14.6.2005	METU Faculty of Arts and Sciences-Mathematics Department.	22
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.6.2005	Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department. Master's Degree: Marmara University, Banking and Insurance Ins.- Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	20
Selahattin SÜLEYMANOĞLU	Executive Vice President	1.7.2007	Master Degree: Selcuk University Social Sciences Ins.- International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	21
Mehmet Akif AYDEMİR	Executive Vice President	4.3.2010	Ankara University, Faculty of Political Sciences –Economics.	25
Taner AKSEL	Executive Vice President	26.3.2010	Anadolu University, Faculty of Economic and Administrative Sciences -Economics.	25
Ufuk Hacer DENİZCİ YÜCE	Executive Vice President	12.10.2010	Istanbul Technical University Business Administration Faculty- Business Engineering.	22
Mürsel ERTAŞ	Executive Vice President	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences- Foreign Trade & Exchange.	25
İsmail Hakkı İMAMOĞLU	Executive Vice President	28.3.2011	Ankara Eco. Com. Science (ECS) Academy – Faculty of Management Sciences – Department of Social Politics.	27
Atalay TARDUŞ	Executive Vice President	4.8.2011	METU Faculty of Economic and Administrative Sciences- Department of Economics.	19
Mehmet Hakan ATILLA	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.	16
Murat UYSAL	Executive Vice President	11.11.2011	Master's Degree: Marmara University, Banking and Insurance Ins. - Banking Department Bachelor Degree: Istanbul Uni. - Faculty of Economic and Administrative Sciences- Department of Economics	13

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 2012

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

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

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

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

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

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

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

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

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

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

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

a) General information about the Parent Bank:

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

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

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

c.1 When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Parent Bank shares were decided to be sold before 25 May 2008 using the block sale method. By the Privatization High Council's decree numbered 2006/4258 and dated 11 August 2006, 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 İstanbul Stock Exchange ("ISE") as of 10 May 2007 with the base price of TRY full 8,00.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

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

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

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

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

As of 30 June 2012, the Bank operates with a total of 792 branches consisting of 787 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 21 satellite branches and 3 financial services branches in Germany. The Bank has also 1 representative office in Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

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

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

The Parent Bank's associates;

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

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

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

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

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

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

Halk Banka AD Skopje, formerly Export and Credit Bank AD Skopje is a subsidiary of the Parent Bank. The Group obtained the control of Halk Banka AD, Skopje by acquiring 98,12% of the shares and voting interests of the company as of 8 April 2011 and 8 August 2011. Halk Banka AD, Skopje is operating in Republic of Macedonia. Its main activities include commercial lending, receiving of deposits, foreign exchange deals, and payment operation services in the country and abroad and retail banking services.

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

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

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**

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

SECTION II: CONSOLIDATED FINANCIAL STATEMENTS

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

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

Additional paragraph for convenience translation to English

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

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

1. The Groups’ 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. Funds, generated from the redemption and coupon interest payments of the special arrangement government securities in assets in decreasing funding costs, are directed to marketable securities obtained from the market conditions and giving loans as a result of duty losses. In addition to the main fund source deposits, the Parent Bank can raise funds from foreign borrowing and money market borrowing.

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

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION

1. Basis of consolidation:

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

a. Basis of consolidation of subsidiaries:

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

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.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

1. Basis of consolidation (continued):

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

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

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

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures.

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

Accounting for business combinations

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

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

Acquisitions on or after 1 January 2010

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

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

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

1. Basis of consolidation (continued):

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

Accounting for business combinations(continued)

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

Acquisitions before 1 January 2010

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

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

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

V. INTEREST INCOME AND EXPENSES

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

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

VI. FEES AND COMMISSION INCOME AND EXPENSES

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

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

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

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

1. Cash and banks

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

2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

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

Financial Assets Held For Trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. If a price does not occur in an active market, fair value cannot be reliably determined and "amortized value" is determined as the fair value using the internal rate of return. Valuation gains or losses are recognized in the profit/loss accounts. Interests gained from the retention of held for trading financial assets are recognized under the interest income and dividends gained is recognized under the dividend income in the income statement. If these assets are disposed of prior to their maturity periods, loss or gain from the disposal is recognized in the income statement by using interest income/expense accounts under profit/loss from the capital market operations.

2.2. Financial assets at fair value through profit and loss

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

3. Investments held to maturity

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

4. Financial assets available for sale

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

5. Loans and receivables

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

5. Loans and receivables (continued)

Non-performing loans are classified in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No: 26333 dated 1 November 2006 and amended with the regulation published in the Official Gazette No: 27119 dated 23 January 2009 and specific provisions are allocated for those loans. Specific provisions are reflected to “820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses” account. Provisions released in same year are recognized as a credit movement under the “Provision Expenses”, released portion of the previous period provisions are recognized under the “Other Operating Income” account.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

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

Other than specific allowances, the Parent Bank provides “general allowances” for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The Parent Bank was providing 0.5% general allowance for cash loans and other receivables; 0.1% general allowances for non-cash loans until 1 November 2006. With the changes in 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, the Parent Bank started to provide general allowance as follows: after 31 October 2006, if standard cash loans and other receivables increased; for the increased part, the provision is 1%; 2% of close monitoring loans, for the account of 31 October 2006 it is 0.5%; after 31 October 2006, if there is an increase in non-cash loans, for the increased part it is 0.2%; 0.4% of close monitoring loans, and for the account of 31 October 2006 it is 0.1%.

In accordance with the communiqué “The change in the regulation of identifying the properties and determining the methods and principles to allocate provisions for loans and other receivables” published on 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 fold of the predetermined ratio, for loans and other receivables followed under close monitoring provision cannot fall below 2,5 fold of the designated ratio.

In accordance with the communiqué “The change in the regulation of identifying the properties and determining the methods and principles to allocate provisions for loans and other receivables” published on 18 June 2011 No: 27968 Official Gazette, the 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.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IX. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS**

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

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

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

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

	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 can not exceed the lease period. If the duration of lease agreement is not determined or longer than five years, amortization duration is considered as five years.

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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

XV. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

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

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

XVI. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

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

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

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

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVI. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS (continued)

Contracts with significant insurance risk are considered as insurance contracts.

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

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

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

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

XVII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVIII. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

The retirement pay provision of the Parent Bank has been determined by the actuarial report of an independent valuation company.

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

In accordance with the Act No: 5754 “Act about the amendments in Social Security and General Health Insurance Act and Some of Acts and Decrees” published in the Official Gazette dated 8 May 2008 and numbered 26870, bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution within three years beginning from the date of publication without any required further action. Three years transfer period would be extended by two years at most with the decision of Council of Ministers.

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9,8%. Moreover, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2011, no technical deficit has been reported.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIX. EXPLANATIONS ON TAXATION

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

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

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

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

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

Tax practices in the countries that foreign branches operate:

Turkish Republic of Northern Cyprus (TRNC)

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

Bahrain

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIX. EXPLANATIONS ON TAXATION (continued)

Tax practices for the subsidiaries which are subject to consolidation

Halk Gayrimenkul Yatırım Ortaklığı AŞ

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

Halk Banka AD Skopje

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

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

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

(i) Tax on dividend distribution:

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

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

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

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

(ii) Tax on non deductible items:

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIX. EXPLANATIONS ON TAXATION (continued)

Recognition of tax provisions:

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

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

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

XX. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

XXI. EXPLANATIONS ON SHARES AND SHARE ISSUE

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

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

XXII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XXIII. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of 30 June 2012 , Halk Finansal Kiralama A.Ş.(*consolidated entity*) has an amount of TRY 54.625 of investment incentives which could be utilized. (31 December 2011: TRY 91.585)

XXIV. EXPLANATIONS ON SEGMENT REPORTING

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

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

XXV. EXPLANATION ON OTHER MATTERS

None.

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO

Risk measurement methods used in the determination of consolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio calculation is performed in accordance with the Communiqué on “Measurement and Assessment of the Capital Adequacy of Banks”, which was published in the Official Gazette numbered 26333 on 1 November 2006. As of 30 June 2012 , the Bank’s consolidated capital adequacy ratio calculated based on the essentials of the related communiqué is 13,97 % (31 December 2011: 13,85 %).

In calculating the amounts subject to credit risk, the Group generally evaluates its loans according to their collateral classes based on the relevant risk weights. However, risk rate for fund loans for which the Parent Bank recognises 0%.cooperative loans due to having “suretyship” collateral type

In the calculation of capital adequacy standard ratio, information prepared in accordance with the legislation on recording and accounting system is used. Additionally, market risk amount is calculated in accordance with the communiqué on the “Internal Control and Risk Management Systems of the Banks” and is taken into consideration in the capital adequacy standard ratio calculation.

Amounts deducted from the capital in the calculation of shareholders’ equity are not considered in the calculation of risk-weighted assets, non-cash loans and contingent liabilities. In the calculation of risk weighted assets, assets subject to depreciation and impairment are carried at their carrying values less accumulated depreciation and impairment losses.

Beginning from 31 December 2004, for the calculation of the amount subject to credit risk regarding the transactions on the non-cash loans, the receivable amount from counter parties is calculated by using the conversion rates presented in Clause 1 in Article 5 of the Communiqué on “Measurement and Assessment of Banks’ Capital Adequacy Ratios”, less the specific provision amount set in accordance with the Communiqué on “Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions”, if any.

In calculation of the amount subject to credit risks, derivative financial instruments are recognized using the conversion rates presented in the related communiqué Clause 2 in Article 5.

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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:

	Bank Only						Risk weights						Consolidated					
	0%	10%	20%	50%	100%	150%	200%	0%	10%	20%	50%	100%	150%	200%				
Credit risk base amount																		
Balance sheet items (Net)	30.183.243	-	2.160.510	21.555.739	32.647.769	869.534	3.974.823	30.404.737	-	2.258.143	21.973.965	32.258.518	882.769	3.974.823				
Cash	477.589	-	6	-	-	-	-	483.534	-	6	-	-	-	-				
Matured marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Balances at the Central Bank of Turkey	4.106.964	-	-	-	-	-	-	4.106.964	-	-	-	-	-	-				
Domestic, foreign banks, head office and overseas branches balances	-	-	1.664.300	-	41.492	-	-	-	-	1.758.388	-	41.545	-	-				
Money market placements	-	-	-	-	-	-	-	98.540	-	-	-	-	-	-				
Receivables from reverse repos transactions	-	-	-	-	-	-	-	-	-	1.374	-	-	-	-				
Reserve deposits	6.126.217	-	-	-	-	-	-	6.138.907	-	-	-	-	-	-				
Loans	4.213.829	-	427.077	21.303.475	28.625.784	869.534	3.974.823	4.217.434	-	427.077	21.314.782	28.683.178	882.769	3.974.823				
Non-performing loans (Net)	-	-	-	-	278.882	-	-	-	-	-	-	281.687	-	-				
Finance lease receivables	-	-	-	-	-	-	-	-	-	-	403.035	539.894	-	-				
Financial assets available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Investments held to maturity	14.178.931	-	-	-	-	-	-	14.260.308	-	-	-	-	-	-				
Receivables from the asset sale on credit terms	-	-	-	-	61.255	-	-	-	-	-	-	61.255	-	-				
Miscellaneous receivables	46.774	-	12.314	-	198.547	-	-	46.774	-	12.314	-	198.547	-	-				
Interest and Income accruals	849.064	-	5.780	252.264	489.105	-	-	853.486	-	7.951	256.148	496.013	-	-				
Subsidiaries, associates and jointly controlled entities (joint ventures) (Net)	-	-	-	-	1.561.116	-	-	-	-	-	-	6.865	-	-				
Property and equipment	-	-	-	-	1.017.366	-	-	-	-	-	-	1.451.685	-	-				
Other assets	183.875	-	51.033	-	374.222	-	-	198.790	-	51.033	-	497.849	-	-				
Off-balance sheet items	225.432	-	517.535	959.946	11.245.108	-	-	225.432	-	681.361	959.946	11.245.108	-	-				
Non-cash loans and commitments	225.432	-	401.081	959.946	11.240.699	-	-	225.432	-	564.907	959.946	11.240.699	-	-				
Derivative instruments	-	-	116.454	-	4.409	-	-	-	-	116.454	-	4.409	-	-				
Non-risk weighted accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Total risk-weighted assets	30.408.675	-	2.678.045	22.515.685	43.892.877	869.534	3.974.823	30.630.169	-	2.939.504	22.933.911	43.503.626	882.769	3.974.823				

2. Capital adequacy ratio summary:

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Credit risk base amount (CRBA)	64.940.276	57.335.809	64.832.282	57.599.564
Market risk base amount (MRBA)	1.733.138	1.953.163	1.817.438	1.990.125
Operational risk base amount (ORBA)	7.527.281	6.119.332	7.731.106	6.211.069
Shareholders' Equity	10.907.392	9.352.673	10.391.198	9.110.541
Shareholders' Equity / (CRBA+MRBA+ORBA)*100	14,70	14,30	13,97	13,85

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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>	1.250.000	1.250.000	1.250.000	1.250.000
<i>Capital commitments (-)</i>	-	-	-	-
Inflation Adjustment for Paid-in Capital	1.220.451	1.220.451	1.220.451	1.220.451
Share Premium	-	-	-	-
Share Cancellation Profits	-	-	-	-
Legal Reserves	884.336	749.652	914.813	765.200
<i>I. Degree Legal Reserve (Turkish Commercial Code 466/1)</i>	498.255	395.998	506.873	401.181
<i>II. Degree Legal Reserve (Turkish Commercial Code 466/2)</i>	384.225	352.151	394.426	362.516
<i>Reserves per Specific Acts</i>	1.856	1.503	13.514	1.503
Statutory Reserves	-	-	-	-
Extraordinary Reserves	5.163.044	3.637.115	5.011.258	3.514.868
<i>Reserves allocated per General Assembly Minute</i>	5.113.614	3.589.934	4.956.948	3.447.828
<i>Retained Earnings ⁽¹⁾</i>	49.430	47.181	54.310	67.040
<i>Accumulated Loss</i>	-	-	-	-
<i>Foreign Currency Share Capital Exchange Difference</i>	-	-	-	-
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-	-	-	-
Profit	1.253.185	2.045.134	1.271.304	2.081.483
<i>Net period profit</i>	1.253.185	2.045.134	1.235.324	2.027.379
<i>Retained Earnings</i>	-	-	35.980	54.104
Portion of Provisions Allocated for Potential Risk up to 25% of Core Capital Amount	245.500	194.000	245.500	194.000
Subsidiary and Associate Shares and Gains on Sale of Properties to Be Added to Capital	-	-	-	-
Portion of Primary Tier-II Capital up to 15% of Core Capital	-	-	-	-
Minority Interest	-	-	7.594	6.840
Losses that cannot be covered by reserves (-)	-	-	-	-
<i>Net period loss</i>	-	-	-	-
<i>Accumulated Loss</i>	-	-	-	-
Leasehold Improvements (-)	67.512	70.079	70.239	72.626
Intangible Assets(-)	31.287	27.570	48.102	45.543
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-	-	-
Excess Amount defined in 3rd Clause, 56th Article of the Banking Act (-)	-	-	-	-
Total Core Capital	9.917.717	8.998.703	9.802.579	8.914.673
SUPPLEMENTARY CAPITAL				
General Loan Provisions	790.842	656.783	794.209	659.914
45% of Movable Assets Revaluation Fund	-	-	-	-
45% of Tangible Assets Revaluation Fund	-	-	-	-
Non-cash Shares of Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	4.422	4.422	231	231
Proportion of Primary Tier -II Capital excluded from the Core Capital Calculation	-	-	-	-
Secondary Tier -II Capital	-	-	-	-
45% of Marketable Securities Revaluation Fund	226.378	(266.778)	(22.356)	(278.203)
<i>From Subsidiaries and Associates</i>	249.410	-	-	-
<i>From Financial Assets Available for Sale</i>	(23.032)	(266.778)	(22.356)	(278.203)
Inflation adjustments for capital reserves, profit reserves and retained earnings/accumulated losses (Except inflation adjustments for legal reserves, statutory reserves and extraordinary reserves)	-	-	-	-
Minority Interest	-	-	-	-
Total Supplementary Capital	1.021.642	394.427	772.084	381.942
TIER-III CAPITAL				
CAPITAL	10.939.359	9.393.130	10.574.663	9.296.615
DEDUCTIONS FROM CAPITAL	31.967	40.457	183.465	186.074
Equity Shares in Banks and Financial Institutions Which Are Excluded from the Consolidation	-	8.819	-	8.819
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated debt and debt instruments purchased from such parties qualified as primary or secondary subordinated debt	-	-	-	-
Shareholdings in the banks and financial institutions which are accounted for under the equity pick up method but the assets and liabilities are not consolidated	-	-	151.498	145.617
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-	-	-	-
The net book value of properties exceeding 50% of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	29.692	28.350	29.692	28.350
Other	2.275	3.288	2.275	3.288
TOTAL EQUITY	10.907.392	9.352.673	10.391.198	9.110.541

(1) TRY 47.181 is the monetary gain/loss from restatement of the 2003 profit until April 2004 (dividend distribution date).

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

II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK

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

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

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

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

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

As of 30 June 2012 , the receivables of the Parent Bank from its top 100 cash loan customers is 19,96% of its total cash loans.

As of 30 June 2012 , receivables of the Parent Bank from its top 100 non-cash loan is 53,22% of its total non-cash loans.

As of 30 June 2012 , share of cash and non-cash receivables of the Parent Bank from its top 100 customers is 15,31% of its total balance sheet and off-balance sheet assets.

As of 30 June 2012 , general loan loss provision related to the credit risk incurred by the Bank in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 794.209 (31 December 2011: TRY 659.914).

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

The Group has established market risk management operations and taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” issued on Official Gazette dated 1 November 2006 numbered 26333.

The Board of Directors determines the limits for the basic risk that the Parent Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Parent Bank. Additionally, the Board of Directors has ensured that the risk management division and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the Parent Bank.

Interest rate and exchange rate risks, arising from the volatility in the financial markets, of the financial positions taken by the Group related to balance sheet and off-balance sheet accounts are measured, and in the computation of capital adequacy, the amount subject to Value At Risk (VAR) calculated by using the standard method (summarized below) is considered. Beside the standard method, VAR is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by three different methods which are historic simulation, Monte Carlo simulation and parametric method, and these results are also reported daily to the management.

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

a) Information related to market risk:

	Amount
(I) Capital requirement to be employed for general market risk - Standard method	124.734
(II) Capital requirement to be employed for specific risk - Standard method	3.737
(III) Capital requirement to be employed for currency risk - Standard method	16.833
(IV) Capital requirement to be employed for commodity risk - standard method	-
(V) Capital requirement to be employed for settlement risk - Standard method	-
(VI) Total capital requirement to be employed for market risk resulting from options-Standard method	91
(VII) Total capital requirement to be employed for market risk in banks using risk measurement model	-
(VIII) Total capital requirement to be employed for market risk (I+II+III+IV+V+VI)	145.395
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	1.817.438

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

IV. EXPLANATIONS RELATED TO THE CONSOLIDATED OPERATIONAL RISK

In the calculation of the Group's operational risk, "Basic Indicator Method" is used. The amount subject to operational risk is calculated in accordance with Section 4 of the Communiqué on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 26333 on 1 November 2006 and this section is named as "Calculation of Operational Risk Base Amount" which came into effect as of 1 June 2007. The calculation is performed parallel to the practice within the country, by multiplying 15% of the Group's last three years' average gross revenue with 12,5. Amount subject to operational risk is TRY 7.731.106 for the current period.

V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK

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

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

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

	22.06.2012	25.06.2012	26.06.2012	27.06.2012	28.06.2012	29.06.2012
USD	1,7900000	1,8000000	1,7950000	1,7900000	1,8100000	1,7850000
CHF	1,8682000	1,8696000	1,8614000	1,8551000	1,8707000	1,8791000
GBP	2,7860000	2,7962000	2,7947000	2,7828000	2,8045000	2,7960000
JPY	0,0222234	0,0225607	0,0225561	0,0224016	0,0227890	0,0224008
EURO	2,2471000	2,2483000	2,2385000	2,2318000	2,2505000	2,2633000

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

	Monthly average
USD	1,8007143
CHF	1,8764952
GBP	2,7959571
JPY	0,0226713
EURO	2,2571810

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

Information related to consolidated currency risk:

Current period	EURO	USD	JPY	OTHER	TOTAL
Assets					
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	5.864.473	35.718	83	1.261.410	7.161.684
Banks and financial institutions	1.538.800	108.208	5.124	81.749	1.733.881
Financial assets at fair value through profit and loss ⁽³⁾	8.731	51.586	-	182	60.499
Money market placements	-	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	708.327	518.489	-	10.232	1.237.048
Loans ⁽²⁾	6.695.414	10.494.836	449	152.140	17.342.839
Subsidiaries, associates and entities under common control	136.944	-	-	-	136.944
Held-to-maturity investments	888.977	1.556.413	-	37.797	2.483.187
Derivative financial assets held for risk management	-	-	-	-	-
Tangible assets	-	-	-	22.545	22.545
Intangible assets	-	-	-	-	-
Other assets ⁽³⁾	457.801	407.419	-	20.570	885.790
Total assets	16.299.467	13.172.669	5.656	1.586.625	31.064.417
Liabilities					
Bank deposits	5.373.642	585.139	452	176.442	6.135.675
Foreign currency deposits	12.392.808	7.167.545	5.285	2.357.340	21.922.978
Money market balances	-	99.458	-	-	99.458
Funds provided from other financial institutions	4.009.906	2.192.762	449	2.575	6.205.692
Marketable securities issued	-	-	-	-	-
Sundry creditors	21.164	34.681	7	8.911	64.763
Derivative financial assets held for risk management	-	-	-	-	-
Other liabilities ⁽³⁾	120.161	128.976	140	18.169	267.446
Total liabilities	21.917.681	10.208.561	6.333	2.563.437	34.696.012
Net balance sheet position	(5.618.214)	2.964.108	(677)	(976.812)	(3.631.595)
Net off-balance sheet position					
Financial derivative assets⁽⁴⁾	5.859.346	850.458	58.771	1.064.504	7.833.079
Financial derivative liabilities⁽⁴⁾	118.763	4.069.384	58.771	29.022	4.275.940
Non-cash loans⁽¹⁾	3.462.947	6.231.174	23.320	211.743	9.929.184
Prior period					
Total assets	14.853.627	12.873.718	6.210	1.007.570	28.741.125
Total liabilities	16.374.193	11.075.793	8.729	2.501.933	29.960.648
Net balance sheet position	(1.520.566)	1.797.925	(2.519)	(1.494.363)	(1.219.523)
Net off-balance sheet position					
Financial derivative assets	1.452.427	744.174	82.278	1.634.596	3.913.475
Financial derivative liabilities	132.037	2.505.762	80.493	72.598	2.790.890
Non-cash loans⁽¹⁾	2.806.749	6.050.271	45.396	127.754	9.030.170

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

⁽²⁾ Includes TRY 51.857 of foreign currency indexed loans and their accruals. (31 December 2011: TRY 55.515)

⁽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 60.855), foreign currency intangible assets (TRY 14.570), prepaid expenses (TRY 236) in assets; and derivative financial instruments foreign currency expense accruals (TRY 44.139), shareholders' equity (TRY 40.504) and foreign currency minority shares (TRY 1.474) in liabilities are not taken into consideration in the currency risk measurement. Halk Banka AD, Skopje's nonperforming loans with no specific provision amounting to (TRY 2.805) is presented in other assets.

⁽⁴⁾ Financial derivative assets include credit default swaps amounting TRY 89.249 and forward precious metal purchase transactions amounted to TRY 989.440. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 2.838.

⁽⁵⁾ Magyar Halkbank (TRY 8.636) and International Garagum Bank (TRY 225), followed as available for sale items in foreign currency, are presented in financials with their historical costs since they are non-monetary financial items.

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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 Parent Bank. 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	23.885	-	-	-	-	10.705.673	10.729.558
Banks and financial institutions	1.570.021	1.203	11.427	-	-	220.194	1.802.845
Financial assets at fair value through profit and loss	47.463	22.577	10.245	57.452	1.260	1.136	140.133
Money market placements	99.870	-	-	-	-	61	99.931
Financial assets available-for-sale	1.279.191	1.470.584	2.683.040	2.651.381	1.423.887	18.922	9.527.005
Loans	28.333.165	6.808.128	10.578.096	11.567.607	1.957.727	1.035.038	60.279.761
Held-to-maturity investments	3.580.457	4.128.666	2.696.687	3.054.892	1.623.846	-	15.084.548
Other assets ^{(1), (2)}	127.097	40.894	184.442	495.658	204.701	3.006.371	4.059.163
Total assets	35.061.149	12.472.052	16.163.937	17.826.990	5.211.421	14.987.395	101.722.944
Liabilities							
Bank deposits	2.855.404	419.966	543.517	31.689	-	4.647.922	8.498.498
Other deposits	41.187.555	13.628.515	2.979.478	95.118	370	11.766.491	69.657.527
Money market balances	748.393	56.095	99.458	-	-	-	903.946
Sundry creditors	1.123.704	2.599	62.012	-	-	241.501	1.429.816
Marketable securities issued	735.712	-	-	-	-	-	735.712
Funds provided from other financial institutions ⁽⁴⁾	2.166.985	2.308.735	1.615.906	492.946	152.432	10.615	6.747.619
Other liabilities ⁽³⁾	1.390.000	536.452	124.511	-	-	11.698.863	13.749.826
Total liabilities	50.207.753	16.952.362	5.424.882	619.753	152.802	28.365.392	101.722.944
Balance sheet long position	-	-	10.739.055	17.207.237	5.058.619	-	33.004.911
Balance sheet short position	(15.146.604)	(4.480.310)	-	-	-	(13.377.997)	(33.004.911)
Off-balance sheet long position	18.838	108.004	588	-	-	-	127.430
Off-balance sheet short position	(18.825)	(18.766)	(588)	(59.100)	-	-	(97.279)
Total position	(15.146.591)	(4.391.072)	10.739.055	17.148.137	5.058.619	(13.377.997)	30.151

(1) TRY 155.494 of deferred tax assets is disclosed under the non interest bearing column in other assets.

(2) TRY 281.687 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	19.916	-	-	-	-	7.267.817	7.287.733
Banks and financial institutions	1.319.319	74.056	-	-	-	145.330	1.538.705
Financial assets at fair value through profit and loss	16.176	43.575	6.037	78.004	5.586	121	149.499
Money market placements	33.313	-	-	-	-	-	33.313
Financial assets available-for-sale	1.413.567	1.139.245	1.185.680	3.978.649	1.657.708	15.571	9.390.420
Loans	24.692.744	6.738.282	10.795.891	11.004.591	1.822.924	959.400	56.013.832
Held-to-maturity investments	3.466.143	3.669.329	2.602.180	2.990.431	1.336.375	-	14.064.458
Other assets ^{(1), (2)}	111.872	51.486	168.936	566.486	106.328	2.677.589	3.682.697
Total assets	31.073.050	11.715.973	14.758.724	18.618.161	4.928.921	11.065.828	92.160.657
Liabilities							
Bank deposits	3.707.469	64.100	37.665	130.671	-	3.040.932	6.980.837
Other deposits	31.983.368	13.175.156	3.841.321	49.707	90	10.198.031	59.247.673
Money market balances	4.271.473	332.118	338.118	-	-	-	4.941.709
Sundry creditors	21.112	-	-	-	-	1.150.275	1.171.387
Marketable securities issued	495.611	-	-	-	-	-	495.611
Funds provided from other financial institutions ⁽⁴⁾	2.009.608	2.443.210	1.737.918	688.020	130.578	1.011	7.010.345
Other liabilities ⁽³⁾	1.461.551	348.600	40.745	-	-	10.462.199	12.313.095
Total liabilities	43.950.192	16.363.184	5.995.767	868.398	130.668	24.852.448	92.160.657
Balance sheet long position	-	-	8.762.957	17.749.763	4.798.253	-	31.310.973
Balance sheet short position	(12.877.142)	(4.647.211)	-	-	-	(13.786.620)	(31.310.973)
Off-balance sheet long position	-	7.951	281.562	815	-	-	290.328
Off-balance sheet short position	-	(7.951)	(141.532)	(815)	(59.100)	-	(209.398)
Total position	(12.877.142)	(4.647.211)	8.902.987	17.749.763	4.739.153	(13.786.620)	80.930

⁽¹⁾ TRY 93.671 of deferred tax assets is disclosed under the non interest bearing column in other assets.

⁽²⁾ TRY 269.771 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)**

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	0,1 – 0,50	-	-	5,00
Due from other banks and financial institutions ⁽¹⁾	0,41	-	-	11,85
Financial assets at fair value through profit and loss	-	3,58	-	8,61
Money market placements	-	-	-	7,23
Available-for-sale financial assets	4,90	5,86	-	9,07
Loans ⁽²⁾	4,60	4,25	2,19	12,86
Held-to-maturity investments	6,37	6,47	-	11,27
Liabilities				
Bank deposits	0,34	0,89	-	5,06
Other deposits ⁽⁴⁾	3,58	3,47	-	9,89
Money market borrowings	2,30	1,76	-	5,28
Sundry creditors ⁽³⁾	-	-	-	4,50
Marketable securities issued	-	-	-	10,88
Funds provided from other financial institutions ⁽⁴⁾	1,65	1,78	-	7,57
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	0,1 – 0,50	-	-	5,00
Due from other banks and financial institutions ⁽¹⁾	0,82	0,25	-	-
Financial assets at fair value through profit and loss	-	4,60	-	9,83
Money market placements	-	-	-	-
Available-for-sale financial assets	4,90	4,97	-	8,72
Loans ⁽²⁾	4,55	3,82	-	12,46
Held-to-maturity investments	6,38	7,02	-	11,09
Liabilities				
Bank deposits	1,29	0,99	-	10,84
Other deposits	3,75	3,77	-	9,44
Money market borrowings	2,11	1,59	-	9,16
Sundry creditors	-	-	-	4,50
Marketable securities issued	-	-	-	8,82
Funds provided from other financial institutions ⁽⁴⁾	2,35	1,60	-	6,90

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

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

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

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

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

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

VII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK

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 positions cannot be closed immediately at the suitable prices in sufficient amounts due to barriers and break-ups in the markets.

Domestic and foreign markets are used to meet liquidity needs. Low levels of liquidity needs provides an easy access for borrowing from the Turkish Republic Central Bank, Istanbul Stock Exchange, Interbank Money Market, Clearing Bank and other markets. The Parent Bank's low ratios of bank deposits and foreign currency deposits compared to other commercial banks, with the similar balance sheet total, is an indication of having a larger share from the market when needed. Available money market debts from the foreign market, Eurobonds held in portfolio are important potential resources of the Parent Bank.

When funding and liquidity sources are considered, the Parent Bank covers majority of its liquidity need through deposits. In addition, securities portfolio is mainly composed of available for sale financial assets and held to maturity investments.

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

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

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	1.425.253	4.094.275	3.972.041	1.172.259	65.245	485	-	10.729.558
Banks and financial institutions	237.529	1.552.686	1.203	11.427	-	-	-	1.802.845
Financial assets at fair value through profit and loss	787	47.450	22.610	11.089	56.588	1.260	349	140.133
Money market placements	61	99.588	282	-	-	-	-	99.931
Financial assets available-for-sale	-	114.997	127.442	2.213.130	3.665.273	3.387.241	18.922	9.527.005
Loans ⁽²⁾	296.683	4.603.427	5.134.860	19.809.276	26.972.548	3.462.967	-	60.279.761
Held-to-maturity investments	-	307.211	654.153	2.031.098	9.218.640	2.873.446	-	15.084.548
Other assets ⁽³⁾	206.063	82.792	83.452	212.259	682.643	93.456	2.698.498	4.059.163
Total assets	2.166.376	10.902.426	9.996.043	25.460.538	40.660.937	9.818.855	2.717.769	101.722.944
Liabilities								
Bank deposits	4.647.922	2.855.404	419.966	543.517	31.689	-	-	8.498.498
Other deposits	11.766.491	41.170.013	13.604.655	2.911.278	200.694	4.396	-	69.657.527
Funds provided from other financial institutions ⁽⁴⁾	3.421	1.878.776	462.657	1.205.612	1.642.388	1.554.765	-	6.747.619
Money market balances	-	748.393	56.095	99.458	-	-	-	903.946
Marketable securities issued	-	735.712	-	-	-	-	-	735.712
Sundry creditors	168.251	519.269	65.520	214.549	420.565	5	41.657	1.429.816
Other liabilities ⁽¹⁾	1.712.823	390.415	588.957	713.582	263.736	211.732	9.868.581	13.749.826
Total liabilities	18.298.908	48.297.982	15.197.850	5.687.996	2.559.072	1.770.898	9.910.238	101.722.944
Liquidity gap	(16.132.532)	(37.395.556)	(5.201.807)	19.772.542	38.101.865	8.047.957	(7.192.469)	-
Previous period								
Total assets	1.951.913	7.835.902	8.766.509	21.553.744	40.759.299	8.894.467	2.398.823	92.160.657
Total liabilities	16.030.744	41.271.250	14.501.429	7.785.334	1.753.990	2.028.561	8.789.349	92.160.657
Liquidity gap	(14.078.831)	(33.435.348)	(5.734.920)	13.768.410	39.005.309	6.865.906	(6.390.526)	-

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

(2) TRY 281.687 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.

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

VIII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION

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

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

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

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

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

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

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

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

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

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 30 June 2012 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	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 securities 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							
Marketable securities	-	-	-	24.400.143	246.998	-	24.647.141
Derivative financial assets held for trading	-	-	-	104.311	234	-	104.545
Banks and money market receivables	-	-	-	1.858.582	44.194	-	1.902.776
Associates and subsidiaries (net)	-	-	-	158.363	-	-	158.363
Loans	7.455.866	9.403.854	38.053.352	5.648.376	-	-	60.561.448
Other assets ⁽¹⁾	661	9.148	714.752	12.582.014	1.042.096	-	14.348.671
TOTAL ASSETS	7.456.527	9.413.002	38.768.104	44.751.789	1.333.522	-	101.722.944
SEGMENT LIABILITIES							
Deposits	7.513.439	3.745.912	50.996.462	15.900.212	-	-	78.156.025
Derivative financial liabilities held for trading	-	-	-	50.449	(234)	-	50.215
Money market balances	-	-	-	903.946	-	-	903.946
Borrowing funding loans	13.157	210.160	197.713	5.595.838	730.751	-	6.747.619
Marketable securities issued	-	-	-	735.712	-	-	735.712
Other liabilities	67.383	69.155	2.356.625	697.985	116.964	-	3.308.112
Provisions	12.369	14.225	87.328	1.677.527	376.571	-	2.168.020
Shareholders' equity	-	-	-	9.622.698	30.597	-	9.653.295
TOTAL LIABILITIES	7.606.348	4.039.452	53.638.128	35.184.367	1.254.649	-	101.722.944
OFF BALANCE SHEET ITEMS							
Guarantees and suretyships	9.181.672	5.504.894	10.604.994	76.962.132	117.141	-	102.370.833
Guarantees and suretyships	9.154.754	5.234.515	4.473.041	65.950	18.845	-	18.947.105
Commitments	26.918	270.379	6.131.953	60.972.177	98.296	-	67.499.723
Derivative financial instruments	-	-	-	15.924.005	-	-	15.924.005

(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 1.538.949 (net) and deferred tax assets amounting TRY 155.494 in other assets are presented under the Treasury / Investment column.

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

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

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION (continued)

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES							
Interest income	425.604	323.660	3.384.693	2.676.558	6.687	(3.561.313)	3.255.889
Interest on loans	228.727	245.420	1.732.096	130.763	-	-	2.337.006
Interest income on marketable securities	-	-	-	905.381	5.851	-	911.232
Interest received from banks	-	-	-	2.834	836	-	3.670
Other interest income ⁽²⁾	196.877	78.240	1.652.597	1.637.580	-	(3.561.313)	3.981
Interest expense	328.099	224.936	2.461.153	2.261.715	-	(3.561.313)	1.714.590
Interest on deposits	145.421	53.998	1.153.844	89.390	-	-	1.442.653
Interest on borrowings	1.033	5.451	2.481	43.480	-	-	52.445
Interest on money market borrowings	-	-	-	201.578	-	-	201.578
Interest on marketable securities issued	-	-	-	-	-	-	-
Other interest expense ⁽²⁾	181.645	165.487	1.304.828	1.927.267	-	(3.561.313)	17.914
Net interest income	97.505	98.724	923.540	414.843	6.687	-	1.541.299
Net fees and commissions income	31.051	30.926	240.506	22.371	-	-	324.854
Net trading profit / (loss)	-	-	-	96.096	273	-	96.369
Dividend income	-	-	-	5.414	138	-	5.552
Other income	1.885	14.565	193.026	99.738	158.246	-	467.460
Loans and other receivables' impairment loss	1.007	5.068	88.551	107.093	-	-	201.719
Other expenses	7.295	25.526	416.921	363.470	161.835	-	975.047
Income before taxes	122.139	113.621	851.600	167.899	3.509	-	1.258.768
Income tax provision	-	-	-	(256.624)	(4.681)	-	(261.305)
Net profit for the period	122.139	113.621	851.600	(88.725)	(1.172)	-	997.463
SEGMENT ASSETS							
Marketable securities	-	-	-	23.317.706	193.732	-	23.511.438
Derivative financial assets held for trading	-	-	-	92.939	-	-	92.939
Banks and money market receivables	-	-	-	1.544.906	27.112	-	1.572.018
Associates and subsidiaries (net)	-	-	-	155.488	-	-	155.488
Loans	7.122.471	8.298.222	35.063.374	5.799.536	-	-	56.283.603
Other assets ⁽¹⁾	671	160.081	933.226	8.447.531	1.003.662	-	10.545.171
TOTAL ASSETS	7.123.142	8.458.303	35.996.600	39.358.106	1.224.506	-	92.160.657
SEGMENT LIABILITIES							
Deposits	6.921.885	2.813.885	46.615.466	9.877.274	-	-	66.228.510
Derivative financial liabilities held for trading	-	-	-	65.358	-	-	65.358
Money market balances	-	-	-	4.941.709	-	-	4.941.709
Borrowing funding loans	35.746	204.493	159.670	5.944.379	666.057	-	7.010.345
Marketable securities issued	-	-	-	495.611	-	-	495.611
Other liabilities	25.354	47.019	2.126.270	850.994	48.812	-	3.098.449
Provisions	6.812	13.866	80.975	1.341.073	317.079	-	1.759.805
Shareholders' equity	-	-	-	8.514.318	46.552	-	8.560.870
TOTAL LIABILITIES	6.989.797	3.079.263	48.982.381	32.030.716	1.078.500	-	92.160.657
OFF BALANCE SHEET ITEMS							
Guarantees and suretyships	9.672.659	3.959.359	4.160.754	53.685	8.820	-	17.855.277
Commitments	23.889	213.890	5.328.820	65.674.431	8.918	-	71.249.948
Derivative financial instruments	-	-	-	8.136.224	-	-	8.136.224

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

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

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

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

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

The Parent Bank does not engage in transaction based on trust.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**

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

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

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	395.321	88.213	386.373	100.227
Central Bank of Turkey	3.172.553	7.073.465	2.124.824	4.676.294
Other	-	6	-	15
Total	3.567.874	7.161.684	2.511.197	4.776.536

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	3.165.386	941.578	2.120.213	705.092
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Other ⁽²⁾	7.167	6.131.887	4.611	3.971.202
Total	3.172.553	7.073.465	2.124.824	4.676.294

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

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

The banks operating in Turkey keep reserve deposits for Turkish currency liabilities in TRY, USD, EUR/and or standard gold at the rates between 5% and 11% according to their maturities (31 December 2011: between 5% and 11% according to their maturities), foreign currency liabilities in USD, EUR/and or standard gold at the rates between 6% and 11% according to their maturities (31 December 2011: between 6% and 11% according to their maturities), respectively as per the Communique no.2011/11 and 2011/13 "Reserve Deposits" of the Central Bank of Turkey.

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

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

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

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

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

None.

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

None.

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	22.607	-	3.930
Swap transactions	-	81.857	-	88.970
Futures transactions	-	-	-	-
Options	5	76	37	2
Other	-	-	-	-
Total	5	104.540	37	92.902

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**

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

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

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

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	43.197	884.457	27.258	602.919
Foreign banks	25.767	849.424	11.310	897.218
Branches and offices abroad	-	-	-	-
Total	68.964	1.733.881	38.568	1.500.137

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Bond, security and other financial assets	-	87.923	-	-
Total	-	87.923	-	-

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds	120.593	-	118.586	96.235
Total	120.593	-	118.586	96.235

b) Information on financial assets available for sale portfolio:

	Current period		Prior period	
	TRY	FC	TRY	FC
Debt securities	9.510.585		9.485.019	
<i>Quoted on a stock exchange</i>	9.510.585		9.485.019	
<i>Not quoted</i>	-		-	
Share certificates	31.299		27.925	
<i>Quoted on a stock exchange</i>	2		-	
<i>Not quoted</i>	31.297		27.925	
Impairment provision(-)	14.879		122.524	
Total	9.527.005		9.390.420	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**

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

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

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

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	120.640	-	120.545	-
Total	120.640	-	120.545	-

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	Restructured or rescheduled ⁽³⁾	Loans and other receivables	Restructured or rescheduled ⁽³⁾
Cash loans				
Non-specialized loans	46.690.945	68.121	702.393	20.243
<i>Discount notes</i>	44.792	-	261	-
<i>Export loans</i>	2.370.722	-	7.101	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	466.662	-	-	-
<i>Overseas loans</i>	398.641	-	606	7
<i>Consumer loans⁽¹⁾</i>	15.219.404	41	149.001	18.309
<i>Credit cards⁽²⁾</i>	1.106.420	6	25.365	1.910
<i>Precious metals loans</i>	-	-	-	-
<i>Other</i>	27.084.304	68.074	520.059	17
Specialized lending	11.848.940	29.154	142.540	2
Other receivables	-	-	-	-
Accruals	764.969	1.270	10.920	264
Total	59.304.854	98.545	855.853	20.509

⁽¹⁾ Includes TRY 91.836 of personnel loans.

⁽²⁾ Includes TRY 28.804 of personnel credit cards.

⁽³⁾ Presents loans accounted under in restructured and rescheduled loan accounts.

In accordance with the communiqué “The Change In The Regulation of Identifying The Properties and Determining The Methods and Principles to Allocate Provisions for Loans and Other Receivables” published on 28 May 2011 No: 27947 Official Gazette, changes on payment plans and changes on payment periods of “Standard Loans and Other Receivables” and “Loans and Other Receivables Monitored Under Close Monitoring” are disclosed below:

	Standard loans and other receivables		Loans and receivables under close monitoring	
	Up to 1 year	1 year or longer	Up to 1 year	1 year or longer
The number of loans whose terms of payment has been changed	8.947	97	1.905	8

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**

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

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	206.668	14.705.719	14.912.387
<i>Real estate loans</i>	4.000	5.973.056	5.977.056
<i>Automobile loans</i>	2.671	63.427	66.098
<i>Consumer loans</i>	199.997	8.669.236	8.869.233
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	202	202
<i>Real estate loans</i>	-	202	202
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	1.967	105.921	107.888
<i>Real estate loans</i>	147	10.580	10.727
<i>Automobile loans</i>	292	1.800	2.092
<i>Consumer loans</i>	1.455	89.687	91.142
<i>Other</i>	73	3.854	3.927
Individual credit cards-TRY	994.741	1.688	996.429
<i>Installment</i>	296.603	-	296.603
<i>Non-installment</i>	698.138	1.688	699.826
Individual credit cards-FC	5	7.800	7.805
<i>Installment</i>	-	7.800	7.800
<i>Non-installment</i>	5	-	5
Personnel loans-TRY	4.630	84.719	89.349
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	4.630	84.719	89.349
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	41	2.446	2.487
<i>Real estate loans</i>	5	861	866
<i>Automobile loans</i>	2	37	39
<i>Consumer loans</i>	34	1.526	1.560
<i>Other</i>	-	22	22
Personnel credit cards-TRY	28.571	15	28.586
<i>Installment</i>	9.566	-	9.566
<i>Non-installment</i>	19.005	15	19.020
Personnel credit cards-FC	23	195	218
<i>Installment</i>	-	195	195
<i>Non-installment</i>	23	-	23
Overdraft accounts-TRY (Retail customer)	269.195	-	269.195
Overdraft accounts-FC (Retail customer)	5.247	-	5.247
Total	1.511.088	14.908.705	16.419.793

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**

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

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	16.502	605.345	621.847
<i>Business residential loans</i>	3.388	341.622	345.010
<i>Automobile loans</i>	13.114	263.723	276.837
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans – FC	24.473	132.448	156.921
<i>Business residential loans</i>	-	36.426	36.426
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	24.473	96.022	120.495
Corporate credit cards-TRY	100.532	-	100.532
<i>Installment</i>	20.519	-	20.519
<i>Non-installment</i>	80.013	-	80.013
Corporate credit cards-FC	-	131	131
<i>Installment</i>	-	131	131
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY (Commercial customer)	292.245	-	292.245
Overdraft accounts-FC (Commercial customer)	-	-	-
Total⁽¹⁾	433.752	737.924	1.171.676

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

e) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	59.631.053	55.388.703
Foreign loans ⁽¹⁾	648.708	625.129
Total	60.279.761	56.013.832

⁽¹⁾ Consumer loans amounting to TRY 115.622, non-specialized loans amounting to TRY 120.495 and credit cards amounting to TRY 8.126 of Halk Banka AD Skopje are represented in foreign loans.

f) Loans granted to subsidiaries and associates:

None.

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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)**

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

(5) Information on loans: (continued)

g) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	123.588	90.410
Loans and receivables with doubtful collectability	62.949	22.897
Uncollectible loans and receivables	1.276.539	1.297.806
Total	1.463.076	1.411.113

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

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period	40.686	5.295	99.905
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	40.686	5.295	99.905
Prior period	36.628	7.817	129.380
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	36.628	7.817	129.380

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior period end balance	147.078	31.768	1.502.038
Additions (+) ⁽¹⁾	231.156	9.504	35.811
Transfers from other categories of loans under follow-up (+)	-	84.927	46.000
Transfers to other categories of loans under follow-up (-)	106.690	24.237	-
Collections (-)	60.395	10.628	141.569
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	211.149	91.334	1.442.280
Specific provision (-)	123.588	62.949	1.276.539
Net balance on balance sheet	87.561	28.385	165.741

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**

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

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

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

(5) Information on loans: (continued)

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

	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	2.259	2.080	8.297
Specific provisions(-)	667	1.666	7.498
Net balance in the balance sheet	1.592	414	799
Prior period			
Balance at the end of the period	2.919	1.160	8.110
Specific provisions(-)	1.222	840	7.314
Net balance in the balance sheet	1.697	320	796

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)			
Loans to granted real persons and legal entities (Gross)	211.061	91.047	1.403.870
Specific provisions (-)	123.500	62.662	1.238.129
Loans to granted real persons and legal entities (Net)	87.561	28.385	165.741
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	88	287	38.410
Specific provisions (-)	88	287	38.410
Other loans and receivables (Net)	-	-	-
Prior period (Net)			
Loans to granted real persons and legal entities (Gross)	146.940	31.510	1.460.899
Specific provisions (-)	90.272	22.639	1.256.667
Loans to granted real persons and legal entities (Net)	56.668	8.871	204.232
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	138	258	41.139
Specific provisions (-)	138	258	41.139
Other loans and receivables (Net)	-	-	-

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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)

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

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

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

j) Explanations on write-off policy:

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	2.527.982	392.121	2.643.807	417.083
Total	2.527.982	392.121	2.643.807	417.083

a.2. Held-to-maturity investments subject to repurchase agreements:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	575.870	122.174	4.004.244	895.666
Total	575.870	122.174	4.004.244	895.666

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

	Current period	Prior period
Government bonds	15.084.548	14.064.458
Treasury bills	-	-
Other public sector debt securities	-	-
Total	15.084.548	14.064.458

TÜRKİYE HALK BANKASI AŞ

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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)**

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	15.084.548	14.064.458
<i>Quoted on a stock exchange</i>	12.685.457	11.618.046
<i>Not quoted</i>	2.399.091	2.446.412
Impairment provision (-)	-	-
Total	15.084.548	14.064.458

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

	Current period	Prior period
Beginning balance	14.064.458	12.749.840
Foreign currency differences on monetary assets	(97.048)	329.521
Purchases during the year ⁽¹⁾	1.931.850	1.949.361
Disposals through sales and redemptions ⁽²⁾	(814.712)	(1.007.966)
Impairment provision (-) / provision reversal (+)	-	-
Effect of the subsidiaries included in the consolidation	-	43.702
Balance at the end of the period	15.084.548	14.064.458

⁽¹⁾ As of 30 June 2012, interest income accrual amounting TRY 824.240 have been included in purchases row (31 December 2011: TRY 726.675).

⁽²⁾ In accordance with the tainting rules defined in paragraph 9 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 30 June 2012, the Parent Bank reclassified TRY 123.459 of financial assets from held to maturity investments portfolio to available for sale portfolio. Related amount was presented in "Disposals Through Sales and Redemptions" row.

(7) Information on associates (Net):

a) Information on associates:

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

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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) Informan on associates (Net): (continued)

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	155.488	187.922
Movements during the period	2.875	(32.434)
Purchases	-	1.000
Free shares obtained profit from current year's share	-	1.238
Profit in current year income	4.829	905
Sales	-	-
Transfer ⁽¹⁾	(3.006)	(51.490)
Revaluation decrease (-) / increase	1.052	15.913
Provision for impairment (-) / reversals (+)	-	-
Balance at the end of the period	158.363	155.488
Capital commitments	-	1.000
Share percentage at the end of the period (%)	0,00	0,00

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

d) Sectoral information and related carrying amounts of associates:

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

e) Associates quoted to a stock exchange:

None.

(8) Information on consolidated subsidiaries (Net):

a) Information on subsidiaries:

Description	Address (City/ Country)	Bank's share percentage, if different- voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	Istanbul	99,94	99,96
2. Halk Sigorta AŞ	Istanbul	89,18	89,18
3. Halk Hayat ve Emeklilik AŞ	Istanbul	94,40	99,46
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	Istanbul	99,84	99,99
5. Halk Finansal Kiralama AŞ	İstanbul	99,99	99,99
6. Halk Portföy Yönetimi AŞ	İstanbul	55,99	98,71
7. Halk Banka AD, Skopje	Macedonia	98,12	98,12
8. Halk Faktoring AŞ	Istanbul	95,00	99,86

b) Information related to the subsidiaries as sorted in (a)⁽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
1.	189.395	55.851	2.291	7.031	492	4.108	5.939	75.755
2.	258.405	52.391	4.109	5.617	2.436	6.862	(10.957)	137.337
3.	330.806	110.312	2.783	15.294	10.283	18.868	17.037	405.920
4.	672.433	515.763	629.270	1.131	50	6.513	5.948	486.221
5.	1.016.282	129.715	932	38.796	-	9.695	-	175.983
6.	5.037	4.917	82	241	4	156	-	2.953
7.	404.215	79.030	20.209	12.728	1.274	644	-	-
8.	20.000	20.000	-	-	-	-	-	-

(1) None of the subsidiaries are listed on the stock exchange.

(2) The values are taken from the financials of the audited financial statements as of 30 June 2012 .

NOTES TO THE CONSOLIDATED 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)

(8) Information on consolidated subsidiaries (Net):

c) Movement of the subsidiaries:

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

⁽¹⁾ Purchases amounting up to TRY 19.000 consist capital payments to Halk Faktoring AŞ established in current period and 95,00% of which is owned by the Bank. As of 30 June 2012, Halk Faktoring AŞ will apply for an official authorisation to BRSA(Banking Regulation and Supervision Agency)

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

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

e) Subsidiaries quoted in the stock exchange:

None.

(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	315.723	242.282	277.392	204.216
Between 1-4 years	581.097	527.567	623.771	550.873
More than 4 years	212.606	181.931	147.421	134.444
Total	1.109.426	951.780	1.048.584	889.533

b) Information on gross investments of financial lease:

	Current period	Prior period
Gross financial lease investment	1.109.426	1.048.584
Unearned revenues from financial lease	(157.646)	(159.051)
Total	951.780	889.533

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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)**

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

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

	Current period	Prior period
Financial lease receivables with limited collectability	10.296	2.608
Financial lease receivables with doubtful collectability	1.568	9.603
Uncollectible financial lease receivables	56.986	47.850
Specific provisions	(32.838)	(32.620)
Total	36.012	27.441

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

None.

(12) Information on tangible assets:

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

(13) Information on intangible assets:

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

(14) Information on investment property:

None.

(15) Information on tax assets:

	Current period	Prior period
Deferred Tax Asset		
Provisions ⁽¹⁾	87.200	77.384
Revaluation of Financial Assets	54.067	(4.425)
Other	14.227	20.712
Deferred Tax Asset:	155.494	93.671
Deferred tax accounted in shareholders' equity	(22.054)	32.733
Available for sale financial assets IRR-fair value difference	(22.054)	32.733

⁽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 911.609 and does not exceed 10% of the balance sheet total (31 December 2011: TRY 815.295).

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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:

	7 day call Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over	Cumulative deposits	Total
Saving deposits	2.390.346	-	351.456	19.578.883	2.523.101	367.057	935.483	104.071	26.250.397
Foreign currency deposits	3.109.327	-	3.977.544	7.914.317	2.113.293	992.974	1.738.005	11.115	19.856.575
<i>Residents in Turkey</i>	1.971.172	-	1.389.234	6.554.773	1.989.753	660.138	1.261.526	11.106	13.837.702
<i>Residents abroad</i>	1.138.155	-	2.588.310	1.359.544	123.540	332.836	476.479	9	6.018.873
Public sector deposits	1.942.355	-	538.204	3.577.531	255.993	250.110	32.035	-	6.596.228
Commercial inst. Deposits	1.933.129	-	1.550.082	4.521.359	839.868	353.224	50.279	-	9.247.941
Other inst. Deposits	324.931	-	2.324.118	2.083.075	508.078	387.604	12.177	-	5.639.983
Precious metals	2.066.403	-	-	-	-	-	-	-	2.066.403
Interbank deposits	4.647.922	-	2.297.431	687.705	449.383	274.522	141.535	-	8.498.498
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	60.917	-	206.279	23.454	120.915	19.569	-	-	431.134
<i>Foreign banks</i>	4.582.257	-	2.091.152	664.251	328.468	254.953	141.535	-	8.062.616
<i>Participation banks</i>	4.748	-	-	-	-	-	-	-	4.748
Total	16.414.413	-	11.038.835	38.362.870	6.689.716	2.625.491	2.909.514	115.186	78.156.025

a.2. Prior period:

	7 day call Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over	Cumulative deposits	Total
Saving deposits	2.134.100	-	487.067	18.873.956	2.058.919	317.385	852.893	90.331	24.814.651
Foreign currency deposits	2.058.800	-	2.785.748	7.051.621	2.154.193	789.567	1.694.754	10.818	16.545.501
<i>Residents in Turkey</i>	1.875.246	-	1.718.162	6.534.438	1.306.222	463.508	1.182.384	10.813	13.090.773
<i>Residents abroad</i>	183.554	-	1.067.586	517.183	847.971	326.059	512.370	5	3.454.728
Public sector deposits	1.732.329	-	728.399	2.569.662	540.507	32.252	652	-	5.603.801
Commercial inst. Deposits	1.954.624	-	2.309.988	3.436.172	342.238	62.920	41.787	-	8.147.729
Other inst. deposits	335.851	-	32.901	992.193	432.832	256.614	19.410	-	2.069.801
Precious metals	2.066.190	-	-	-	-	-	-	-	2.066.190
Interbank deposits	3.040.932	-	3.012.839	740.108	31.060	25.230	130.668	-	6.980.837
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	4.539	-	2.816.026	37.006	30.030	4.139	-	-	2.891.740
<i>Foreign banks</i>	2.826.543	-	196.813	703.102	1.030	21.091	130.668	-	3.879.247
<i>Participation banks</i>	209.850	-	-	-	-	-	-	-	209.850
Total	13.322.826	-	9.356.942	33.663.712	5.559.749	1.483.968	2.740.164	101.149	66.228.510

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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	13.075.851	12.713.126	13.203.763	12.046.510
Foreign currency saving deposits	3.792.292	3.759.626	6.154.516	5.963.493
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	76.665	66.115	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

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

	Current period	Prior period
Foreign branches' saving deposits and other accounts	136.470	151.869
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	2.576	3.890
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	5.952	-	45.829
Swap transactions	-	44.139	-	19.443
Future transactions	-	-	-	-
Options	12	112	44	42
Other	-	-	-	-
Total	12	50.203	44	65.314

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	277.020	338.462	277.607	551.797
Foreign banks, institutions and funds	264.907	5.867.230	157.703	6.023.238
Total	541.927	6.205.692	435.310	6.575.035

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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)**

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	208.746	3.069.304	199.725	3.047.697
Medium and long-term	333.181	3.136.388	235.585	3.527.338
Total	541.927	6.205.692	435.310	6.575.035

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

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

Main liability of the Parent Bank is deposit, which is composed of 34% of saving deposits and 28% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Parent Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Parent Bank's 72% of banks deposits and 31% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Bonds	735.712	-	495.611	-
Securities	-	-	-	-
Total	735.712	-	495.611	-

As of 27 January 2012, the Bank's bonds amounting to TRY 750.000 with maturity of 175 days are issued by the Parent Bank.

(5) Marketable securities issued:

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

a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	47.795	1.336.425	2.719	1.342.515

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 494.076 and does not exceed 10% of the balance sheet total (31 December 2011: TRY 581.828).

*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)***SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES (continued)**

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

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

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

b) Explanation on finance lease payables:

None.

c) Explanations regarding operational leases:

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

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior Period
General provisions	794.209	659.914
Provisions for first group loans and receivables	718.512	598.240
Provisions for second group loans and receivables	17.693	8.183
Provisions for non cash loans	58.004	53.491

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

None.

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

As of 30 June 2012, the Parent Bank's specific provisions for un-indemnified non-cash loans balance are TRY 51.800 (31 December 2011: TRY 41.419). The Parent Bank provides 50% of provision for these non cash loans. TRY 2.510 (31 December 2011: TRY 2.525) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

d) Information on other provisions:

Total other provision balance amounting to TRY 359.232 (31 December 2011: TRY 277.804) consists of TRY 51.800 (31 December 2011: TRY 41.419) for specific provisions for un-indemnified non cash loans, TRY 27.206 (31 December 2011: TRY 21.437) for legal cases filed against the Parent Bank, TRY 245.500 (31 December 2011: TRY 194.000) provision for prudence in consideration for any changes that may arise in the economy and the market, TRY 34.726 (31 December 2011: TRY 20.948) 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)

(9) Explanations on provisions: (continued)

e) Liabilities on pension rights

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

None.

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

Based on the results of the actuarial report prepared as of 31 December 2011 and 31 December 2010, no technical deficit has been reported. Besides, no technical deficit for T.C.Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported as of 31 December 2011 and 31 December 2010.

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

	Current period	Prior period
Life-Mathematical Provisions	175.397	155.962
Provisions for unearned premium claims	111.708	78.980
Provision for outstanding claims	70.420	65.133
Provisions for unexpired risk reserves	8.333	6.731
Other	-	2.471
Total	365.858	309.277

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 30 June 2012, the Parent Bank’s corporate tax payable is amounting to TRY 181.927 after setting off TRY 277.522 of prepaid taxes from TRY 459.449 of corporate tax liabilities.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	181.927	90.105
Income on securities tax	53.445	50.487
Property income tax	800	507
Banking and insurance transactions tax (BITT)	31.929	25.901
Foreign exchange transactions tax	2	2
Value added tax payable	171	501
Other	13.679	14.014
Total	281.953	181.517

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	253	123
Social insurance premiums-employer	564	312
Bank social aid pension fund premium-employee	5.023	3.386
Bank social aid pension fund premium-employer	6.972	4.609
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	22	12
Unemployment insurance-employer	46	23
Other	1.583	715
Total	14.463	9.180

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

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

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

b) Explanations regarding deferred tax liability:

As of 30 June 2012, the Group has TRY 1.725 of deferred tax liability.
(31 December 2011:1.823 TL)

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

None.

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

None.

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

	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 Bank's equity due to the uncertainty of these indicators:

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

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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)	-	-	-	-
Valuation difference	(5.068)	(17.288)	76.761	(354.964)
Exchange rate difference	-	-	-	-
Total	(5.068)	(17.288)	76.761	(354.964)

(14) a) Information on minority interest shares:

	Current Period	Prior period
Paid-in capital	5.963	5.782
Marketable Securities Revaluation Fund	41	4
Legal Reserves	260	258
Extraordinary Reserves	1.337	1.333
Retained Earnings	(883)	(16)
Other Profit Reserves	(200)	(59)
Export premium	218	218
Net Period Income / Loss	858	(680)
Closing Balance	7.594	6.840

b) Movement of minority interest shares:

	Current Period	Prior period
Beginning Balance	6.840	6.484
The effect of the inclusion of subsidiaries in the scope of consolidation	-	1.586
Change in Minority Interest	(104)	(14)
Dividend Payment	-	(536)
Net Period Income / Loss	858	(680)
Closing Balance	7.594	6.840

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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	5.107.523	4.618.584
Payment commitments for cheques	4.660.482	3.976.513
Loan granting commitments	977.390	890.035
Two days forward foreign exchange buy/sell transactions	533.255	677.085
Commitments for credit cards and banking services promotions	27.008	26.857
Tax and fund liabilities from export commitments	12.486	11.389
Share capital commitments to associates and subsidiaries (1)	1.000	1.000
Other irrevocable commitments	1.129.478	1.063.521
Total	12.448.622	11.264.984

⁽¹⁾ In the current period, the Parent Bank has TRY 1.000 of capital commitment for its associate Kredi Garanti Fonu AŞ.

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

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

	Current period	Prior period
Bank acceptance loans	1.367.132	627.992
Letters of credit	3.139.619	4.081.908
Other guarantees	592.654	423.056
Total	5.099.405	5.132.956

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

	Current period	Prior period
Letters of tentative guarantees	6.221.679	5.993.331
Letters of certain guarantees	1.695.100	1.660.373
Letters of advance guarantees	972.851	948.430
Letters of guarantee given to customs offices	387.569	324.948
Other letters of guarantee	4.570.501	3.795.239
Total	13.847.700	12.722.321

b.3. Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	373.451	169.526
<i>Within one year or less original maturity</i>	7.060	8.658
<i>Within more than one year maturity</i>	366.391	160.868
Other non-cash loans	18.573.654	17.685.751
Total	18.947.105	17.855.277

c) Information on contingent liabilities and assets:

The Group has provided TRY 27.206 of provision for the disputed legal cases filed by various persons and institutions. (31 December 2011: TRY 21.437)

d) Services supplied on behalf of others:

None.

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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**

(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	984.774	95.800	751.564	85.089
Medium and long term loans	1.717.141	406.686	1.188.283	258.202
Interest on non-performing loans	42.343	216	53.867	1
Premiums from resource utilization support fund	-	-	-	-
Total	2.744.258	502.702	1.993.714	343.292

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

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	1.245	964	886	379
Overseas banks	795	2.120	441	1.964
Head office and branches abroad	-	-	-	-
Total	2.040	3.084	1.327	2.343

c) Interest income from marketable securities:

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”.

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries	-	1.636

(2) Information on interest expenses:

a) Information on interest expense on borrowings:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	11.581	73.175	7.270	41.664
<i>Central Bank of Turkey</i>	-	-	-	-
<i>Domestic banks</i>	11.264	3.250	7.270	2.709
<i>Overseas banks</i>	317	69.925	-	38.955
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	5.346	689	3.511	-
Total	16.927	73.864	10.781	41.664

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries	1.792	1.640

c) Information on interest expenses to marketable securities issued:

Interest expenses to marketable securities is TRY 35.978. (30 June 2011: None.)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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)**

(2) Information on interest expenses(continued):

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	56	44.938	5.306	102	348	-	-	50.750
Saving deposits	3	12.671	927.918	114.974	16.589	40.610	3.833	1.116.598
Public deposits	172	16.388	121.869	16.886	4.319	1.177	-	160.811
Commercial deposits	4	78.876	201.408	29.438	8.543	1.991	-	320.260
Other deposits	-	6.856	57.152	19.259	19.175	916	-	103.358
7 days call accounts	-	-	-	-	-	-	-	-
Total	235	159.729	1.313.653	180.659	48.974	44.694	3.833	1.751.777
Foreign currency								
Deposits	257	35.281	136.798	36.135	13.297	29.685	-	251.453
Bank deposits	-	11.099	-	-	-	-	-	11.099
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
Total	257	46.380	136.798	36.135	13.297	29.685	-	262.552
Grand total	492	206.109	1.450.451	216.794	62.271	74.379	3.833	2.014.329

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

	Current period	Prior period
Profit	4.567.561	2.219.486
Profit from the capital market operations	156.159	55.300
Profit on derivative financial instruments	878.964	556.084
Foreign exchange gains	3.532.438	1.608.102
Loss	4.549.803	2.123.117
Loss from the capital market operations	86.811	2.434
Loss on derivative financial instruments	1.194.630	369.356
Foreign exchange losses	3.268.362	1.751.327

(4) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	112.438	254.954
<i>Specific provision reversals for Loans under follow up</i>	<i>105.441</i>	<i>168.376</i>
<i>Other prior period expense reversals income</i>	<i>6.997</i>	<i>86.578</i>
Receivable from the asset sale on credit terms	54.148	50.800
Provision for communication expenses	3.875	3.490
Rent income	3.568	3.298
Cheques	2.625	2.645
Other income	166.009	152.273
Total	342.663	467.460

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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)**

(5) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	155.887	91.659
<i>Group - III loans and receivables</i>	112.784	46.560
<i>Group - IV loans and receivables</i>	5.659	6.506
<i>Group - V loans and receivables</i>	37.444	38.593
General loan provision expenses	134.295	100.611
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	28.163	9.449
Total	369.845	201.719

(6) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	427.280	383.873
Reserve for employee termination benefits	30.611	30.780
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	46.510	38.877
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	2.160	1.186
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	2.059	40
Amortization expenses of assets that will be disposed of	2.688	1.897
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	346.600	279.264
<i>Operational leasing expenses</i>	51.204	40.504
<i>Maintenance expenses</i>	6.668	8.709
<i>Advertisement expenses</i>	31.119	18.963
<i>Other expenses</i>	257.609	211.088
Loss on sales of assets	109	1.507
Other	233.178	237.152
Total	1.091.195	974.576

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

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

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

The Group's income before tax is due from continuing activities. TRY 2.264.597 of the income before tax consists of net interest income, TRY 412.321 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is TRY 1.581.783.

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

For the year ended 30 June 2012, the Group's tax provision amounting to TRY 345.601 consists of TRY 462.309 of current tax charge and TRY 116.708 of deferred tax income.

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

For the year ended 30 June 2012, the Group's net operating income after tax is TRY 1.236.182.

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

- a) Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Group's performance for the period between 1 January 2012 and 30 June 2012.
- b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.
- c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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

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

(1) Explanations on inflation adjustments for equity items:

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

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

TÜRKİYE HALK BANKASI AŞ

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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:

For the year ended 30 June 2012, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 424.679 decrease (31 December 2011: TRY 57.476, increase).

- (2) Items of cash and cash equivalents, accounting policies used in the determination of those items: Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than six months are defined as cash and cash equivalents.

- (3) The effect of any change in accounting policies:

None.

- (4) Period beginning cash and cash equivalents balance:

	Current period	Prior period
Cash	7.287.733	4.649.565
<i>Cash in TRY and foreign currency</i>	486.600	379.285
<i>Central Bank, Legal Requirements and others⁽¹⁾</i>	6.801.133	4.270.280
Cash equivalents	1.572.018	1.228.793
<i>Banks - maturity less than 3 months</i>	1.538.705	1.012.668
<i>Money market placements</i>	33.313	216.125
Total cash and cash equivalents	8.859.751	5.878.358
Restricted Legal Requirements	(3.975.813)	(1.317.067)
Bank blockage balance ⁽²⁾	(96.889)	-
Legal provision re-discounts	-	(3.498)
Money market placement discounts	(56)	(135)
Bank re-discounts	(3.027)	(53)
Cash and Cash Equivalents	4.783.966	4.557.605

⁽¹⁾ Others items include cheques received.

⁽²⁾ Technical reserves of Halk Hayat ve Emeklilik AŞ. amounting to TRY 96.889 ,which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked.

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

	Current period	Prior period
Cash	10.729.558	8.530.196
<i>Cash in TRY and foreign currency</i>	483.534	413.073
<i>Central Bank, Legal Requirements and others⁽¹⁾</i>	10.246.024	8.117.123
Cash equivalents	1.890.664	1.352.269
<i>Banks - maturity less than 3 months</i>	1.790.733	1.281.608
<i>Money market placements</i>	99.931	70.661
Total cash and cash equivalents	12.620.222	9.882.465
Restricted Legal Requirements	(6.138.907)	(1.675.106)
Bank blockage balance ⁽²⁾	(75.951)	(74.466)
Legal Provision re-discounts	(147)	-
Money market placement discounts	(17)	(9)
Bank re-discounts	(2.912)	(454)
Cash and Cash Equivalents	6.402.288	8.132.430

⁽¹⁾ Other items include cheques received.

⁽²⁾ Technical reserves of Halk Hayat ve Emeklilik AŞ. amounting to TRY 75.951 ,which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked.

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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

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

a) Current period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	-	4.477	-	-	-	-
Closing balance	-	2.728	-	-	-	-
Interest and commissions income	-	6	-	-	-	-

b) Prior period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	75.704	36.366	-	-	-	-
Closing balance	-	4.477	-	-	-	-
Interest and commissions income	1.636	80	-	-	-	-

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	84.030	56.427	-	-	-	-
Closing Balance	36.288	84.030	-	-	-	-
Interest expense on deposits	1.792	1.640	-	-	-	-

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

None.

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

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

(2) Disclosures for risk group:

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

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

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

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

	Amount	% compared to the amounts in the financial statements
Deposits	36.288	%0,05

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 5.941 as of 30 June 2012 (31 March 2011: TRY 4.746).

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

VII. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

Explanations regarding the amendments in regulations:

Following the completion of the BRSA's parallel implementation process in transition to BASEL II in 30 June 2012, "decisive" implementation process has begun as of 1 July 2012 and eventual Basel II regulations have been published in 28 June 2012 dated and 28337 numbered Official Gazette. In compliance with the Basel II transition period following regulations and communiqués have been altered: Communiqué on the Financial Statements to be announced to Public by Banks as well as Explanations and Footnotes Thereof, Regulation on the Internal Systems of the Banks, Communiqué on Measurement and Assessment of Banks' Capital Adequacy Ratios, Financial Statement Disclosures, Communiqué on the Calculation of Risk Weighted Amounts Regarding Securitization, Communiqué on the Calculation of Capital Adequacy according to Standard Method for Market Risk arising from Options, Communiqué on the Calculation of Market Risk by Risk Measurement Models and Evaluation of Risk Measurement Models, Communiqué on Structural Position, Communiqué on Techniques to Reduce Credit Risk.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**

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

SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE PARENT BANK'S OPERATIONS

None.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**

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

SECTION VII: INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

The consolidated financial statements as of and for the six-month period ended 30 June 2012 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 10 August 2012 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITORS

None.