

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

Türkiye Halk Bankası Anonim Şirketi

Unconsolidated Financial Statements
As of and For the Three-Month Period Ended 31 March 2013
With Independent Auditors' Review Report Thereon
*(Convenience Translation of Unconsolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

24 April 2013

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

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

**INDEPENDENT AUDITORS' REVIEW REPORT
AS OF AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013**

To the Board of Directors of Türkiye Halk Bankası AŞ;

We have reviewed the unconsolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") as of 31 March 2013 and the unconsolidated statements of income, cash flows and changes in shareholders' equity for the three-month period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility as independent auditors is to issue a review report on these financial statements based on our review.

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

The accompanying unconsolidated financial statements as of 31 March 2013 include a general reserve amounting to TRY 328.300 thousands of which had been recognized as expense in the prior periods, provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

Based on our review, except for the effect of the matter described in the third paragraph above on the unconsolidated financial statements, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ as of 31 March 2013 and the result of its operations and cash flows for the three-month period then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 of the ("Turkish") Banking Law No. 5411 and other regulations, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

İstanbul,
24 April 2013

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Partner

Additional paragraph for convenience translation to English:

As explained in Section 3.1, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

TÜRKİYE HALK BANKASI AŞ
THE UNCONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013

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

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

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

Unless otherwise indicated, these unconsolidated financial statements and explanatory footnotes and disclosures as of 31 March 2013 are prepared in thousand Turkish Lira and they have been independently reviewed and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Ankara, 24 April 2013

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

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

Name/Title : Gönül Özdemir / Manager
Tel No : 0312 289 30 13
Fax No : 0312 289 30 50

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TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

As of 31 March 2013 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	31 March 2013	%	31 December 2012	%
Prime Ministry				
Privatization Administration ^(1,2)	638.276	51,06	638.276	51,06
Public shares ⁽²⁾	611.266	48,90	611.266	48,90
Other shareholders	458	0,04	458	0,04
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾ As per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007; 25% of the public shares that were previously held by the Privatization Administration were privatized by a public offering and the 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 Borsa İstanbul AŞ as of 10 May 2007. As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan CEBECİ	Chairman of the Board of Directors	13.4.2005	Ankara Eco. and Com. Science (ECS) Academy - Economy Finance	34
Süleyman KALKAN	Vice Chairman of the Board of Directors	1.4.2013	Ankara University, Faculty of Political Science – International Relations Department.	30
Süleyman ASLAN	Member of the Board of Directors, Chief Executive Officer	15.7.2011	METU Faculty of Economic and Administrative Sciences-International Relations Department.	20
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.3.2003	Doctor's Degree: Washington International University- Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU – Faculty of Engineering - Mechanical Engineering.	29
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.4.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree: Marmara Uni. Banking and Insurance Ins. – International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	23
Dr. Ahmet YARIZ	Member of the Board of Directors	9.4.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins. - Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department. Bachelor Degree: Istanbul Uni. - Business Administration.	21
Sabahattin BİRDAL	Member of the Board of Directors	27.10.2010	Istanbul Uni. Faculty of Economics Business Administration-Finance	28
Ahmet KAHRAMAN	Member of the Board of Directors	18.4.2012	Bachelor Degree: Istanbul University – Department of Law	-
İsmail Erol İŞBİLEN	Member of the Board of Directors	1.4.2013	Bachelor Degree: Ankara University, Faculty of Political Sciences – Economy and Public Finance Department	28
Faruk ÖZÇELİK	Member of the Audit Committee	24.5.2010	Master's Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	2
Ali ARSLAN	Member of the Audit Committee	18.4.2012	Master's Degree: Cleveland State University Business School(MBA) Bachelor Degree: Çukurova University, Faculty of Economic and Administrative Sciences-Business Administration	21
Yakup DEMİRCİ	Executive Vice President	11.6.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	24
Mustafa SAVAŞ	Executive Vice President	12.8.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	22
Erol GÖNCÜ	Executive Vice President	14.6.2005	METU Faculty of Arts and Sciences-Mathematics Department.	24
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.6.2005	Doctor's Degree: Marmara University, Banking and Insurance Ins. -Banking Department. Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	22
Selahattin SÜLEYMANOĞLU	Executive Vice President	1.7.2007	Master Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	23
Mehmet Akif AYDEMİR	Executive Vice President	4.3.2010	Ankara University, Faculty of Political Sciences –Economics.	26
Taner AKSEL	Executive Vice President	26.3.2010	Anadolu University, Faculty of Economic and Administrative Sciences -Economics.	27
Ufuk Hacer DENİZCİ YÜCE	Executive Vice President	12.10.2010	Istanbul Technical University Business Administration Faculty-Business Engineering.	23
Mürsel ERTAŞ	Executive Vice President	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences-Foreign Trade & Exchange.	26
İsmail Hakkı İMAMOĞLU	Executive Vice President	28.3.2011	Ankara Eco. Com. Science (ECS) Academy – Faculty of Management Sciences – Department of Social Politics.	28
Atalay TARDUŞ	Executive Vice President	4.8.2011	METU Faculty of Economic and Administrative Sciences-Department of Economics.	20
Mehmet Hakan ATILLA	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.	17
Murat UYSAL	Executive Vice President	11.11.2011	Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department Bachelor Degree: Istanbul Uni. - Faculty of Economic and Administrative Sciences- Department of Economics	15

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

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

a) General information about the Bank:

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

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

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

c.1 When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Bank shares were decided to be sold before 25 May 2008 using the block sale method. By the Privatization High Council's decree numbered 2006/4258 and dated 29 November 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 was executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on 11 August 2006, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Bank corresponding to 24.98% was completed in the first week of May 2007 and Halkbank shares were traded on Borsa Istanbul AŞ as of 10 May 2007 with the base price of TRY full 8,00. As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

As of 31 March 2013, the Bank operates with a total of 841 branches consisting of 846 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 29 satellite branches and 2 financial services branches. The Bank has also 1 representative office in Iran.

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

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

Additional paragraph for convenience translation to English

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

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

a) The Bank’s strategy on financial instruments:

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

IV. INTEREST INCOME AND EXPENSES

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

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

V. FEES AND COMMISSION INCOME AND EXPENSES

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

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

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

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

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

1. Cash and banks

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

2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

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

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

2.2. Financial assets at fair value through profit and loss

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

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

3. Investments held to maturity

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

4. Financial assets available for sale

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

5. Loans and receivables

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

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

6. Associates and subsidiaries:

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

As of 1 January 2012, the Bank changed the accounting policy which is related to the Turkish Lira denominated subsidiaries and began to record related subsidiaries with their fair values. Fair values of the subsidiaries, whose shares are unquoted in on active market (stock exchange) are determined with the valuation reports that are prepared by the independent valuation company and fair values of the subsidiaries, whose shares are quoted in on active market (stock exchange) are determined by taking into account of book values at stock exchange, valuation differences are added to the subsidiaries values and correspondingly recorded in the “Marketable securities revaluation fund” under the shareholders’ equity.

Foreign currency denominated associates and subsidiaries are translated into Turkish Lira from the historical exchange rates at transaction dates and foreign currency associates purchased before 1 January 2005 recorded over their restated values by the occurred indexes at transaction dates until 31 December 2004.

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

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

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

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

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

VIII. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

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

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

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

X. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

XIII. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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

XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XV. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

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

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

XVI. EXPLANATIONS ON TAXATION

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVI. EXPLANATIONS ON TAXATION (continued)

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

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

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

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

Tax practices in the countries that foreign branches operate:

Turkish Republic of Northern Cyprus (TRNC)

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

Bahrain

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

XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVIII. EXPLANATIONS ON SHARES AND SHARE ISSUE

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

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

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

XIX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXI. EXPLANATIONS ON SEGMENT REPORTING

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

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

XXII. EXPLANATION ON OTHER MATTERS

None.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CAPITAL ADEQUACY RATIO

The capital adequacy ratio calculations are made in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” published in Official Journal No 28337 of 28 June 2012. The solo basis capital adequacy ratio of the Bank is 15,86% as of 31 March 2013 (31 December 2012: 16,17%).

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

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

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

1. Information on the unconsolidated capital adequacy ratio:

	Risk Weights							
	%0	%10	%20	%50	%75	%100	%150	%200
Surplus credit risk weighted	-	-	688.127	9.785.807	17.046.340	31.554.338	2.620.857	12.025.130
Risk classifications:								
Claims on sovereigns and Central Banks	25.301.436	-	1.243	1.389.672	-	-	-	-
Claims on regional governments or local authorities	16.465	-	285.507	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	1.413	-	41.528	-	-	112.165	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	674.963	-	2.605.991	1.468.721	-	6.528	-	-
Claims on corporates	328.218	-	152.366	-	-	28.057.062	-	-
Claims included in the regulatory retail portfolios	1.203.159	-	135.076	-	22.109.314	-	-	-
Claims secured by residential property	24.173	-	2.423	16.590.111	-	-	-	-
Overdue loans	-	-	-	121.374	-	230.379	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	1.747.238	6.012.565
Secured by mortgages	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-
Other receivables	2.998.881	-	216.499	1.736	619.139	3.148.204	-	-

2. Capital adequacy ratio summary:

	Current Period	Prior Period
A Capital to be employed for credit risk (Amount subject to credit risk*0,08) (I)	5.897.648	5.600.516
B Capital to be employed for market risk (II)	228.816	133.905
C Capital to be employed for operational risk (III)	712.998	601.101
Shareholders' equity	13.558.533	12.808.583
Shareholders' equity / (I+II+III) * 12.5*100	15,86	16,17

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

3. Information on equity items:

	Current period	Prior period
CORE CAPITAL		
Paid-in capital	1.250.000	1.250.000
<i>Nominal capital</i>	<i>1.250.000</i>	<i>1.250.000</i>
<i>Capital commitments (-)</i>	-	-
Adjustment to paid-in capital	1.220.451	1.220.451
Share premium	-	-
Share repeal	-	-
Legal reserves	6.052.043	6.052.800
Adjustment to legal reserves	-	-
Profit	3.308.606	2.595.211
<i>Net current period profit</i>	<i>713.395</i>	<i>2.595.211</i>
<i>Prior period profit</i>	<i>2.595.211</i>	-
Provisions for possible losses up to 25% of core capital	328.300	328.300
Profit on sale of associates, subsidiaries and buildings	-	-
Primary subordinated loans	-	-
Loss that is not covered with reserves (-)	-	-
<i>Net current period loss</i>	-	-
<i>Prior period loss</i>	-	-
Development cost of operating lease (-)	77.066	78.860
Intangible assets (-)	37.288	37.285
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-
Total Core Capital	12.045.046	11.330.617
SUPPLEMENTARY CAPITAL		
General reserves	1.058.138	972.148
45% of increase in revaluation fund of movables	-	-
45% of increase in revaluation fund of fixed assets	-	-
Free shares from investment and associates, subsidiaries and joint ventures that is not recognized in profit	4.969	4.969
Primary subordinated loans which are ignored in the calculation of core capital	-	-
Secondary subordinated loans	-	-
45% of value increase fund of financial assets available for sale and associates and subsidiaries	509.191	539.786
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)	-	-
Total Supplementary Capital	1.572.298	1.516.903
CAPITAL	13.617.344	12.847.520
DEDUCTIONS FROM THE CAPITAL	58.811	38.937
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-	-
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank	-	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	-	-
Loans extended being noncompliant with articles 50 and 51 of the Law	-	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	56.089	36.311
Securitisation positions that is deducted -preferably- from the shareholders' equity	-	-
Other	2.722	2.626
TOTAL SHAREHOLDERS' EQUITY	13.558.533	12.808.583

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK

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

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

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

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

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

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

As of 31 March 2013, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 19,50% and 23,89% of its total cash loans.

As of 31 March 2013, receivables of the Bank from its top 100 and 200 non-cash loan customers are respectively 53,63% and 63,34% of its total non-cash loans.

As of 31 March 2013, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 15,73% and 19,45% of its total balance sheet and off-balance sheet assets.

As of 31 March 2013, 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 1.058.138 (31 December 2012: TRY 972.148).

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE MARKET RISK

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

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

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

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

a) Information related to market risk:

	Amount
(I) Capital requirement to be employed for general market risk	161.265
(II) Capital requirement to be employed for specific risk	35.721
(III) Capital requirement to be employed for specific risk in securitisation positions-Standard Method	-
(IV)Capital requirement to be employed for currency risk	29.612
(V)Capital requirement to be employed for commodity risk	-
(VI)Capital requirement to be employed for clearing risk	-
(VII)Total capital requirement to be employed for counterparty credit risk–Standard method	101
(VIII)Capital requirement to be employed for general market risk.	2.117
(IX) Total capital requirement to be employed for market risk	-
(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)	228.816
(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)	2.860.200

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE MARKET RISK (continued)

b) Information about counterparty risk:

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

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

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

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE MARKET RISK (continued)

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

	Amount*
Contracts based on Interest rate	-
Contracts based on currency	69.391
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	69.391
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	40.723
The net position of derivatives	69.391

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

IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK

In the calculation of the Bank's operational risk, the "Basic Indicator Method" is used. The amount subject to operational risk is calculated once a year in accordance with the Regulation on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 28337 on 28 June 2012. In the Basic Indicator Method, the amount subject to operational risk is calculated by multiplying 15% of the Bank's average gross revenue over the previous three years with 12,5. Amount subject to operational risk is TRY 8.912.469 for the current period (31 December 2012: TRY 7.513.762).

V. EXPLANATIONS RELATED TO THE CURRENCY RISK

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

V. EXPLANATIONS RELATED TO THE CURRENCY RISK (continued)

Announced current foreign exchange buying rates of the Bank as at 31 March 2013 and the previous five working days in full TRY are as follows:

	22.03.2013	25.03.2013	26.03.2013	27.03.2013	28.03.2013	29.03.2013
USD	1,7950000	1,8000000	1,7900000	1,8000000	1,7900000	1,7900000
CHF	1,9031000	1,8985000	1,8841000	1,8842000	1,8861000	1,8838000
GBP	2,7277000	2,7287000	2,7097000	2,7169000	2,7146000	2,7161000
JPY	0,0189142	0,0190281	0,0189746	0,0190281	0,0190009	0,0189847
EURO	2,3309000	2,3193000	2,3029000	2,2998000	2,2981000	2,2943000

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 31 March 2013 are as follows:

	Monthly average
USD	1,7871429
CHF	1,8851143
GBP	2,6910762
JPY	0,0188231
EURO	2,3147381

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

V. EXPLANATIONS RELATED TO THE CURRENCY RISK (continued)

Information related to currency risk:

Current Period	EURO	USD	OTER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	5.126.593	4.609.786	2.304.907	12.041.286
Banks	742.551	604.505	136.985	1.484.041
Financial assets at fair value through profit and loss ⁽³⁾	2.844	42.526	53	45.423
Money market placements	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	766.416	1.541.332	-	2.307.748
Loans ⁽²⁾	6.448.250	11.043.906	48.929	17.541.085
Subsidiaries, associates and entities under common control ⁽⁵⁾	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	4	4
Intangible assets	-	-	-	-
Other assets ⁽³⁾	14.396	46.109	28	60.533
Total assets	13.101.050	17.888.164	2.490.906	33.480.120
Liabilities				
Bank deposits	2.435.678	710.282	434.724	3.580.684
Foreign currency deposits	11.473.544	7.588.402	2.203.833	21.265.779
Money market balances	-	91.106	-	91.106
Funds provided from other financial institutions	4.053.402	3.492.797	398	7.546.597
Bonds issued	-	2.685.278	-	2.685.278
Sundry creditors	20.909	26.257	75	47.241
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	60.981	106.736	10.960	178.677
Total liabilities	18.044.514	14.700.858	2.649.990	35.395.362
Net balance sheet position	(4.943.464)	3.187.306	(159.084)	(1.915.242)
Net off-balance sheet position				
Financial derivative assets ⁽⁴⁾	4.695.382	1.234.822	613.966	6.544.170
Financial derivative liabilities ⁽⁴⁾	103.410	4.524.489	448.348	5.076.247
Non-cash loans ⁽¹⁾	3.268.659	6.664.844	294.382	10.227.885
Prior period				
Total assets	13.549.045	16.284.413	3.555.802	33.389.260
Total liabilities	16.990.888	14.130.132	3.364.477	34.485.497
Net balance sheet position	(3.441.843)	2.154.281	191.325	(1.096.237)
Net off-balance sheet position				
Financial derivative assets	3.049.695	1.159.250	420.616	4.629.561
Financial derivative liabilities	173.065	3.435.073	286.015	3.894.153
Non-cash loans ⁽¹⁾	3.354.802	6.353.553	266.590	9.974.945

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

⁽²⁾ Includes TRY 50.359 of foreign currency indexed loans and their accruals. (31 December 2012: 44.365 TL)

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 33.609); and derivative financial instruments foreign currency expense accruals (TRY 31.268) and shareholders' equity (TRY 50.420) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include credit default swaps amounting to TRY 89.500 and forward precious metal purchase transactions amounting to TRY 317.648. Financial derivative liabilities include forward precious metal sale transactions amounting to TRY 376.255.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VI. EXPLANATIONS RELATED TO THE INTEREST RATE RISK

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

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

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

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

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	14.120	-	-	-	-	13.406.461	13.420.581
Banks and financial institutions	1.362.396	-	-	-	-	230.064	1.592.460
Financial assets at fair value through profit and loss	18.948	4.422	52.560	15.479	705	-	92.114
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	1.583.932	1.347.850	3.783.592	1.865.178	2.225.980	10.450	10.816.982
Loans	32.578.639	5.178.653	13.179.578	14.079.030	2.686.000	928.972	68.630.872
Held-to-maturity investments	3.956.813	1.853.852	3.789.782	2.079.337	500.709	-	12.180.493
Other assets ^{(1),(2)}	70.070	2.744	15.425	42.544	11.868	4.470.890	4.613.541
Total assets	39.584.918	8.387.521	20.820.937	18.081.568	5.425.262	19.046.837	111.347.043
Liabilities							
Bank deposits	3.936.523	793.507	496.008	-	-	3.157.109	8.383.147
Other deposits	38.423.287	14.426.707	7.083.499	48.093	-	12.050.108	72.031.694
Money market balances	741.271	54.031	37.325	-	-	-	832.627
Sundry creditors	364.483	9.315	792.564	-	-	104.645	1.271.007
Bonds issued	-	-	632.039	1.332.122	1.332.122	-	3.296.283
Funds provided from other financial institutions ⁽⁴⁾	670.612	1.298.596	5.236.072	783.260	342.533	3.574	8.334.647
Other liabilities ⁽³⁾	503.117	1.075.418	207.924	-	-	15.411.179	17.197.638
Total liabilities	44.639.293	17.657.574	14.485.431	2.163.475	1.674.655	30.726.615	111.347.043
Balance sheet long position	-	-	6.335.506	15.918.093	3.750.607	-	26.004.206
Balance sheet short position	(5.054.375)	(9.270.053)	-	-	-	(11.679.778)	(26.004.206)
Off-balance sheet long position	11.156	94.228	4.754	-	-	-	110.138
Off-balance sheet short position	(11.155)	(4.729)	(63.854)	-	-	-	(79.738)
Total position	(5.054.374)	(9.180.554)	6.276.406	15.918.093	3.750.607	(11.679.778)	30.400

⁽¹⁾ TRY 207.328 of deferred tax assets is disclosed under the non interest bearing column in other assets.

⁽²⁾ TRY 351.753 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	11.589	-	-	-	-	12.476.154	12.487.743
Banks and financial institutions	1.010.057	2.003	-	-	-	1.607.352	2.619.412
Financial assets at fair value through profit and loss	30.465	7.977	52.239	14.096	-	-	104.777
Money market placements	12.355	-	-	-	-	-	12.355
Financial assets available-for-sale	2.179.536	1.541.433	2.810.717	1.763.026	1.088.500	10.450	9.393.662
Loans	27.333.503	10.996.400	10.914.302	12.703.211	2.584.788	1.018.626	65.550.830
Held-to-maturity investments	3.708.038	3.576.657	2.512.340	2.910.462	748.018	-	13.455.515
Other assets ^{(1),(2)}	88.356	2.725	12.980	37.270	9.634	4.506.377	4.657.342
Total assets	34.373.899	16.127.195	16.302.578	17.428.065	4.430.940	19.618.959	108.281.636
Liabilities							
Bank deposits	2.995.018	273.235	356.116	-	-	3.800.731	7.425.100
Other deposits	38.161.559	17.344.106	4.809.758	39.306	-	12.194.072	72.548.801
Money market balances	164.804	216.426	-	-	-	-	381.230
Sundry creditors	311.342	4.460	767.298	-	-	120.317	1.203.417
Bonds issued	717.874	-	31.423	1.289.141	-	-	2.038.438
Funds provided from other financial institutions ⁽⁴⁾	1.882.526	2.500.125	2.012.148	555.893	345.726	6.917	7.303.335
Other liabilities ⁽³⁾	1.570.354	740.462	350.953	-	-	14.719.546	17.381.315
Total liabilities	45.803.477	21.078.814	8.327.696	1.884.340	345.726	30.841.583	108.281.636
Balance sheet long position	-	-	7.974.882	15.543.725	4.085.214	-	27.603.821
Balance sheet short position	(11.429.578)	(4.951.619)	-	-	-	(11.222.624)	(27.603.821)
Off-balance sheet long position	20.368	113.612	11.125	-	-	-	145.105
Off-balance sheet short position	(20.368)	(25.362)	(70.225)	-	-	-	(115.955)
Total position	(11.429.578)	(4.863.369)	7.915.782	15.543.725	4.085.214	(11.222.624)	29.150

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

⁽²⁾ TRY 343.008 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

2. Average interest rates applied to financial instruments:

Current period	EURO	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,50	-	-	4,00
Due from other banks and financial institutions ⁽¹⁾	0,60	0,78	-	7,94
Financial assets at fair value through profit and loss	-	2,36	-	6,37
Money market placements	-	-	-	-
Available-for-sale financial assets	5,56	5,46	-	7,74
Loans ⁽²⁾	4,45	4,15	2,17	11,86
Held-to-maturity investments	-	-	-	8,38
Liabilities				
Bank deposits	0,03	1,25	-	6,43
Other deposits ⁽⁴⁾	2,64	2,44	-	6,87
Money market borrowings	-	1,29	-	5,07
Sundry creditors ⁽³⁾	-	-	-	4,13
Bonds issued	-	2,19	-	6,61
Funds provided from other financial institutions	1,24	1,88	-	7,37
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,50	-	-	5,00
Due from other banks and financial institutions ⁽¹⁾	0,57	0,34	-	5,74
Financial assets at fair value through profit and loss	-	2,10	-	6,14
Money market placements	1,75	-	-	8,50
Available-for-sale financial assets	4,59	5,33	-	8,43
Loans ⁽²⁾	4,61	4,14	2,17	12,46
Held-to-maturity investments	6,42	5,99	-	9,07
Liabilities				
Bank deposits	0,02	1,18	-	3,15
Other deposits	3,03	2,92	-	7,68
Money market borrowings	2,30	1,46	-	4,78
Sundry creditors	-	-	-	4,13
Bonds issued	-	2,44	-	8,66
Funds provided from other financial institutions ⁽⁴⁾	1,46	1,97	-	7,67

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

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

⁽³⁾ 75% of the declared maximum deposits interest rate with a maturity of three months as of 31 March 2013.

⁽⁴⁾ Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 March 2013.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

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

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

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

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

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

	Currency	Applied Shock (+/- x basis points)	Gains/ Losses	Gains/Shareholders' Equity – Losses/ Shareholders' Equity
1	TRY	500	(1.255.895)	(9,260%)
		(400)	1.281.352	9,450%
2	EURO	200	310.156	2,290%
		(200)	(315.790)	(2,330%)
3	USD	200	226.973	1,670%
		(200)	(256.630)	(1,890%)
Total (For negative shocks)			708.932	5,230%
Total (For positive shocks)			(718.766)	(5,300%)

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO THE POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Comparison		
	Balance Sheet Value	Fair Value Change	Market Value
1. Associates	92.888	-	-
Quoted in a stock exchange	-	-	-
2. Subsidiaries	1.799.269	1.653.910	619.125
Quoted in a stock exchange⁽¹⁾	864.370	864.370	619.125
Traded on Free Trading Platform ⁽¹⁾	245.245	245.245	-
Investments securities for Group A ^{(2),(3)}	619.125	619.125	619.125

⁽¹⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

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

⁽³⁾ In accordance with the Capital Markets Board's decision "New-publicly traded companies' securities are classified as Group A, B and C after the companies are started to traded on Borsa İstanbul AŞ three months later", the securities are in Group A.

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

Portfolio	Realised gains (losses) in the current period	Revaluated appreciation in the fair value		Unrealised gains and losses		
		Total	Included to supplementary capital	Total	Included to total core capital	Included to supplementary capital
1. Private equity investments	-	-	-	-	-	-
2. Share Certificates quoted in a stock exchange ^{(1),(2)}	-	329.070	148.081	-	-	-
3. Other share certificates	-	485.760	218.592	-	-	-
4. Total	-	814.830	366.673	-	-	-

⁽¹⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK

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

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK (continued)

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	1.447.040	3.311.633	4.108.024	4.514.584	38.995	305	-	13.420.581
Banks	230.064	1.362.396	-	-	-	-	-	1.592.460
Financial assets at fair value through profit and loss	-	18.933	4.404	52.553	15.519	705	-	92.114
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	965.783	358.924	1.945.520	3.259.523	4.276.782	10.450	10.816.982
Loans ⁽²⁾	408.877	8.281.159	5.261.261	21.360.705	29.542.204	3.776.666	-	68.630.872
Held-to-maturity investments	-	956.756	330.125	2.735.597	6.166.418	1.991.597	-	12.180.493
Other assets ⁽³⁾	264.751	19.598	5.113	63.529	42.544	11.867	4.206.139	4.613.541
Total assets	2.350.732	14.916.258	10.067.851	30.672.488	39.065.203	10.057.922	4.216.589	111.347.043
Liabilities								
Bank deposits	3.157.109	3.936.523	793.507	496.008	-	-	-	8.383.147
Other deposits	12.050.108	38.418.389	14.398.164	6.992.524	168.208	4.301	-	72.031.694
Funds provided from other financial institutions ⁽⁴⁾	2.290	280.554	746.106	3.496.386	2.203.306	1.606.005	-	8.334.647
Money market balances	-	741.271	54.031	37.325	-	-	-	832.627
Bonds issued	-	-	-	632.039	1.332.122	1.332.122	-	3.296.283
Sundry creditors	111.547	388.570	64.488	234.690	471.712	-	-	1.271.007
Other liabilities ⁽¹⁾	1.411.438	180.869	1.155.241	1.037.534	213.787	231.165	12.967.604	17.197.638
Total liabilities	16.732.492	43.946.176	17.211.537	12.926.506	4.389.135	3.173.593	12.967.604	111.347.043
Liquidity gap	(14.381.760)	(29.029.918)	(7.143.686)	17.745.982	34.676.068	6.884.329	(8.751.015)	-
Previous period								
Total assets	4.487.501	12.265.336	11.245.707	27.596.024	39.511.257	9.154.234	4.021.577	108.281.636
Total liabilities	19.011.299	42.810.029	19.006.314	9.198.201	3.994.864	1.937.974	12.322.955	108.281.636
Liquidity gap	(14.523.798)	(30.544.693)	(7.760.607)	18.397.823	35.516.393	7.216.260	(8.301.378)	-

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

⁽²⁾ TRY 351.753 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

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

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

IX. EXPLANATIONS RELATED TO THE SECURITIZATION POSITIONS:

Securitization positions:

None.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

X. EXPLANATIONS RELATED TO THE CREDIT RISK MITIGATION TECHNIQUES:

Credit risk mitigation techniques:

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

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

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

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

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

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

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

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

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

Information about guaranties according to risk classifications:

Risk Classifications	Amount	Financial guaranties	Other/Physical guaranties	Guarantees and credit derivatives
Claims on sovereigns and Central Banks	26.692.351	-	-	-
Claims on regional governments or local authorities	301.972	21.199	-	-
Claims on administrative bodies and other non-commercial undertakings	155.106	3.224	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	4.756.203	-	-	-
Claims on corporates	28.537.646	634.671	-	6.437
Claims included in the regulatory retail portfolios	23.447.549	1.422.881	-	40.120
Claims secured by residential property	16.616.707	26.656	-	-
Overdue loans	351.753	-	-	-
Higher risk categories decided by the Board	7.759.803	-	-	-
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	6.984.459	-	-	-

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

Credit Risk:

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

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

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

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

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

Foreign Exchange Risk:

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

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

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

Interest Rate Risk:

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

Liquidity Risk:

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION

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

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

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

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

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

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

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 March 2013 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment⁽¹⁾	Elimination⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	283.608	228.345	2.134.033	1.690.931	(2.082.919)	2.253.998
<i>Interest on loans</i>	179.438	185.040	1.273.640	89.585	-	1.727.703
<i>Interest income on marketable securities</i>	-	-	-	519.719	-	519.719
<i>Interest received from banks</i>	-	-	-	3.086	-	3.086
<i>Other interest income⁽²⁾</i>	104.170	43.305	860.393	1.078.541	(2.082.919)	3.490
Interest expense	173.947	131.024	1.677.057	1.109.982	(2.082.919)	1.009.091
<i>Interest on deposits</i>	103.408	41.488	738.509	25.392	-	908.797
<i>Interest on borrowings</i>	555	3.430	3.151	35.113	-	42.249
<i>Interest on money market borrowings</i>	-	-	-	4.282	-	4.282
<i>Interest on marketable bonds issued</i>	-	-	-	35.686	-	35.686
<i>Other interest expense⁽²⁾</i>	69.984	86.106	935.397	1.009.509	(2.082.919)	18.077
Net interest income	109.661	97.321	456.976	580.949	-	1.244.907
Net fees and commissions income	43.816	27.111	127.442	19.145	-	217.514
Net trading profit / (loss)	-	-	-	181.233	-	181.233
Dividend income	-	-	-	-	-	-
Other income	6.975	21.002	55.280	26.247	-	109.504
Loans and other receivables' impairment loss	6.099	19.464	115.507	48.431	-	189.501
Other expenses	8.914	15.081	283.153	340.066	-	647.214
Income before taxes	145.439	110.889	241.038	419.077	-	916.443
Income tax provision	-	-	-	(203.048)	-	(203.048)
Net profit for the period	145.439	110.889	241.038	216.029	-	713.395
SEGMENT ASSETS						
Marketable securities	-	-	-	23.020.998	-	23.020.998
Derivative financial assets held for trading	-	-	-	68.591	-	68.591
Banks and money market receivables	-	-	-	1.592.460	-	1.592.460
Associates and subsidiaries (net)	-	-	-	1.892.157	-	1.892.157
Loans	10.488.314	9.930.689	43.115.176	5.448.446	-	68.982.625
Other assets ⁽¹⁾	393	10.129	728.080	15.051.610	-	15.790.212
TOTAL ASSETS	10.488.707	9.940.818	43.843.256	47.074.262	-	111.347.043
SEGMENT LIABILITIES						
Deposits	9.944.681	3.480.344	56.163.493	10.826.323	-	80.414.841
Derivative financial liabilities held for trading	-	-	-	40.808	-	40.808
Money market balances	-	-	-	832.627	-	832.627
Borrowing funding loans	10.859	236.686	240.841	7.846.261	-	8.334.647
Bonds issued	-	-	-	3.296.283	-	3.296.283
Other liabilities	32.737	109.342	2.652.624	417.449	-	3.212.152
Provisions and tax payable	14.599	18.456	92.578	2.122.447	-	2.248.080
Shareholders' equity	-	-	-	12.967.605	-	12.967.605
TOTAL LIABILITIES	10.002.876	3.844.828	59.149.536	38.349.803	-	111.347.043
OFF BALANCE SHEET ITEMS						
Guarantees and surety ships	10.483.456	4.939.710	4.822.239	133.750	-	20.379.155
Commitments	28.053	369.014	6.443.306	76.421.938	-	83.262.311
Derivative financial instruments	-	-	-	13.365.447	-	13.365.447

⁽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 1.103.880 (net) and deferred tax assets amounting TRY 207.328 in other assets are presented under the Treasury / Investment column.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	277.990	242.477	2.375.768	1.825.789	(2.552.447)	2.169.577
<i>Interest on loans</i>	138.166	190.613	1.149.239	85.768	-	1.563.786
<i>Interest income on marketable securities</i>	-	-	-	603.298	-	603.298
<i>Interest received from banks</i>	-	-	-	1.818	-	1.818
<i>Other interest income⁽²⁾</i>	139.824	51.864	1.226.529	1.134.905	(2.552.447)	675
Interest expense	201.079	177.387	1.706.698	1.605.152	(2.552.447)	1.137.869
<i>Interest on deposits</i>	85.652	35.305	808.924	55.963	-	985.844
<i>Interest on borrowings</i>	588	2.393	2.142	31.513	-	36.636
<i>Interest on money market borrowings</i>	-	-	-	84.243	-	84.243
<i>Interest on imported tangible assets</i>	-	-	-	16.750	-	16.750
<i>Other interest expense⁽²⁾</i>	114.839	139.689	895.632	1.416.683	(2.552.447)	14.396
Net interest income	76.911	65.090	669.070	220.637	-	1.031.708
Net fees and commissions income	23.088	31.306	79.510	26.709	-	160.613
Net trading profit / (loss)	-	-	-	13.537	-	13.537
Dividend income	-	-	-	-	-	-
Other income	200	9.825	61.972	27.168	-	99.165
Loans and other receivables' impairment loss	7	2.667	69.410	72.648	-	144.732
Other expenses	3.663	13.782	220.011	227.854	-	465.310
Income before taxes	96.529	89.772	521.131	(12.451)	-	694.981
Income tax provision	-	-	-	(150.807)	-	(150.807)
Net profit for the period	96.529	89.772	521.131	(163.258)	-	544.174
SEGMENT ASSETS						
Marketable securities	-	-	-	22.870.798	-	22.870.798
Derivative financial assets held for trading	-	-	-	83.156	-	83.156
Banks and money market receivables	-	-	-	2.631.767	-	2.631.767
Associates and subsidiaries (net)	-	-	-	1.887.048	-	1.887.048
Loans	10.349.116	9.552.386	40.585.669	5.406.667	-	65.893.838
Other assets ⁽¹⁾	597	8.554	713.351	14.192.527	-	14.915.029
TOTAL ASSETS	10.349.713	9.560.940	41.299.020	47.071.963	-	108.281.636
SEGMENT LIABILITIES						
Deposits	12.539.825	4.183.138	55.389.430	7.861.508	-	79.973.901
Derivative financial liabilities held for trading	-	-	-	50.666	-	50.666
Money market balances	-	-	-	381.230	-	381.230
Borrowing funding loans	8.155	219.674	220.342	6.855.164	-	7.303.335
Bonds issued	-	-	-	2.038.438	-	2.038.438
Other liabilities	33.071	86.758	2.556.752	1.206.009	-	3.882.590
Provisions and tax payable	16.217	18.851	90.809	2.202.644	-	2.328.521
Shareholders' equity	-	-	-	12.322.955	-	12.322.955
TOTAL LIABILITIES	12.597.268	4.508.421	58.257.333	32.918.614	-	108.281.636
OFF BALANCE SHEET ITEMS						
Guarantees and surety ships	9.885.399	4.813.275	4.898.985	136.544	-	19.734.203
Commitments	33.667	342.791	6.185.456	68.732.470	-	75.294.384
Derivative financial instruments	-	-	-	9.610.192	-	9.610.192

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.123.165 (net) and deferred tax assets amounting TRY 244.281 in other assets are presented under the Treasury / Investment column.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

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

The Bank does not engage in transaction based on trust.

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	418.993	95.863	523.326	162.093
Central Bank of Turkey	960.302	11.945.180	1.083.507	10.718.803
Other	-	243	-	14
Total	1.379.295	12.041.286	1.606.833	10.880.910

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	951.563	932.035	1.076.051	876.801
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits ⁽²⁾	8.739	11.013.145	7.456	9.842.002
Total	960.302	11.945.180	1.083.507	10.718.803

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

⁽²⁾ Blocked reserve deposits kept in Central Bank of Turkey 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 11,5% according to their maturities (31 December 2012: between 5% and 11% according to their maturities), foreign currency liabilities in USD, EUR and/or standard gold at the rates between 6% and 12,5% according to their maturities (31 December 2012: between 6% and 11,5% according to their maturities), respectively as per the Communiqué no.2005/1 “Reserve Deposits” of the Central Bank of Turkey.

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

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

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

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

None.

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

None.

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	10.476	-	6.455
Swap transactions	-	58.076	-	76.658
Futures transactions	-	-	-	-
Options	13	26	5	38
Other	-	-	-	-
Total	13	68.578	5	83.151

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

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

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	12.027	1.121.830	169.258	473.232
Foreign banks	96.392	362.211	37.392	1.939.530
Branches and offices abroad	-	-	-	-
Total	108.419	1.484.041	206.650	2.412.762

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	65.430	854.138	64.482	96.796
Total	65.430	854.138	64.482	96.796

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

None.

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

	Current period	Prior period
Debt securities	10.830.685	9.385.785
<i>Quoted on a stock exchange</i>	10.830.685	9.385.785
<i>Not quoted</i>	-	-
Share certificates	29.333	29.333
<i>Quoted on a stock exchange</i>	-	-
<i>Not quoted</i>	29.333	29.333
Impairment provision(-)	43.036	21.456
Total	10.816.982	9.393.662

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

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

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	138.614	-	126.697	-
Total	138.614	-	126.697	-

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

	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	Agreement conditions modified	Payment plan extensions Other	Loans and other receivables (Total)	Agreement conditions modified	Payment plan extensions Other
Cash loans						
Non-specialized loans	53.628.053	582.595	-	1.814.071	1.246.191	-
<i>Corporation loans</i>	29.391.589	472.003	-	1.568.835	1.243.898	-
<i>Export loans</i>	2.342.277	58.318	-	32.593	591	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	2.018.612	20.455	-	-	-	-
<i>Consumer loans⁽¹⁾</i>	17.642.602	31.284	-	171.873	1.702	-
<i>Credit cards⁽²⁾</i>	1.537.340	-	-	29.516	-	-
<i>Other</i>	695.633	535	-	11.254	-	-
Specialized lending	12.319.816	77.742	-	120.463	1.286	-
Other receivables	-	-	-	-	-	-
Accruals	727.139	7.281	-	21.330	13.755	-
Total	66.675.008	667.618	-	1.955.864	1.261.232	-

⁽¹⁾ Includes TRY 102.652 of personnel loans.

⁽²⁾ Includes TRY 35.962 of personnel credit cards.

	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
Number of modifications made to extend payment plan		
Extended by 1 or 2 times	562.822	1.239.634
Extended by 3,4 or 5 times	80.781	7.340
Extended by more than 5 times	16.734	503

^(*) Accruals amounting to TRY 7.281 are not included in the table above.

^(**) Accruals amounting to TRY 13.755 are not included in the table above.

	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
Extended period of time		
0-6 Months	224.353	17.559
6 Months - 12 Months	176.986	22.299
1-2 Years	55.946	25.475
2-5 Years	176.399	315.342
5 Years and over	26.653	866.802

^(*) Accruals amounting to TRY 7.281 are not included in the table above.

^(**) Accruals amounting to TRY 13.755 are not included in the table above.

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	342.001	17.064.848	17.406.849
<i>Real estate loans</i>	5.362	7.178.267	7.183.629
<i>Automobile loans</i>	2.705	93.626	96.331
<i>Consumer loans</i>	333.933	9.761.319	10.095.252
<i>Other</i>	1	31.636	31.637
Consumer loans- Indexed to FC	-	109	109
<i>Real estate loans</i>	-	109	109
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	1.399.316	1.138	1.400.454
<i>Installment</i>	548.757	-	548.757
<i>Non-installment</i>	850.559	1.138	851.697
Individual credit cards-FC	22	-	22
<i>Installment</i>	-	-	-
<i>Non-installment</i>	22	-	22
Personnel loans-TRY	5.133	97.519	102.652
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	5.133	97.519	102.652
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	35.959	3	35.962
<i>Installment</i>	15.671	-	15.671
<i>Non-installment</i>	20.288	3	20.291
Personnel credit cards-FC	-	-	-
<i>Installment</i>	-	-	-
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY (Retail customer)	304.865	-	304.865
Overdraft accounts-FC (Retail customer)	-	-	-
Total	2.087.296	17.163.617	19.250.913

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

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	3.911	601.730	605.641
<i>Business residential loans</i>	231	363.002	363.233
<i>Automobile loans</i>	3.680	235.891	239.571
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	2.837	2.837
Commercial installment loans- Indexed to FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	-	36.925	36.925
<i>Business residential loans</i>	-	36.925	36.925
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Corporate credit cards-TRY	130.391	-	130.391
<i>Installment</i>	34.130	-	34.130
<i>Non-installment</i>	96.261	-	96.261
Corporate credit cards-FC	27	-	27
<i>Installment</i>	-	-	-
<i>Non-installment</i>	27	-	27
Overdraft accounts-TRY (Commercial customer)	285.134	-	285.134
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	419.463	638.655	1.058.118

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

e) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	68.269.740	65.197.297
Foreign loans	361.132	353.533
Total	68.630.872	65.550.830

f) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	233.660	299.727
Indirect loans granted to subsidiaries and associates	-	-
Total	233.660	299.727

g) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	184.523	210.052
Loans and receivables with doubtful collectability	138.651	87.200
Uncollectible loans and receivables	1.329.213	1.319.386
Total	1.652.387	1.616.638

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

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

(5) Information on loans: (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period	63.102	51.968	77.935
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	63.102	51.968	77.935
Prior period	49.445	5.259	83.234
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	49.445	5.259	83.234

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	349.296	144.948	1.465.402
Additions (+)	152.656	9.118	11.852
Transfers from other categories of loans under follow-up (+)	-	121.822	50.722
Transfers to other categories of loans under follow-up (-)	135.071	37.473	-
Collections (-)	49.483	10.724	68.925
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	317.398	227.691	1.459.051
Specific provision (-)	184.523	138.651	1.329.213
Net balance on balance sheet	132.875	89.040	129.838

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

None.

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

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

(5) Information on loans: (continued)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	132.875	89.040	129.838
Loans to granted real persons and legal entities (Gross)	317.292	227.402	1.418.512
Specific provisions (-)	184.417	138.362	1.288.674
Loans to granted real persons and legal entities (Net)	132.875	89.040	129.838
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	106	289	40.539
Specific provisions (-)	106	289	40.539
Other loans and receivables (Net)	-	-	-
Prior period (Net)	139.244	57.748	146.016
Loans to granted real persons and legal entities (Gross)	349.189	144.658	1.426.581
Specific provisions (-)	209.945	86.910	1.280.565
Loans to granted real persons and legal entities (Net)	139.244	57.748	146.016
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	107	290	38.821
Specific provisions (-)	107	290	38.821
Other loans and receivables (Net)	-	-	-

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

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

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

j) Explanations on write-off policy:

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

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

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds and similar securities	2.713.698	-	2.172.312	461.592
Total	2.713.698	-	2.172.312	461.592

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	729.780	-	62.980	333.509
Total	729.780	-	62.980	333.509

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds	12.180.493	-	13.455.515	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Total	12.180.493	-	13.455.515	-

c) Information on held-to-maturity investments:

	Current period		Prior period	
	TRY	FC	TRY	FC
Debt securities	12.180.493	-	13.455.515	-
<i>Quoted on a stock exchange</i>	<i>10.349.086</i>	-	<i>11.623.088</i>	-
<i>Not quoted</i>	<i>1.831.407</i>	-	<i>1.832.427</i>	-
Impairment provision (-)	-	-	-	-
Total	12.180.493	-	13.455.515	-

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

	Current period	Prior period
Beginning balance	13.455.515	13.997.928
Foreign currency differences on monetary assets	(30)	(83.455)
Purchases during the year ⁽¹⁾	293.503	2.135.045
Disposals through sales and redemptions ⁽²⁾	(1.568.495)	(2.594.003)
Impairment provision (-) / provision reversal (+)	-	-
Balance at the of the period	12.180.493	13.455.515

⁽¹⁾ Interest income accrual difference between 31 March 2013 amounting to TRY 791.954 and 31 December 2012 amounting to TRY 815.308 has been included in purchases row.

⁽²⁾ In accordance with the tainting rules defined in Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 March 2013, the Bank reclassified EUR 264.347 thousands and USD 342.113 thousands of financial assets from held to maturity investments portfolio to available for sale portfolio. Related amount was presented in "Disposals Through Sales and Redemptions" row.

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

(7) Information on associates (Net):

a) Information on associates:

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	4.213.875	524.209	27.242	197.954	38.883	39.992	3.125	-
2.	46.854	46.649	108	2.625	-	1.070	2.496	-
3.	27.782	12.670	4.411	534	261	938	1.547	-
4.	79.837	67.450	45.453	2.016	-	33.184	18.566	-
5.	32.354	19.628	15.161	858	217	1.144	2.619	-

⁽¹⁾ The information is presented from financial statements subject to consolidation as of 31 December 2012.

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

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

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

c) Movement of associates:

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

d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Associates quoted to a stock exchange:	74.716	74.716
Insurance companies	-	-
None	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	11.518	20.337

e) Associates quoted to a stock exchange:

None.

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

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

(8) Information on subsidiaries (Net):

a) Information on subsidiaries:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Banka AD, Skopje	Halk Faktoring AŞ
CORE CAPITAL								
Paid in Capital	46.000	70.000	72.000	477.000	93.950	5.000	109.685	20.000
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	482	-	-	-
Share Premiums	-	95	-	-	-	-	11.633	-
Legal Reserves	5.113	1.462	11.435	1.453	16.688	-	4.354	-
Extraordinary Reserves	442	12.280	606	23.020	43	-	(7.316)	-
Profit / Loss	10.119	6.569	50.172	19.843	30.754	237	3.507	(261)
<i>Net Profit</i>	<i>9.931</i>	<i>14.828</i>	<i>46.234</i>	<i>12.066</i>	<i>21.897</i>	<i>476</i>	<i>1.119</i>	<i>(261)</i>
<i>Prior Period Profit/Loss</i>	<i>188</i>	<i>(8.259)</i>	<i>3.938</i>	<i>7.777</i>	<i>8.857</i>	<i>(239)</i>	<i>2.388</i>	<i>-</i>
Leasehold Improvements (-)	-	-	-	395	479	-	2.153	108
Intangible Assets (-)	398	1.989	394	13	487	11	1.213	219
Total Core Capital	61.276	88.417	133.819	520.908	140.951	5.226	118.497	19.412
SUPPLEMENTARY CAPITAL	1.063	-	4.614	-	-	-	4.146	-
CAPITAL	62.339	88.417	138.433	520.908	140.951	5.226	122.643	19.412
NET AVAILABLE CAPITAL⁽¹⁾	62.339	88.417	138.433	520.908	140.951	5.226	122.643	19.412

⁽¹⁾ The information is presented from financial statements subject to consolidation as of 31 December 2012.

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

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

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

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

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

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

(8) Information on subsidiaries (continued)

b) Information on subsidiaries: (Net):

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value ⁽²⁾
1.	417.334	62.339	2.296	16.864	1.172	9.931	10.396	78.753
2.	380.491	88.417	4.293	11.773	4.382	14.828	(8.259)	245.245
3.	381.065	138.433	2.629	32.323	20.274	46.234	38.260	485.216
4.	679.034	520.908	584.801	1.812	152	12.066	30.422	619.125 ⁽³⁾
5.	1.173.888	140.951	1.239	82.683	-	21.897	12.169	200.980
6.	5.388	5.226	94	469	7	476	(239)	3.482
7.	641.379	122.643	24.211	28.943	3.946	1.119	729	-
8.	19.951	19.412	450	978	-	(261)	-	21.109

⁽¹⁾ The information is presented from financial statements subject to consolidation as 31 December 2012.

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

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

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

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

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

d) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period	1.794.160	831.371
Movements during the period	5.109	962.789
<i>Purchases</i>	-	88.882
<i>Bonus shares obtained profit from current year's share</i>	-	64.186
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer</i>	-	-
<i>Revaluation increase</i>	5.109	809.721
<i>Reversal of provision for impairment (-)</i>	-	-
Balance at the end of the period	1.799.269	1.794.160
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

	Current period	Prior period
Banks	145.359	145.359
Insurance companies	730.461	730.461
Factoring companies	21.109	21.109
Leasing companies	200.980	200.980
Financing companies	-	-
Other financial subsidiaries	701.360	696.251

f) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock ^{(1),(2)}	864.370	245.245
Quoted foreign stock exchange	-	-

⁽¹⁾In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa Istanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company since Halk Sigorta AŞ does not have transaction depth on the Istanbul Stock Exchange ISE.

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

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

None.

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

None.

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

None.

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

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

(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 deferred tax assets:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	106.391	99.430
Revaluation of Financial Assets	101.179	125.769
Other	(242)	(918)
Deferred Tax (Asset) /Liability:	207.328	224.281
Deferred tax accounted in shareholders' equity	(113.366)	(102.987)
Fair value differences for available for sale financial assets	(113.366)	(102.987)

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

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

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

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 1.017.487 and does not exceed 10% of the balance sheet total (31 December 2012: TRY 1.039.579).

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

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	2.667.408	-	313.867	20.298.274	1.835.256	552.752	693.005	120.698	26.481.260
Foreign currency deposits	2.323.710	-	1.294.589	9.268.993	2.915.896	1.227.910	2.157.577	11.148	19.199.823
<i>Residents in Turkey</i>	1.858.324	-	1.187.296	9.070.348	2.801.954	996.981	1.553.080	11.014	17.478.997
<i>Residents abroad</i>	465.386	-	107.293	198.645	113.942	230.929	604.497	134	1.720.826
Public sector deposits	2.298.042	-	592.088	4.928.037	864.510	17.424	7.623	-	8.707.724
Commercial inst. deposits	2.269.446	-	1.554.085	7.293.255	919.925	909.602	219.106	-	13.165.419
Other inst. deposits	425.546	-	180.221	881.315	381.723	394.403	148.304	-	2.411.512
Precious metals	2.065.956	-	-	-	-	-	-	-	2.065.956
Interbank deposits	3.157.109	-	3.626.912	529.272	505.222	438.148	126.484	-	8.383.147
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	9.069	-	2.710.464	87.213	157.316	80.196	-	-	3.044.258
<i>Foreign banks</i>	3.073.888	-	916.448	442.059	347.906	357.952	126.484	-	5.264.737
<i>Participation banks</i>	74.152	-	-	-	-	-	-	-	74.152
Total	15.207.217	-	7.561.762	43.199.146	7.422.532	3.540.239	3.352.099	131.846	80.414.841

a.2. Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	2.563.522	-	335.368	20.810.899	2.373.604	406.168	681.048	114.646	27.285.255
Foreign currency deposits	2.945.516	-	1.268.870	8.688.674	1.953.360	1.061.284	2.041.097	11.144	17.969.945
<i>Residents in Turkey</i>	2.380.868	-	1.239.838	8.490.388	1.827.781	785.953	1.434.000	11.006	16.169.834
<i>Residents abroad</i>	564.648	-	29.032	198.286	125.579	275.331	607.097	138	1.800.111
Public sector deposits	2.212.833	-	602.583	4.195.036	374.235	17.313	34.467	-	7.436.467
Commercial inst. deposits	2.158.531	-	1.338.364	7.007.998	2.151.522	173.019	65.477	-	12.894.911
Other inst. deposits	391.063	-	2.538.913	1.050.647	668.795	317.580	72.618	-	5.039.616
Precious metals	1.922.607	-	-	-	-	-	-	-	1.922.607
Interbank deposits	3.800.731	-	2.331.665	542.250	139.224	437.281	173.949	-	7.425.100
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	3.461	-	87.708	82.230	135.683	81.040	-	-	390.122
<i>Foreign banks</i>	3.713.932	-	2.243.957	460.020	3.541	356.241	173.949	-	6.951.640
<i>Participation banks</i>	83.338	-	-	-	-	-	-	-	83.338
Total	15.994.803	-	8.415.763	42.295.504	7.660.740	2.412.645	3.068.656	125.790	79.973.901

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

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

- (1) Information on maturity structure of deposits: (continued)
- b) Information on saving deposits in the scope of Saving Deposits Insurance Fund:
- b.1. Amounts exceeding insurance limit:
- b.1.1. Saving deposits under the guarantee of deposit insurance and exceeding the insurance limit:

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current period	Prior period	Current period	Prior period
Saving deposits	17.051.391	13.331.212	9.364.237	13.891.236
Foreign currency saving deposits	5.281.924	3.820.318	5.350.537	7.099.773
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	84.658	80.179	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

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

	Current period	Prior period
Foreign branches' saving deposits and other accounts	126.730	130.342
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	2.916	2.553
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	9.408	-	5.086
Swap transactions	-	31.268	-	45.427
Future transactions	-	-	-	-
Options	31	101	14	139
Other	-	-	-	-
Total	31	40.777	14	50.652

(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	250.005	266.769	227.349	248.874
Foreign banks, institutions and funds	538.045	7.279.828	317.849	6.509.263
Total	788.050	7.546.597	545.198	6.758.137

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	219.355	4.360.078	197.901	3.498.043
Medium and long-term	568.695	3.186.519	347.297	3.260.094
Total	788.050	7.546.597	545.198	6.758.137

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

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

Main liability of the Bank is deposit, which is composed of 33% of saving deposits and 24% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Bank's 43% of banks deposits and 29% of other deposits consist of foreign currency deposits.

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

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

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills ⁽¹⁾	611.005	-	692.270	-
Bonds ⁽²⁾	-	2.685.278	-	1.346.168
Total	611.005	2.685.278	692.270	1.346.168

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

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

(5) Explanations to the funds:

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

a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	3.086	1.392.292	9.624	1.398.263

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 544.419 and does not exceed 10% of the balance sheet total (31 December 2012: TRY 1.270.046).

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

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

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

b) Explanation on finance lease payables:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years ⁽¹⁾	1.538	1.134	1.737	1.240
More than 4 years	390	214	-	-
Total	1.928	1.348	1.737	1.240

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

c) Explanations regarding operational leases:

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

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

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

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior period
General provision	1.058.138	972.148
Provisions for first group loans and receivables	918.218	844.129
<i>Additional provisions for the loans with extended payment plan</i>	<i>31.047</i>	<i>28.583</i>
Provisions for second group loans and receivables	71.609	65.804
<i>Additional provisions for the loans with extended payment plan</i>	<i>62.383</i>	<i>53.421</i>
Provisions for non cash loans	68.311	62.215
Other	-	-

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

None.

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

As of 31 March 2013, the Bank's specific provision for unindemnified non-cash loans balance is TRY 59.430 (31 December 2012: TRY 62.896). The Bank provides 50% of provision for these non cash loans. TRY 2.420 (31 December 2012: TRY 2.483) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

d) Information on other provisions:

Total other provision balance amounting to TRY 463.937 (31 December 2012: TRY 452.941) consists of TRY 59.430 (31 December 2012: TRY 62.896) for specific provisions for unindemnified non cash loans, TRY 26.645 (31 December 2012: TRY 26.870) for legal cases filed against the Bank, TRY 328.300 (31 December 2012: TRY 328.300) provision for prudence in consideration for any changes that may arise in the economy and the market, TRY 49.562 (31 December 2012: TRY 34.875) of other provisions.

e) Liabilities on pension rights

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

None.

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

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

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

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 March 2013, the Bank's corporate tax payable is amounting to TRY 197.954.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	197.954	375.625
Income on securities tax	48.296	65.518
Property income tax	848	626
Banking and insurance transactions tax (BITT)	30.897	32.614
Foreign exchange transactions tax	2	3
Value added tax payable	-	-
Other	12.652	15.631
Total	290.649	490.017

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	15	14
Social insurance premiums-employer	18	15
Bank social aid pension fund premium-employee	5.742	4.462
Bank social aid pension fund premium-employer	7.635	6.211
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	-	-
Unemployment insurance-employer	-	-
Other	1.043	965
Total	14.453	11.667

b) Explanations regarding deferred tax liability:

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

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

None.

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

None.

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

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

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

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

None.

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

None.

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

None.

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

None.

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

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

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	814.830	-	809.721	-
Revaluation difference	266.286	50.420	344.562	45.241
Exchange rate difference	-	-	-	-
Total	1.081.116	50.420	1.154.283	45.241

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current period	Prior period
Commitments for credit card expenditure limits	8.687.820	6.013.182
Payment commitments for cheques	4.700.059	4.575.929
Loan granting commitments	1.143.753	1.053.442
Two days forward foreign exchange buy/sell transactions	231.465	1.309.055
Commitments for credit cards and banking services promotions	35.197	30.707
Tax and fund liabilities from export commitments	13.331	13.903
Other irrevocable commitments	1.220.987	1.159.813
Total	16.032.612	14.156.031

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

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

	Current period	Prior period
Bank acceptance loans	3.042.709	2.808.022
Letters of credit	1.176.131	1.183.307
Other guarantees	726.074	551.962
Total	4.944.914	4.543.291

b.2. Certain guarantees, tentative guarantees, surety ships and similar transactions:

	Current period	Prior period
Letters of certain guarantees	7.384.104	7.205.696
Letters of advance guarantees	1.651.890	1.715.752
Letters of tentative guarantees	1.080.975	1.036.387
Letters of guarantee given to customs offices	404.296	399.607
Other letters of guarantee	4.912.976	4.833.470
Total	15.434.241	15.190.912

c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	329.897	352.259
<i>Within one year or less original maturity</i>	4.030	495
<i>Within more than one year maturity</i>	325.867	351.764
Other non-cash loans	20.049.258	19.381.944
Total	20.379.155	19.734.203

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

d) Information on contingent liabilities and assets:

The Bank has provided TRY 26.645 (31 December 2012: TRY 26.870) of provision for the disputed legal cases filed by various persons and institutions.

On the other hand, according to the decision numbered 11-55/1438 dated 2 November 2011 of the Competition Board, investigation on some enterprises in banking sector, including 12 banks and 2 financial services institutions, including the Bank, allegedly violating the fourth substance of Law numbered 4054 is continuing, as a result the Bank has been imposed a fine amounting TRY 89.691 on 8 February 2013 with the declaration of decision. As determined by Bank's management all activities subject to investigation are in conformity with the legislation, therefore, provided no provision as of 31 March 2013.

e) Services supplied on behalf of others:

None.

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

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	438.121	29.376	483.954	49.819
Medium and long term loans	1.021.081	224.283	822.949	188.287
Interest on non-performing loans	14.842	-	18.777	-
Premiums from resource utilization support fund	-	-	-	-
Total	1.474.044	253.659	1.325.680	238.106

⁽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	1.567	615	13	188
Overseas banks	426	478	252	1.365
Head office and branches	-	-	-	-
Total	1.993	1.093	265	1.553

c) Interest income on marketable securities:

	Current Period		Prior Period	
	DC	FC	DC	FC
Financial Assets Held for Trading	187	142	464	134
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	185.910	28.332	190.546	27.047
Held-to-Maturity Investments	305.148	-	365.414	19.693
Total	491.245	28.474	556.424	46.874

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries and associates	11.725	3.499

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

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

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	8.855	30.720	4.243	29.673
<i>Central Bank of Turkey</i>	-	-	-	-
<i>Domestic banks</i>	4.473	2.208	4.243	1.500
<i>Overseas banks</i>	4.382	28.512	-	28.173
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	2.674	-	2.720	-
Total	11.529	30.720	6.963	29.673

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	9.667	6.053

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	10.803	24.883	16.750	-
Total	10.803	24.883	16.750	-

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	15	11.539	3.133	1.587	210	-	-	16.484	
Saving deposits	1	4.066	374.908	42.203	9.100	14.565	2.327	447.170	
Public deposits	206	5.518	71.911	6.910	308	506	-	85.359	
Commercial deposits	2	20.300	131.492	32.809	13.545	2.942	-	201.090	
Other deposits	-	4.938	22.109	10.458	7.302	2.328	-	47.135	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	224	46.361	603.553	93.967	30.465	20.341	2.327	797.238	
Foreign currency									
Deposits	41	5.656	57.683	17.631	7.796	16.925	-	105.732	
Bank deposits	-	5.827	-	-	-	-	-	5.827	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	-	-	-	-	-	-	-	
Total	41	11.483	57.683	17.631	7.796	16.925	-	111.559	
Grand total	265	57.844	661.236	111.598	38.261	37.266	2.327	908.797	

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

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

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

	Current period	Prior period
Profit	1.972.739	2.009.644
Profit from the capital market operations	118.542	29.946
Profit on derivative financial instruments	206.071	542.874
Foreign exchange gains	1.648.126	1.436.824
Loss (-)	1.791.506	1.996.107
Loss from the capital market operations	391	2.434
Loss on derivative financial instruments	269.301	578.026
Foreign exchange losses	1.521.814	1.415.647

(4) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	73.509	61.550
-Specific provision reversals for Loans under follow up	64.117	57.456
-Other prior period expense reversals income	9.392	4.094
Receivable from the asset sale on credit terms	24.557	26.641
Rent income	976	1.968
Cheques	1.631	1.243
Provision for communication expenses	2.085	1.977
Other income	6.746	5.786
Total	109.504	99.165

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

(5) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	93.825	70.583
<i>Group - III loans and receivables</i>	78.167	46.262
<i>Group - IV loans and receivables</i>	3.590	2.189
<i>Group - V loans and receivables</i>	12.068	22.132
General loan provision expenses	86.128	58.973
Provision expenses for possible losses	-	-
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	9.548	15.176
Total	189.501	144.732

(6) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	267.690	200.205
Reserve for employee termination benefits	18.834	15.754
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	24.199	21.181
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	723	554
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	1.500	1.928
Amortization expenses of assets that will be disposed of	1.109	933
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	227.027	149.444
<i>Operational leasing expenses</i>	29.191	22.989
<i>Maintenance expenses</i>	3.086	3.139
<i>Advertisement expenses</i>	27.387	11.684
<i>Other expenses</i>	167.363	111.632
Loss on sales of assets	274	80
Other	105.858	75.231
Total	647.214	465.310

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

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

- (7) Information on profit/loss from continuing and discontinued operations before taxes:
The Bank's income before tax is due from continuing activities. TRY 1.244.907 of the income before tax consists of net interest income, TRY 217.514 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Bank is amounting to TRY 916.443.
- (8) Information on tax provisions for continuing and discontinued operations:
For the three-month period ended 31 March 2013, the Bank's tax provision amounting to TRY 203.048 consists of TRY 196.068 of current tax charge and TRY 6.980 of deferred tax charge.
- (9) Information on net operating income/expense from continuing and discontinued operations after tax:
For the nine-month period ended 31 March 2013; the Bank's net operating income after tax is amounting to TRY 713.395.
- (10) Information on net profit/loss from continuing and discontinued operations:
- a) Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Bank's performance for the period between 1 January 2013 and 31 March 2013.
- b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.
- c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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

(1) Explanations on inflation adjustments for equity items:

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

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

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

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

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

The “net increase/(decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 252.016 thousands for the year 2013. The “others” item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TRY 564.535 thousands for the year 2013.

For the three-month period ended 31 March 2013, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 188.598 increase (31 March 2012: TRY 355.936, decrease).

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

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

⁽¹⁾ Others items include cheques received.

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

	Current Period	Prior Period
Cash	13.420.581	7.724.040
<i>Cash in TRY and foreign currency</i>	514.856	456.545
<i>Central Bank and others⁽¹⁾</i>	12.905.725	7.267.495
Cash Equivalents	1.592.460	1.123.857
<i>Demand and Time Deposits Up to 3 Months</i>	1.592.460	1.123.857
<i>Money Market Placements</i>	15.013.041	8.847.897
Cash and Banks	(11.021.803)	(4.588.540)
Reserve deposits in Central Bank of Turkey	(81)	(66)
Accruals on banks	(417)	(245)
Total Cash and Cash Equivalents	3.990.740	4.259.046

⁽¹⁾ Others items include cheques received.

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

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK

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

- a) Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	299.727	340.509	-	-	-	-
Closing balance	233.660	378.523	-	-	-	-
Interest and commissions income	11.725	365	-	-	-	-

- b) Prior period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	144.642	84.051	-	-	-	-
Closing balance	299.727	340.509	-	-	-	-
Interest and commissions income	3.499	151	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Beginning balance	579.099	306.082	-	-	-	-
Closing Balance	747.884	579.099	-	-	-	-
Interest expense on deposits	9.667	6.053	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Financial Assets At Fv Through Profit And Loss						
Beginning balance	68.331	-	-	-	-	-
Closing Balance	131.151	68.331	-	-	-	-
Total Profit/Loss	(1.271)	-	-	-	-	-

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

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

(2) Disclosures for risk group:

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

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

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

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

	Amount	% compared to the amounts in the financial statements
Cash loans	233.660	%0,34
Non-cash loans	378.523	%1,86
Deposits	747.884	%0,93
Forward and option contracts	131.151	%0,98
Banks and financial institutions	-	-

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

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

d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 1.151 as of 31 March 2013 (31 March 2012: TRY 1.513).

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

VIII. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

Calculation of the first legal reserves amounting to TRY 115.368 from the related year profit amounting to TRY 2.595.211, the first dividend amounting to TRY 62 500 by 5% of paid-in capital, the Bank Board of Directors and staff of dividends amounting to TRY 90 000, the second dividend and second legal reserve respectively amounting to TRY 398.974 and amounting to TRY 48.897, allocation of the remaining profit amounting to TRY 1.879.472 as extraordinary reserves and distribution of the all dividend payments that will be made on 10 April 2013 are decided in the Bank's Annual General Meeting for the year 2012 activities dated on March 29th 2013. The Bank's General Assembly decision was registered to the trade registry with published on 8 April 2013 No: 8295 Trade Registry Gazette

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SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

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SECTION VII: INDEPENDENT AUDITORS' REVIEW REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REVIEW REPORT

The unconsolidated financial statements as of and for the three-month period ended 31 March 2013 were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Review Report dated 24 April 2013 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.