

Türkiye Halk Bankası Anonim Şirketi

Consolidated Financial Statements
As of and For the Three-month Period Ended 31 March 2010
*(Convenience Translation of Consolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*
With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

21 May 2010

*This report contains "Independent Auditors'
Review Report" comprising 1 page and;
"Consolidated Financial Statements and Related
Disclosures and Footnotes" comprising 85
pages.*

*Convenience translation of the Independent Auditors' Review Report
Originally Prepared and Issued in Turkish*

**INDEPENDENT AUDITORS' REVIEW REPORT
AS OF AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010**

To the Board of Directors of
Türkiye Halk Bankası AŞ;

We have reviewed the consolidated balance sheet of Türkiye Halk Bankası AŞ as of 31 March 2010 and the related consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the three-month period then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility as independent auditors is to issue a review report on these consolidated financial statements based on our review. The consolidated financial statements of the Bank as of and for the year ended 31 December 2009 and, as of and for the three month period ended 31 March 2009 were audited and reviewed, respectively by another auditor who expressed an unqualified opinion in their report dated 3 March 2010 for the consolidated financial statements as of 31 December 2009 and an unqualified review report dated 26 May 2009 for the consolidated financial statements as of 31 March 2009.

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.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Türkiye Halk Bankası AŞ as of 31 March 2010, and of the results of consolidated its operations and its cash flows for the three-month period then ended in accordance with the accounting principles and standards that are based on the current regulations described in Article 37 and 38 of the (Turkish) Banking Law No 5411; and other communiqués, disclosures and directives announced by the Banking Regulation and Supervision Agency.

Istanbul
21 May 2010

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Engagement Partner

Additional paragraph for convenience translation to English:

As explained in Section 3.I, the accompanying consolidated financial statements are not intended to present the consolidated financial position and results of consolidated operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

TÜRKİYE HALK BANKASI AŞ

THE CONSOLIDATED FINANCIAL REPORT FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010

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

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

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

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

Subsidiaries	Associates
1. Birlik Sigorta AŞ	1. Demir-Halkbank N.V.
2. Birlik Hayat Sigorta AŞ	
3. Halk Yatırım Menkul Değerler AŞ	

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures are prepared in of 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, 21 May 2010

Hasan Cebeci	Emin Süha Çayköylü	Hüseyin Aydın	Osman Arslan	Yusuf Duran Ocak
Chairman of the Board of Directors	Member of the Board of Directors, Member of the Audit Committee	Member of the Board of Directors, Chief Executive Officer	Financial Management and Planning Vice Chief Executive Officer	Financial Accounting and Reporting Department Head

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

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

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010

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

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

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TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

As of 31 March 2010 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	31.03.2010	%	31.12.2009	%
Prime Ministry				
Privatization Administration ⁽¹⁾	937.276	74,98	937.276	74,98
Public shares	312.250	24,98	312.250	24,98
Other shareholders	474	0,04	474	0,04
Total	1.250.000	100,00	1.250.000	100,00

(1) As per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007; 25% of the public shares that were previously held by the Privatization Administration were privatized by a public offering and the Parent Bank’s shares were registered to Capital Market Board records by decision number 23/471 dated 27 April 2007. The shares were traded on the İstanbul Stock Exchange as of 10 May 2007.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010**

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

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

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

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan CEBECİ	Chairman, Member of the Audit Committee	13.04.2005	Ankara Eco. and Com. Science (ECS) Academy – Economy-Finance.	30
Hüseyin AYDIN	Member of the Board of Directors, CEO	01.06.2005	Ankara ECS Academy – Economy&Finance	26
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	13.04.2005	Bachelor Degree: METU - Mechanical Engineering Masters Degree: Syracuse University Business School NY-USA, Manchester Uni. U.K. Technology (M.Sc) PhD; Washington International University- Doctor of Philosophy in Business Administration	26
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.04.2005	Bachelor Degree: Anadolu Uni. Afyon İİBF, Masters Degree in Finance; Marmara Uni. Banking ve Insurance Ins. PhD; Sakarya Uni. Management and Organization (continuing)	19
Burhaneddin TANYERİ	Member of the Board of Directors	15.09.2005	Atatürk University- Business Administration	27
İbrahim Hakkı TUNCAY	Member of the Board of Directors	09.04.2008	Bachelor Degree: METU Business Administration	30
Ahmet YARIZ	Member of the Board of Directors	09.04.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins. Banking Department, 2005-At Stage of Thesis Masters Degree: Marmara University, Banking and Insurance Ins. Banking Department	18
Mustafa ÇELİK	Member of the Board of Directors	09.04.2008	Bachelor Degree: İstanbul Uni. Business Administration Ankara Uni. Faculty of Law	16
Şeref EFE	Statutory Auditor	28.03.2003	Bachelor Degree: Ankara University Social Science Faculty-Public Administration Department Master; Harvard University JFK School of Government	7
Yusuf DAĞCAN	Statutory Auditor	28.03.2003	Eskişehir Economics and Trade Academy	30
Yakup DEMİRÇİ	Executive Vice President	11.06.2008	Ankara Uni. Faculty of Political Science, Labor Economics and Industry Relations Dept.	20
Halil ÇELİK	Executive Vice President	28.07.2003	Eskişehir Economics and Trade Academy – Economics	27
Mustafa SAVAŞ	Executive Vice President	12.08.2002	Ankara University – Social Science Faculty, Labour Economics and Industry Relations	19
Mehmet Cengiz GÖĞEBAKAN	Executive Vice President	09.12.2004 - 19.06.2005 By proxy 20.06.2005 Principal	Ankara University – Economics	22
Erol GÖNCÜ	Executive Vice President	09.03.2005 - 13.06.2005 By proxy 14.06.2005 Principal	METU Faculty of Arts and Sciences, Mathematics Dept.	21
Yunus ESMER	Executive Vice President	17.06.2005	Ankara ECS Academy Business Administration-Accounting Department	31
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.06.2005	Doctor's Degree: Marmara University, Banking and Insurance Ins. Banking Department Masters Degree: Marmara University, Banking and Insurance Ins. Banking Department	18
Süleyman ASLAN	Executive Vice President	17.06.2005	Bachelor Degree: Dokuz Eylül Uni. Business Administration	17
Selahattin SÜLEYMANOĞLU	Executive Vice President	01.07.2007	METU EASF International Relations Dept. Gazi University, Social Sciences Faculty, Business Administration	19
Osman ARSLAN	Executive Vice President	01.07.2007	Master's Degree: METU Business Administration for Executives (continuing) Bachelor's Degree: METU Science and Literature Faculty, Department of Statistics	14
Bilgehan KURU	Executive Vice President	01.07.2007	Master's Degree: METU Science and Literature Faculty Bachelor's Degree: METU Faculty of Engineering, Mining Engineering	23
Mehmet Akif AYDEMİR	Executive Vice President	04.03.2010	Ankara University, Social Sciences Faculty, Economics	23
Taner AKSEL	Executive Vice President	26.03.2010	Anadolu University, Social Sciences Faculty, Economics.	24

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

The professionals from the Bank's top management who have left their position in 2010 are listed with titles and dates of leaving.

Name	Title	Leaving date
Ömer Muzaffer BAKTIR	Executive Vice President	1 March 2010
Hasan SEZER	Member of the Board of Directors	19 March 2010

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

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

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

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

a) General information about the Parent Bank:

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

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

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Parent Bank were to be concluded under the provisions of Law No: 4046 based on the "Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law". The procedures relating to restructuring and sale of the shares were to be completed within three years (until 25 November 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term "3 years" in Article 2.2. of Law numbered 4603 was previously amended to "5 years" and by Law No: 5572 dated 10 January 2007 the related term was extended to "10 years". As a result of this amendment, the privatization period of the Parent Bank was prolonged. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended this five year period by the half of that period with the Decree numbered 2005/9841 and dated 27 December 2005. When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Parent Bank shares were decided to be sold before 25 May 2008 using the block sale method. By the Privatization High Council's decree numbered 2006/4258 and dated 11 August 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 was executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on 11 August 2006, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Parent Bank corresponding to 24.98% was completed in the first week of May 2007 and Halkbank shares were traded on İstanbul Stock Exchange ("ISE") as of 10 May 2007 with the base price of TRY full 8,00.

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

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

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

As of 31 March 2010, the Parent Bank operates with a total of 682 branches consisting of 679 domestic and 3 foreign branches; 2 in Cyprus and 1 in Bahrain. Domestic branches include 22 satellite branches. It has also 3 financial service branches in Germany and 1 representative office in Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The parent Bank and its subsidiaries;

- Birlik Sigorta AŞ
- Birlik Hayat Sigorta AŞ
- Halk Yatırım Menkul Değerler AŞ

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

The parent Bank's associate;

- Demir-Halkbank N.V.

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

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010**

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

SECTION II: CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet (Statement of Financial Position)
- II. Consolidated Statement of Off-Balance Sheet Contingencies and Commitments
- III. Consolidated Statement of Income
- IV. Consolidated Profit and Loss Account for Under Equity
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flow

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

Additional paragraph for convenience translation to English

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

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

1. The Group’s strategy on financial instruments:

Due to its historical mission, the Parent Bank focuses on granting loans to Small and Medium Size Enterprises (SMEs) and craftsmen. Funds, generated from the redemption and coupon interest payments of the special arrangement government securities in assets in decreasing funding costs, are directed to marketable securities obtained from the market conditions and giving loans as a result of duty losses. In addition to the main fund source deposits, the Parent Bank can raise funds from foreign borrowing and money market borrowing.

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

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION

1. Basis of consolidation:

The accompanying consolidated financial statements are prepared in accordance with the communiqué on “Preparation of Consolidated Financial Statements of Banks” published in the Official Gazette dated 8 November 2006 and numbered 26340 and the Turkish Accounting Standards are applied in the consolidation.

a. Basis of consolidation of subsidiaries:

In accordance with the communiqué above, if the associate’s assets are less than 1% of the Parent Bank’s total assets or if the total shares of the associates under this limit do not exceed 5% of the Parent Bank’s total assets, these type of associates could be excluded from the consolidation; however, in order to make preparation to the amendment to article 8 of paragraph 5 of communiqué on “Preparation of Consolidated Financial Statements of Banks” published in the Official Gazette dated 3 December 2008 and numbered 27073; the subsidiaries Birlik Sigorta AŞ, Birlik Hayat Sigorta AŞ and Halk Yatırım Menkul Değerler AŞ, which had been excluded from consolidation previously, are included in the scope of consolidation starting from the period 1 January - 31 March 2009. The prior period financial statements and disclosures are presented as they were prepared in their related period and the effect of including subsidiaries to consolidation is not presented for prior periods.

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

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

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

TFRS 3 “Business Combinations” standard prescribes no depreciation to be recognized for goodwill arising on the acquisitions on or after 31 December 2004, realizing positive goodwill as an asset and application of impairment analysis as of balance sheet dates. In the same standard it is also required from that date onwards the negative goodwill that occurs in the case of Group’s interest in the fair value of acquired identifiable assets or liabilities exceeds the acquisition cost to be recognized in profit or loss.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

1. Basis of consolidation (continued):

b. Basis of consolidation of associates:

Demir-Halkbank N.V., which is qualified as investments in associates, is presented in the accompanying financial statements as of 31 March 2010 based on the equity method of accounting. Another associate of the Parent Bank; Halk Finansal Kiralama AŞ; is excluded from the scope of consolidation in accordance with the exceptions defined in Article 5 of the communiqué on “Preparation of Consolidated Financial Statements of Banks”.

An associate is a partnership in whose capital the Parent Bank participates and over which it has a significant influence but no control, established at home and abroad.

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

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

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

Accounting principles used by Demir Halkbank N.V., which is a consolidated associate by the equity method of accounting, has the same accounting principles of the Parent Bank. The revaluation fund calculated from the valuation report of Demir Halkbank N.V. was recognized under the equity and during the consolidation process this fund was cancelled while Demir Halkbank N.V. was consolidated by the equity method of accounting to the Parent Bank.

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures.

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

None.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

V. INTEREST INCOME AND EXPENSES

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

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

VI. FEES AND COMMISSION INCOME AND EXPENSES

Fees and commission income/expenses are recognized on an accrual or cash basis depending on the nature of the transaction.

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

Financial instruments comprise financial assets, financial liabilities and derivative instruments. The financial assets are included in the balance sheet of the 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 Group. These instruments have the ability to expose, affect and diminish the risks of liquidity, credit and interest in the financial statements.

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

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

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

1. Cash and banks:

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

2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

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

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

2.2. Financial assets at fair value through profit and loss

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

The Bank has not any financial assets at fair value through profit and loss as of 31 March 2010 and 31 December 2009.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

3. Investments held to maturity

Investments held to maturity are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity is recognized in the income statement as an interest income. There are no financial assets that are classified by the 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.

4. Financial assets available for sale

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

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: 27119 dated 23 January 2009 and specific provisions are allocated for those loans. Specific provisions are reflected to “820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses” account. Provisions released in same year are recognized as a credit movement under the “Provision Expenses”, released portion of the previous period provisions are recognized under the “Other Operating Income” account.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

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

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

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

In accordance with the provisions of the related legislation, general loan provision is provided by the Parent Bank in addition to specific provisions.

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 was providing 0,5% general allowance for cash loans and other receivables; 0,1% general allowances for non-cash loans until 1 November 2006. With the changes in the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No: 26333 dated 1 November 2006, the Bank started to provide general allowance as follows: after 31 October 2006, if standard cash loans and other receivables increased; for the increased part, the provision is 1%; 2% of close monitoring loans, for the account of 31 October 2006 it is 0,5%; after 31 October 2006, if there is an increase in non-cash loans, for the increased part it is 0,2%; 0,4% of close monitoring loans, and for the account of 31 October 2006 it is 0,1%.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IX. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS (REPO'S) AND TRANSACTIONS ON SECURITIES LOANED

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

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

Reverse repo transactions are recognized under the "Receivables from Reverse Repo Transactions" account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method. As of 31 March 2010 bank has no reverse repo transactions (31 December 2009: None).

XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

As at the balance sheet date, there is no goodwill recorded in the consolidated balance sheet of the Parent 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 amortisation 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 amortisation method, amortization period or residual value.

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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	2-5	4-20%
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.

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

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

The Group 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.

XV. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

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

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

XVI. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

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

The provision for unearned premiums represents the amount of net premiums underwritten in the current period but corresponds to period subsequent to balance sheet date.

Unexpired risk reserves are recognized when the expected loss premium ratio is over 95%, by the amount found as multiplication of this exceeding ratio with unearned premium provision for the branches specified by the Undersecretariat of Treasury.

Provision for outstanding losses is recognized for the claims reported at period end but not paid yet or for the incurred but not reported claims.

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVI. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS (continued)

Effective 1 January 2005, the Group's insurance subsidiaries adopted TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts has more fully addressed. TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 revised.

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

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

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

XVII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

XVIII. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVIII. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES (continued)

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

In accordance with the principles set out by the Council of Ministers' decision, numbered 2006/11345 published in the Official Gazette numbered 26377 and dated 15 December 2006 regarding the determination of procedures and principles for the application of transfer requirements and based on the technical balance sheet report prepared using a 10.24% of technical interest rate, for Pamukbank Employee Pension Fund TRY 9.251 of technical provision has been allocated as of 31 December 2006 and kept in financial statements as of 31 December 2007. As of 31 March 2008, part of the related technical provision was set as provision for possible risks and the remaining amount was cancelled. Based on the results of the actuarial report prepared as of 31 December 2009, 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.

In accordance with the Act No: 5754 "Act about the amendments in Social Security and General Health Insurance Act and Some of Acts and Decrees" published in the Official Gazette dated 8 May 2008 and numbered 26870, bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution within three years beginning from the date of publication without any required further action. Three years transfer period would be extended by two years at most with the decision of Council of Ministers. In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9,8%. Moreover, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIX. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 31 December 2009 has been paid in February 2010, accrued advance tax as of 31 March 2010 has been paid in 17 May 2010.

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

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XX. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

There are no convertible bonds or debt instruments issued.

XXI. EXPLANATIONS ON SHARES AND SHARE ISSUE

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

The Parent Bank has not issued any shares in the current and prior period. In accordance with the decree of the Privatization High Council dated 5 February 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration was completed and the Bank shares were registered to the Board with the decree of the Capital Markets Board dated 27 April 2007 and numbered 23/471, and the shares were traded on the Istanbul Stock Exchange as of 10 May 2007.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XXII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XXIII. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Group.

XXIV. EXPLANATIONS ON SEGMENT REPORTING

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Group. The Parent Bank operates mainly in corporate, commercial, entrepreneur banking and investment banking. The report concerning parts of Bank's business segmentation and related information is explained in section four, disclosure numbered VIII.

XXV. EXPLANATION ON OTHER MATTERS

Associates:

For TRY unconsolidated associates, the additions of funds (such as revaluation fund) are deducted from the cost of the associate (the additions of these funds to the capital are permitted for statutory purposes) and later, these costs are indexed based on the capital increase payment dates until 31 December 2004. A valuation study was performed by an independent company as of 31 December 2007, for Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and as of 21 August 2009 for Halk Finansal Kiralama AŞ. For those entities that have value increase, the provision set for impairment in the prior periods was cancelled. In accordance with the Turkish Accounting Standards, as of 2009 year end, the Bank applied net investment hedge for its foreign currency associate Demirhalkbank N.V., operating in Netherlands, recorded the valuation difference due to such transaction as other reserves under equity and recorded the valuation difference due to net investment hedge transaction as hedging funds under equity.

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO

Risk measurement methods used in the determination of consolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio calculation is performed in accordance with the Communiqué on “Measurement and Assessment of the Capital Adequacy of Banks”, which was published in the Official Gazette numbered 26333 on 1 November 2006. As of 31 March 2010, the Group’s consolidated capital adequacy ratio calculated based on the essentials of the related communiqué is 15,30% (31 December 2009: 15,83%).

In calculating the amounts subject to credit risk, the Group generally evaluates its loans according to their collateral classes based on the relevant risk weights. However, risk rate for fund loans for which the Parent Bank recognises is 0% and credit cards and cooperative loans is 100% due to having “suretyship” collateral type.

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

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

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

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

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

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

1. Information on the consolidated capital adequacy ratio:

	Risk Weights													
	Bank Only						Consolidated							
	0%	10%	20%	50%	100%	150%	200%	0%	10%	20%	50%	100%	150%	200%
Credit Risk Base Amount														
Balance Sheet Items (Net)	24.370.466	-	1.865.369	11.087.191	20.566.219	7.653	86	24.394.498	-	1.898.467	11.087.191	20.385.798	7.653	86
Cash and Cash Equivalents	210.701	-	6	-	-	-	-	210.725	-	6	-	-	-	-
Matured Marketable Securities Balances at the Central Bank of Turkey	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Domestic, Foreign Banks, Head Office and Overseas Branches Balances	1.950.904	-	-	-	-	-	-	1.950.904	-	-	-	-	-	-
Interbank Money Market Placements Receivables from Reverse Repurchase Agreements	-	-	1.584.825	-	1.361	-	-	-	-	1.616.999	-	1.361	-	-
Reserve Deposits	868.192	-	-	-	-	-	-	868.192	-	-	-	-	-	-
Loans	4.675.063	-	129.019	10.957.683	18.403.952	7.653	86	4.675.063	-	129.019	10.957.683	18.403.952	7.653	86
Non-Performing Loans (Net)	-	-	-	-	294.685	-	-	-	-	-	-	294.685	-	-
Finance Lease Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments Held to Maturity Receivables from the Asset Sale on Credit Terms	16.025.036	-	-	-	-	-	-	16.048.559	-	-	-	-	-	-
Sundry Debtors	10.170	-	26.925	-	65.867	-	-	10.170	-	26.925	-	65.867	-	-
Interest and Income Accruals Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures) (Net)	427.770	-	1.769	129.508	270.617	-	-	428.124	-	2.693	129.508	270.617	-	-
Property, Plant and Equipment	-	-	-	-	273.237	-	-	-	-	-	-	1.052	-	-
Other Assets	-	-	-	-	1.176.071	-	-	-	-	-	-	1.179.606	-	-
Other Assets	202.630	-	122.825	-	43.912	-	-	202.761	-	122.825	-	132.141	-	-
Off-Balance Sheet Items	147.419	-	299.760	542.004	6.776.092	-	-	147.419	-	299.760	542.004	6.768.880	-	-
Non-Cash Loans and Commitments	147.419	-	185.286	542.004	6.775.443	-	-	147.419	-	185.286	542.004	6.768.231	-	-
Derivative Instruments	-	-	114.474	-	649	-	-	-	-	114.474	-	649	-	-
Non-Risk Weighted Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Risk-Weighted Assets	24.517.885	-	2.165.129	11.629.195	27.342.311	7.653	86	24.541.917	-	2.198.227	11.629.195	27.154.678	7.653	86

2. Capital adequacy ratio summary:

	Bank Only		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Credit risk base amount (CRBA)	33.601.587	30.393.342	33.420.573	30.208.231
Market risk base amount (MRBA)	1.229.288	836.688	1.236.125	903.613
Operational risk base amount (ORBA)	5.120.983	4.369.727	5.212.748	4.369.929
Equity	6.168.747	5.705.659	6.099.904	5.615.972
Equity / (CRBA+MRBA+ORBA)*100	15,44	16,03	15,30	15,83

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

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

3. Information on equity items:

	Bank Only		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
CORE CAPITAL				
Paid-in Capital	1.250.000	1.250.000	1.250.000	1.250.000
Nominal capital	1.250.000	1.250.000	1.250.000	1.250.000
Capital commitments (-)	-	-	-	-
Inflation Adjustment for Paid-in Capital	1.220.451	1.220.451	1.220.451	1.220.451
Share Premium	-	-	-	-
Share Cancellation Profits	-	-	-	-
Legal Reserves	507.495	507.495	515.312	515.312
I. Degree Legal Reserve (Turkish Commercial Code 466/1)	223.672	223.672	227.784	227.784
II. Degree Legal Reserve (Turkish Commercial Code 466/2)	283.120	283.120	286.825	286.825
Reserves per Specific Acts	703	703	703	703
Statutory Reserves	-	-	-	-
Extraordinary Reserves	1.047.033	1.047.336	1.081.542	1.081.870
Reserves allocated per General Assembly Minute	1.013.914	1.013.914	1.048.423	1.048.423
Retained Earnings (*)	47.181	47.181	47.181	47.181
Accumulated Loss	-	-	-	-
Foreign Currency Share Capital Exchange Difference	(14.062)	(13.759)	(14.062)	(13.734)
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-	-	-	-
Profit	2.146.555	1.631.091	2.200.084	1.671.769
Net period profit	515.464	1.631.091	529.208	1.664.665
Retained Earnings	1.631.091	-	1.670.876	7.104
Portion of Provisions Allocated for Potential Risk up to 25% of Core Capital Amount	7.600	7.000	7.600	7.000
Subsidiary and Associate Shares and Gains on Sale of Properties to Be Added to Capital	-	-	-	-
Portion of Primary Tier-II Capital up to 15% of Core Capital	-	-	-	-
Minority Interest	-	-	6.894	6.594
Losses that cannot be covered by reserves (-)	-	-	-	-
Net period loss	-	-	-	-
Accumulated Loss	-	-	-	-
Leasehold Improvements (-)	55.316	51.945	55.473	52.543
Prepaid Expenses (-)	245.182	156.378	248.720	167.630
Intangible Assets(-)	12.314	10.959	13.360	12.090
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-	-	-
Excess Amount defined in 3rd Clause, 56th Article of the Banking Act (-)	-	-	-	-
Total Core Capital	5.866.322	5.444.091	5.964.330	5.520.733
SUPPLEMENTARY CAPITAL				
General Loan Provisions	306.312	275.695	306.312	275.695
45% of Movable Assets Revaluation Fund	-	-	-	-
45% of Tangible Assets Revaluation Fund	-	-	-	-
Non-cash Shares of Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	61	61	61	61
Proportion of Primary Tier -II Capital excluded from the Core Capital Calculation	-	-	-	-
Secondary Tier -II Capital	-	-	-	-
45% of Marketable Securities Revaluation Fund	64.036	46.401	21.782	7.994
From Subsidiaries and Associates	43.960	30.222	-	(10.087)
From Financial Assets Available for Sale	20.076	16.179	21.782	18.081
Inflation adjustments for capital reserves, profit reserves and retained earnings/accumulated losses (Except inflation adjustments for legal reserves, statutory reserves and extraordinary reserves)	-	-	-	-
Minority Interest	-	-	-	-
Total Supplementary Capital	370.409	322.157	328.155	283.750
TIER-III CAPITAL				
CAPITAL	6.236.731	5.766.248	6.292.485	5.804.483
DEDUCTIONS FROM CAPITAL	67.984	60.589	192.581	188.511
Equity Shares in Banks and Financial Institutions Which Are Excluded from the Consolidation	53.355	47.690	53.355	47.690
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated debt and debt instruments purchased from such parties qualified as primary or secondary subordinated debt	-	-	-	-
Shareholdings in the banks and financial institutions which are accounted for under the equity pick up method but the assets and liabilities are not consolidated	-	-	124.597	127.922
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-	-	-	-
The net book value of properties exceeding 50% of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	14.629	12.899	14.629	12.899
Other	-	-	-	-
TOTAL EQUITY	6.168.747	5.705.659	6.099.904	5.615.972

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

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

II. EXPLANATIONS RELATED TO CONSOLIDATED CREDIT RISK

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

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

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

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

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

The Parent Bank is not an active participant of the international banking sector.

As of 31 March 2010, the receivables of the Parent Bank from its top 100 cash loan customers is 23,72% of its total cash loans.

As of 31 March 2010, receivables of the Parent Bank from its top 100 non-cash loan is 62,44% of its total non-cash loans.

As of 31 March 2010, share of cash and non-cash receivables of the Parent Bank from its top 100 customers is 16,89% of its total balance sheet and off-balance sheet assets.

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(continued)**

II. EXPLANATIONS RELATED TO CONSOLIDATED CREDIT RISK (continued)

As of 31 March 2010, general loan loss provision related to the credit risk incurred by the Parent 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 306.312.

Sector concentrations for cash loans:

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	831.997	3,40	39.343	0,39	852.052	3,66	44.228	0,50
Farming and raising livestock	817.914	3,34	32.659	0,32	835.386	3,59	35.926	0,40
Forestry	6.795	0,03	-	-	7.269	0,03	-	-
Fishing	7.288	0,03	6.684	0,07	9.397	0,04	8.302	0,09
Manufacturing	4.132.941	16,87	5.619.698	55,52	3.953.350	16,99	5.143.463	57,91
Mining	76.837	0,31	71.966	0,71	85.986	0,37	73.240	0,82
Production	4.014.695	16,39	4.599.996	45,44	3.789.924	16,29	4.563.194	51,38
Electric, gas and water	41.409	0,17	947.736	9,36	77.440	0,33	507.029	5,71
Construction	994.712	4,06	179.894	1,78	966.681	4,15	166.972	1,88
Services	9.416.403	38,44	4.182.116	41,31	9.133.782	39,26	3.428.125	38,60
Wholesale and retail trade	4.786.881	19,54	704.220	6,96	4.506.249	19,37	782.415	8,81
Hotel, food and beverage services	261.419	1,07	601.652	5,94	243.912	1,05	571.572	6,44
Transportation and telecommunication	1.300.621	5,31	699.286	6,91	1.485.387	6,38	239.147	2,69
Financial institutions	1.205.354	4,92	678.700	6,70	1.076.888	4,63	726.487	8,18
Real estate and renting services	1.445.824	5,90	1.328.362	13,12	1.434.132	6,16	934.717	10,52
Self-employment services	201.658	0,82	134.852	1,33	126.528	0,54	-	-
Education services	88.234	0,36	35.044	0,35	78.589	0,34	38.589	0,43
Health and social services	126.412	0,52	-	-	182.097	0,78	135.198	1,52
Other	9.119.178	37,23	101.481	1,00	8.360.975	35,94	98.959	1,11
Total	24.495.231	100,00	10.122.532	100,00	23.266.840	100,00	8.881.747	100,00

(*) Accruals are included in other line.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO CONSOLIDATED MARKET RISK

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

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

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

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

a) Information related to market risk:

	Amount
(I) Capital requirement to be employed for general market risk - Standard method	67.486
(II) Capital requirement to be employed for specific risk - Standard method	959
(III) Capital requirement to be employed for currency risk - Standard method	30.445
(IV) Capital requirement to be employed for commodity risk - standard method	-
(V) Capital requirement to be employed for settlement risk - Standard method	-
(VI) Total capital requirement to be employed for market risk resulting from options-Standard method	-
(VII) Total capital requirement to be employed for market risk in banks using risk measurement model	-
(VIII) Total capital requirement to be employed for market risk (I+II+III+IV+V+VI)	98.890
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	1.236.125

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE
(continued)****IV. EXPLANATIONS RELATED TO CONSOLIDATED OPERATIONAL RISK**

In the calculation of the Group's operational risk, "Basic Indicator Method" is used. The amount subject to operational risk is calculated in accordance with Section 4 of the Communiqué on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 26333 on 1 November 2006 and this section is named as "Calculation of Operational Risk Base Amount" which came into effect as of 1 June 2007. The calculation is performed parallel to the practice within the country, by multiplying 15% of the Parent Bank's last three years' average gross revenue with 12,5. Amount subject to operational risk is TRY 5.212.748 for the current period.

V. EXPLANATIONS RELATED TO CURRENCY RISK

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

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

Announced current foreign exchange buying rates of the Parent Bank as at 31 March 2010 and the previous five working days in full TRY are as follows:

	24.03.2010	25.03.2010	26.03.2010	29.03.2010	30.03.2010	31.03.2010
USD	1,5250000	1,5200000	1,5150000	1,5100000	1,5100000	1,5000000
CHF	1,4232000	1,4196000	1,4219000	1,4165000	1,4142000	1,4216000
GBP	2,2684000	2,2588000	2,2557000	2,2572000	2,2765000	2,2666000
JPY	0,0165656	0,0164051	0,0163494	0,0162972	0,0162253	0,0160979
EURO	2,0355000	2,0294000	2,0324000	2,0306000	2,0282000	2,0291000

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 31 March 2010 are as follows:

	Monthly average
USD	1,5143478
CHF	1,4167783
GBP	2,2739000
JPY	0,0166656
EURO	2,0538000

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

V. EXPLANATIONS RELATED TO CONSOLIDATED CURRENCY RISK (continued)

Information related to consolidated currency risk:

Current period	EURO	USD	JPY	OTHER	TOTAL
Assets					
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	1.311.882	23.499	17	3.335	1.338.733
Banks and financial institutions	1.404.882	43.169	1.381	50.546	1.499.978
Financial assets at fair value through profit and loss ⁽³⁾	669	27.402	-	594	28.665
Money market placements	-	-	-	-	-
Financial assets available-for-sale	385.255	999.134	-	-	1.384.389
Loans ⁽²⁾	3.939.559	6.211.679	-	30.945	10.182.183
Subsidiaries, associates and entities under common control	124.597	-	-	-	124.597
Held-to-maturity investments	837.569	1.126.141	-	-	1.963.710
Derivative financial assets for hedging purposes	-	-	-	-	-
Tangible assets	39	-	-	3	42
Intangible assets	-	-	-	-	-
Other assets ⁽³⁾	8.921	34.774	-	42	43.737
Total assets	8.013.373	8.465.798	1.398	85.465	16.566.034
Liabilities					
Bank deposits	778.453	255.051	56	16.141	1.049.701
Foreign currency deposits	7.764.034	5.792.370	851	314.851	13.872.106
Money market balances	-	638.231	-	-	638.231
Funds provided from other financial institutions	1.603.353	434.309	-	778	2.038.440
Marketable securities issued	-	-	-	-	-
Sundry creditors	13.418	13.539	5	96	27.058
Derivative financial liabilities for hedging purposes	-	-	-	-	-
Other liabilities ⁽³⁾	36.595	128.552	99	980	166.226
Total liabilities	10.195.853	7.262.052	1.011	332.846	17.791.762
Net balance sheet position	(2.182.480)	1.203.746	387	(247.381)	(1.225.728)
Net off-balance sheet position					
Net off-balance sheet position	2.075.423	(1.426.657)	(1.080)	269.692	917.378
Financial derivative assets ⁽⁴⁾	2.132.012	927.073	12.717	321.263	3.393.065
Financial derivative liabilities ⁽⁴⁾	56.589	2.353.730	13.797	51.571	2.475.687
Non-cash loans ⁽¹⁾	1.735.319	4.214.190	34.786	68.649	6.052.944
Prior period					
Total assets	7.128.604	8.245.901	1.751	101.968	15.478.224
Total liabilities	9.576.976	7.109.283	1.389	378.181	17.065.829
Net balance sheet position	(2.448.372)	1.136.618	362	(276.213)	(1.587.605)
Net off-balance sheet position					
Net off-balance sheet position	2.314.355	(1.287.660)	(1.625)	267.536	1.292.606
Financial derivative assets	2.565.883	734.540	216.775	309.855	3.827.053
Financial derivative liabilities	251.528	2.022.200	218.400	42.319	2.534.447
Non-cash loans ⁽¹⁾	1.803.456	3.730.247	26.089	32.185	5.591.977

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

(2) Includes TRY 59.651 of foreign currency indexed loans and their accruals.

(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 8.967), prepaid expenses (TRY 58) in assets; and derivative financial instruments foreign currency expense accruals (TRY 7.267) and shareholders' equity (TRY 34.454) in liabilities are not taken into consideration in the currency risk measurement.

(4) Financial derivative assets include credit default swaps amounting TRY 225.000 and forward precious metal purchase transactions amounted to TRY 240.234. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 242.069.

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(continued)**

VI. EXPLANATIONS RELATED TO CONSOLIDATED INTEREST RATE RISK

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

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

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

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

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

Current period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	2.407.627	-	-	-	-	641.088	3.048.715
Banks and financial institutions	1.566.315	(9.481)	-	-	-	62.694	1.619.528
Financial assets at fair value through profit and loss	11.373	2.014	14.663	27.558	17.690	-	73.298
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	540.646	549.874	1.029.310	2.367.128	729.468	11.313	5.227.739
Loans	12.826.691	4.452.696	8.144.624	7.055.264	1.088.214	1.050.274	34.617.763
Held-to-maturity investments	5.081.158	2.640.995	5.189.724	2.256.436	1.246.826	-	16.415.139
Other assets	19.409	-	-	-	-	2.563.274	2.582.683
Total assets	22.453.219	7.636.098	14.378.321	11.706.386	3.082.198	4.328.643	63.584.865
Liabilities							
Bank deposits	1.816.107	(21.414)	-	-	-	519.860	2.314.553
Other deposits	28.363.590	9.167.969	1.691.885	508	-	5.216.543	44.440.495
Money market balances	2.917.720	1.603.871	528.922	-	-	-	5.050.513
Sundry creditors	10.348	-	-	-	-	565.978	576.326
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	368.942	425.969	1.293.990	19.070	117.520	646	2.226.137
Other liabilities	1.038.544	83.399	56.994	32.007	-	7.765.897	8.976.841
Total liabilities	34.515.251	11.259.794	3.571.791	51.585	117.520	14.068.924	63.584.865
Balance sheet long position	-	-	10.806.530	11.654.801	2.964.678	-	25.426.009
Balance sheet short position	(12.062.032)	(3.623.696)	-	-	-	(9.740.281)	(25.426.009)
Off-balance sheet long position	135.000	487.500	-	-	-	-	622.500
Off-balance sheet short position	-	-	(73.700)	(505.160)	-	-	(578.860)
Total position	(11.927.032)	(3.136.196)	10.732.830	11.149.641	2.964.678	(9.740.281)	43.640

(1) TRY 199.478 of deferred tax assets is disclosed under the non-interest bearing column in other assets.

(2) TRY 294.685 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

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

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

2. 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	2.744.429	-	-	-	-	671.295	3.415.724
Banks and financial institutions	1.090.251	20.341	-	-	-	61.317	1.171.909
Financial assets at fair value through profit and loss	35	5.440	5.916	29.937	7.842	6.792	55.962
Money market placements	203	-	-	-	-	-	203
Financial assets available-for-sale	504.344	925.235	501.449	2.444.040	504.187	11.619	4.890.874
Loans	11.259.035	5.282.456	7.180.659	6.484.221	946.682	995.534	32.148.587
Held-to-maturity investments	5.260.540	6.029.805	1.606.675	1.978.200	1.698.328	-	16.573.548
Other assets	439	-	-	-	-	2.525.545	2.525.984
Total assets	20.859.276	12.263.277	9.294.699	10.936.398	3.157.039	4.272.102	60.782.791
Liabilities							
Bank deposits	1.660.704	47.079	-	-	-	215.341	1.923.124
Other deposits	23.998.339	10.773.960	1.548.256	1.014	-	5.634.553	41.956.122
Money market balances	4.928.187	588.018	260.884	-	-	-	5.777.089
Sundry creditors	10.167	-	-	-	-	555.724	565.891
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	39.283	1.091.357	831.924	20.318	2.419	46.216	2.031.517
Other liabilities	1.026.645	63.127	95.090	42.052	123.125	7.179.009	8.529.048
Total liabilities	31.663.325	12.563.541	2.736.154	63.384	125.544	13.630.843	60.782.791
Balance sheet long position	-	-	6.558.545	10.873.014	3.031.495	-	20.463.054
Balance sheet short position	(10.804.049)	(300.264)	-	-	-	(9.358.741)	(20.463.054)
Off-balance sheet long position	59.200	481.000	-	-	-	-	540.200
Off-balance sheet short position	-	-	-	(505.160)	-	-	(505.160)
Total position	(10.744.849)	180.736	6.558.545	10.367.854	3.031.495	(9.358.741)	35.040

(1) TRY 207.562 of deferred tax assets is disclosed under the non-interest bearing column in other assets.

(2) TRY 309.484 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

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

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

3. 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	-	-	-	5,20
Due from other banks and financial institutions ⁽¹⁾	0,23	0,32	-	7,20
Financial assets at fair value through profit and loss	4,98	5,77	-	8,72
Money market placements	-	-	-	-
Available-for-sale financial assets	5,30	4,93	-	10,95
Loans ⁽²⁾	4,62	5,10	-	13,91
Held-to-maturity investments	5,92	6,62	-	11,11
Liabilities				
Bank deposits	0,64	0,11	-	6,67
Other deposits	1,86	2,37	-	8,45
Money market borrowings	-	1,80	-	6,89
Sundry creditors ⁽³⁾	-	-	-	5,06
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions ⁽⁴⁾	1,79	1,15	-	11,55
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	5,20
Due from other banks and financial institutions ⁽¹⁾	0,20	0,27	-	7,50
Financial assets at fair value through profit and loss	4,73	5,11	-	9,68
Money market placements	-	-	-	-
Available-for-sale financial assets	5,33	5,46	-	11,72
Loans ⁽²⁾	5,17	5,18	-	14,98
Held-to-maturity investments	6,33	6,69	-	11,18
Liabilities				
Bank deposits	0,42	0,26	-	7,20
Other deposits	1,95	2,38	-	8,86
Money market borrowings	-	1,87	-	7,14
Sundry creditors	-	-	-	5,06
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions ⁽⁴⁾	1,81	1,48	-	11,55

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

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

(3) 75% of the declared maximum deposits interest rate with a maturity of six months as of 31 March 2010.

(4) Interest rates of borrowings.

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

VII. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK

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

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

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

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

VII. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK (continued)

Presentation of assets and liabilities according to their remaining maturities:

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

Current period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	640.650	1.114.464	1.078.597	209.472	4.972	129	431	3.048.715
Banks and financial institutions	62.694	1.537.567	19.267	-	-	-	-	1.619.528
Financial assets at fair value through profit and loss	-	11.369	2.414	8.728	33.097	17.690	-	73.298
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	77.343	99.587	524.000	3.691.735	823.761	11.313	5.227.739
Loans	378.161	4.883.363	3.379.817	11.032.002	12.740.886	2.203.534	-	34.617.763
Held-to-maturity investments	-	150.157	39.766	4.867.140	9.331.266	2.026.810	-	16.415.139
Other assets	251.162	26.716	23.006	6.165	12.122	-	2.263.512	2.582.683
Total assets	1.332.667	7.800.979	4.642.454	16.647.507	25.814.078	5.071.924	2.275.256	63.584.865
Liabilities								
Bank deposits	519.860	1.816.107	(21.414)	-	-	-	-	2.314.553
Other deposits	5.216.542	28.363.461	9.154.441	1.649.012	55.954	1.085	-	44.440.495
Funds provided from other financial institutions	749	51.668	65.436	464.915	495.153	1.148.216	-	2.226.137
Money market balances	-	2.917.720	1.603.871	528.922	-	-	-	5.050.513
Marketable securities issued	-	-	-	-	-	-	-	-
Sundry creditors	541.483	11.472	10.809	5.200	-	-	7.362	576.326
Other liabilities	1.199.593	120.573	99.587	699.115	237.554	153.009	6.467.410	8.976.841
Total liabilities	7.478.227	33.281.001	10.912.730	3.347.164	788.661	1.302.310	6.474.772	63.584.865
Liquidity gap	(6.145.560)	(25.480.022)	(6.270.276)	13.300.343	25.025.417	3.769.614	(4.199.516)	-
Previous period								
Total assets	1.986.570	6.939.171	6.112.756	14.694.207	23.908.761	4.914.103	2.227.223	60.782.791
Total liabilities	7.874.288	30.809.066	11.691.568	2.423.386	862.635	1.202.722	5.919.126	60.782.791
Liquidity gap	(5.887.718)	(23.869.895)	(5.578.812)	12.270.821	23.046.126	3.711.381	(3.691.903)	-

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

(2) TRY 294.685 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

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

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

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

VIII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION

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

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

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

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

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

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

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

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

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

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

- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering,
- Trading the capital market instruments issued for the purpose of performing intermediary services.

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

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

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

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 March 2010 are presented in the table below.

	Corporate	Commercial	Entrepreneur	Treasury / investment ⁽¹⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES							
Interest income	154.143	103.996	1.454.836	1.265.960	1.413	(1.412.560)	1.567.788
Interest on loans	86.199	71.975	771.310	72.230	-	-	1.001.714
Interest income on marketable securities	-	-	-	540.008	1.043	-	541.051
Interest received from banks	-	-	-	20.511	66	-	20.577
Other interest income ⁽²⁾	67.944	32.021	683.526	633.211	304	(1.412.560)	4.446
Interest expense	118.727	68.806	1.027.219	922.027	-	(1.412.560)	724.219
Interest on deposits	50.682	21.960	494.856	47.619	-	-	615.117
Interest on borrowings	297	1.710	1.859	10.259	-	-	14.125
Interest on money market borrowings	-	-	-	83.071	-	-	83.071
Other interest expense ⁽²⁾	67.748	45.136	530.504	781.078	-	(1.412.560)	11.906
Net interest income	35.416	35.190	427.617	343.933	1.413	-	843.569
Fees and commissions income	8.956	7.913	106.719	15.980	(7.093)	-	132.475
Net trading profit / (loss)	-	-	-	60.716	(33)	-	60.683
Dividend income	-	-	-	4.739	-	-	4.739
Other income	1.001	7.926	70.155	16.540	42.389	-	138.011
Loans and other receivables' impairment loss	276	9.017	81.614	57.828	-	-	148.735
Other expenses	2.717	10.245	156.608	163.214	30.815	-	363.599
Income before taxes	42.380	31.767	366.269	220.866	5.861	-	667.143
Income tax provision	-	-	-	(135.559)	(2.068)	-	(137.627)
Net profit for the period	42.380	31.767	366.269	85.307	3.793	-	529.516
SEGMENT ASSETS							
Marketable securities	-	-	-	21.574.373	141.803	-	21.716.176
Banks and other financial institutions	-	-	-	1.606.218	13.310	-	1.619.528
Associates and subsidiaries (net)	-	-	-	179.004	-	-	179.004
Loans	4.801.757	3.781.303	22.148.232	4.181.156	-	-	34.912.448
Other assets	306	5.286	453.130	4.634.871	64.116	-	5.157.709
TOTAL ASSETS	4.802.063	3.786.589	22.601.362	32.175.622	219.229	-	63.584.865
SEGMENT LIABILITIES							
Deposits	4.616.657	1.970.700	32.650.873	7.516.818	-	-	46.755.048
Derivative financial liabilities held for trading	-	-	-	41.910	-	-	41.910
Money market balances	-	-	-	5.050.513	-	-	5.050.513
Borrowing funding loans	15.403	102.221	91.573	2.016.940	-	-	2.226.137
Other liabilities	36.604	50.931	1.582.641	382.505	24.689	-	2.077.370
Provisions	5.628	7.097	59.096	894.032	152.840	-	1.118.693
Shareholders' equity	-	-	-	6.232.593	82.601	-	6.315.194
TOTAL LIABILITIES	4.674.292	2.130.949	34.384.183	22.135.311	260.130	-	63.584.865
OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES	5.841.271	1.724.041	7.087.698	11.089.615	-	-	25.742.625
Guaranties and suretyships	5.764.739	1.616.470	2.726.688	2.038	-	-	10.109.935
Commitments	34.368	93.414	4.349.657	4.357.431	-	-	8.834.870
Derivative financial instruments	42.164	14.157	11.353	6.730.146	-	-	6.797.820

(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 1.249.708 and deferred tax assets amounting TRY 199.478 in other assets are presented under the treasury / investment column.

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

(3) Birlik Hayat Sigorta AŞ and Birlik Sigorta AŞ's insurance operations are included in Other column.

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

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

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

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

TÜRKİYE HALK BANKASI AŞ**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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FINANCIAL STATEMENTS****I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS**

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	167.460	43.265	205.194	51.525
Central Bank of Turkey	1.542.522	1.295.462	1.911.485	1.247.493
Other	-	6	-	27
Total	1.709.982	1.338.733	2.116.679	1.299.045

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount	1.539.575	430.217	1.908.421	414.491
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits	2.947	865.245	3.064	833.002
Total	1.542.522	1.295.462	1.911.485	1.247.493

(*) The interest rate applied by Central Bank of Turkey to reserve deposits for TRY is 5,20%. Starting from 12 December 2008, Central Bank of Turkey announced that no interest will be computed for USD and EUR reserve deposits (31 December 2009: 5,20% (TRY)).

(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	-	1.522	-	3.733
Swap transactions	-	17.880	-	16.795
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	19.402	-	20.528

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

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

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	105.745	20.009	110.816	14.142
Foreign banks	13.805	1.479.969	9.942	1.037.009
Branches and offices abroad	-	-	-	-
Total	119.550	1.499.978	120.758	1.051.151

(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:

None.

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

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds	-	158.697	-	104.285
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	-	158.697	-	104.285

b) Information on financial assets available for sale portfolio:

	Current period	Prior period
Debt securities	5.217.771	4.880.282
Quoted on a stock exchange	5.217.771	4.880.282
Not quoted	-	-
Share certificates	11.557	11.860
Quoted on a stock exchange	-	-
Not quoted	11.557	11.860
Impairment provision (-)	1.589	1.268
Total	5.227.739	4.890.874

(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	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	84.781	-	83.872	-
Total	84.781	-	83.872	-

TÜRKİYE HALK BANKASI AŞ

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

(5) Information on loans: (continued)

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

	Standard loans and other receivables		Loans and other receivables Under close monitoring	
	Loans and other receivables	Restructured or rescheduled ⁽³⁾	Loans and other receivables	Restructured or rescheduled ⁽³⁾
Cash loans				
Non-specialized loans	25.127.714	111.617	945.172	16.824
Discount notes	2.759	-	-	-
Export loans	2.733.848	-	10.436	-
Import loans	-	-	-	-
Loans given to financial sector	1.692.969	-	-	-
Overseas loans	136.906	-	26	-
Consumer loans ⁽¹⁾	7.413.476	47	249.100	13.399
Credit cards ⁽²⁾	509.854	11	23.767	2.994
Precious metals loans	-	-	-	-
Other	12.637.902	111.559	661.843	431
Specialized lending	7.653.052	36.483	282.594	-
Other receivables	-	-	-	-
Accruals	426.200	1.925	15.963	219
Total	33.206.966	150.025	1.243.729	17.043

(1) Includes TRY 65.370 of personnel loans.

(2) Includes TRY 19.411 of personnel credit cards.

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

c) Loans according to their maturity structure:

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Restructured or rescheduled ⁽¹⁾	Loans and other receivables	Restructured or rescheduled ⁽¹⁾
Cash loans				
Short-term loans and other receivables	13.493.282	2.213	377.056	1.919
Non-specialized loans	11.715.068	1.037	348.412	1.894
Specialized loans	1.605.032	1.148	23.805	-
Other receivables	-	-	-	-
Accruals	173.182	28	4.839	25
Medium and long-term loans and other receivables	19.713.684	147.812	866.673	15.124
Non-specialized loans	13.412.646	110.580	596.760	14.930
Specialized loans	6.048.020	35.335	258.789	-
Other receivables	-	-	-	-
Accruals	253.018	1.897	11.124	194
Total	33.206.966	150.025	1.243.729	17.043

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	202.311	7.249.005	7.451.316
Real estate loans	2.092	3.076.788	3.078.880
Automobile loans	602	28.477	29.079
Consumer loans	199.617	4.143.740	4.343.357
Other	-	-	-
Consumer loans- Indexed to FC	-	502	502
Real estate loans	-	502	502
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans- FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual credit cards-TRY	490.603	2.173	492.776
Installment	72.545	-	72.545
Non-installment	418.058	2.173	420.231
Individual credit cards-FC	-	-	-
Installment	-	-	-
Non-installment	-	-	-
Personnel loans-TRY	4.180	61.190	65.370
Real estate loans	-	43	43
Automobile loans	-	-	-
Consumer loans	4.180	61.147	65.327
Other	-	-	-
Personnel loans-Indexed to FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel credit cards-TRY	19.390	21	19.411
Installment	3.987	-	3.987
Non-installment	15.403	21	15.424
Personnel credit cards-FC	-	-	-
Installment	-	-	-
Non-installment	-	-	-
Overdraft accounts-TRY (Retail customer)	158.834	-	158.834
Overdraft accounts-FC (Retail customer)	-	-	-
Total	875.318	7.312.891	8.188.209

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

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	32.424	330.302	362.726
Business residential loans	1.448	164.323	165.771
Automobile loans	30.976	165.979	196.955
Consumer loans	-	-	-
Other	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Commercial installment loans – FC	-	-	-
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-TRY	24.439	-	24.439
Installment	2.463	-	2.463
Non-installment	21.976	-	21.976
Corporate credit cards-FC	-	-	-
Installment	-	-	-
Non-installment	-	-	-
Overdraft accounts-TRY (Commercial customer)	140.990	-	140.990
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	197.853	330.302	528.155

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

f) Loan according to type of borrowers:

	Current period	Prior period
Public	1.182.761	867.815
Private	33.435.002	31.280.772
Total	34.617.763	32.148.587

g) Domestic and overseas loans:

	Current period	Prior period
Domestic loans	34.429.684	31.863.954
Foreign loans	188.079	284.633
Total	34.617.763	32.148.587

h) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	65.677	58.611
Indirect loans granted to subsidiaries and associates	-	-
Total	65.677	58.611

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

(5) Information on loans: (continued)

i) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectibility	137.645	153.184
Loans and receivables with doubtful collectibility	87.409	82.877
Uncollectible loans and receivables	1.182.012	1.122.367
Total	1.407.066	1.358.428

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period	58.088	16.954	243.761
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	58.088	16.954	243.761
Prior period	70.647	22.594	122.302
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	70.647	22.594	122.302

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

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

	III. Group	IV. Group	V. Group
	Loans and	Loans and	
	receivables	receivables	
	with	with	Uncollectible
	limited	doubtful	loans and
	collectibility	collectibility	receivables
Prior period end balance	235.370	115.331	1.317.211
Additions (+)	89.674	21.866	35.319
Transfers from other categories of loans under follow-up (+)	-	48.955	88.260
Transfers to other categories of loans under follow-up (-)	74.806	62.409	-
Collections (-)	34.940	11.659	66.421
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current period end balance	215.298	112.084	1.374.369
Specific provision (-)	137.645	87.409	1.182.012
Net balance on balance sheet	77.653	24.675	192.357

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

None.

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

(5) Information on loans: (continued)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period (Net)	77.653	24.675	192.357
Loans to granted real persons and legal entities (Gross)	214.360	112.082	1.335.393
Specific provisions (-)	136.707	87.407	1.143.036
Loans to granted real persons and legal entities (Net)	77.653	24.675	192.357
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	938	2	38.976
Specific provisions (-)	938	2	38.976
Other loans and receivables (Net)	-	-	-
Prior period (Net)	82.186	32.454	194.844
Loans to granted real persons and legal entities (Gross)	234.344	115.329	1.281.512
Specific provisions (-)	152.158	82.875	1.086.668
Loans to granted real persons and legal entities (Net)	82.186	32.454	194.844
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	1.026	2	35.699
Specific provisions (-)	1.026	2	35.699
Other loans and receivables (Net)	-	-	-

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

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

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

(l) Explanations on write-off policy:

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

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

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills	-	-	-	-
Government bonds and similar securities	1.697.993	652.334	1.711.948	706.769
Other	-	-	-	-
Total	1.697.993	652.334	1.711.948	706.769

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Treasury Bills, Government Bonds and Similar Securities	4.740.339	660.740	5.416.526	604.461
Other	-	-	-	-
Total	4.740.339	660.740	5.416.526	604.461

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

	Current period	Prior period
Government bonds	16.415.139	16.573.548
Treasury bills	-	-
Other public sector debt securities	-	-
Total	16.415.139	16.573.548

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	16.415.139	16.573.548
Quoted on a stock exchange	11.358.727	11.505.711
Not quoted	5.056.412	5.067.837
Impairment provision (-)	-	-
Total	16.415.139	16.573.548

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

	Current period	Prior period
Beginning balance	16.573.548	15.858.882
Foreign currency differences on monetary assets	(35.139)	(17.115)
Purchases during the year ⁽¹⁾	2.025.266	3.744.069
Disposals through sales and redemptions (-) ⁽²⁾	(2.148.536)	(3.028.343)
Impairment provision (-) / provision reversal (+)	-	16.055
Balance at the of the period	16.415.139	16.573.548

(1) Interest income accrual amounting TRY 366.580 have been included in purchases row (31 December 2009: TRY 528.597).

(2) In accordance with the tainting rules defined in paragraph 9 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 March 2010, the Parent Bank reclassified TRY 384.539 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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I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)

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

d.1. Information on held-to-maturity investments accounts:

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

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of Treasury of Republic of Turkey ⁽²⁾	7.143.522	-	7.327.111	-	5.613.299	883.342	5.748.891	904.383
Obtained with the transfer	2.340.938	-	2.388.334	-	2.340.938	-	2.392.831	-
Reclassified from other securities portfolios ⁽¹⁾	4.642.681	1.353.590	4.735.984	1.388.777	5.535.196	1.672.176	5.796.368	1.731.075
Other	-	567.828	-	574.933	-	-	-	-
Total	14.127.141	1.921.418	14.451.429	1.963.710	13.489.433	2.555.518	13.938.090	2.635.458

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

(2) The Parent Bank has not reclassified any financial assets from other portfolios to held to maturity investment portfolio during 2010. The additions for the period and financial assets amounting TRY 136.215 which are subject to bond swap are shown under “Obtained from Under secretariat of Treasury of Republic of Turkey” row.

(7) Information on associates (Net):

a) Information on associates:

Description	Address (City/ Country)	Bank’s share percentage, if different-voting percentage (%)	Bank’s risk group share percentage (%)
1. Demirhalkbank N.V.	Netherlands	30,00	30,00
2. Halk Finansal Kiralama AŞ	Istanbul	47,75	47,75
3. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	32,26
4. Fintek AŞ	Ankara	24,00	29,76
5. Ziraat Halk Alternatif Dağ. Kan. AŞ	Istanbul	24,00	24,00
6. Kredi Kayıt Bürosu AŞ	Istanbul	18,18	18,18
7. Bankalararası Kart Merkezi AŞ	Istanbul	18,95	18,95
8. Kredi Garanti Fonu AŞ	Ankara	1,67	1,67

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

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
3.981.940	437.279	57.387	14.293	1.071	7.668	12.515	608.730
392.277	75.552	2.719	1.190	206	15.896	6.995	73.836
38.281	38.110	244	2.634	-	1.622	3.994	33.292
7.094	3.880	135	325	86	311	359	-
14.843	6.444	2.732	335	23	2.902	4.329	-
29.833	22.673	1.764	2.499	9	9.103	6.693	-
18.207	14.400	6.478	912	-	1.067	1.533	-
130.842	127.966	466	7.101	-	3.713	9.317	-

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

(2) The associates that are presented in (b), the financial data of Demirhalkbank N.V. is obtained from 31 March 2010 non-audited financial statements, the financial data of Bankalararası Kart Merkezi AŞ is obtained from 31 December 2009 audited financial statements and the financial data of remaining associates are obtained from 31 December 2009 unaudited financial statements.

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	176.665	164.607
Movements during the period	2.339	12.058
Purchases ⁽¹⁾	944	1.989
Free shares obtained profit from current year's share ⁽¹⁾	4.720	3.919
Dividends from current year income	-	-
Sales	-	-
Revaluation decrease (-) / increase	(3.325)	5.346
Provision for impairment (-) / reversals (+)	-	804
Balance at the end of the period	179.004	176.665
Capital commitments ⁽²⁾	2.000	2.000
Share percentage at the end of the period (%)	-	-

(1) TRY 5.664 of additions in current period is the capital increase to the Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ.

(2) TRY 2000 is the capital commitment to Kredi Garanti Fonu AŞ.

d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	124.597	127.922
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	35.257	35.257
Financing companies	-	-
Other financial investments	18.098	12.434

e) Associates quoted to a stock exchange:

None.

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

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

(8) Information on subsidiaries (Net):

a) Information on subsidiaries:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
Halk Yatırım Menkul Değerler AŞ	Istanbul	99,93	99,96
Birlik Sigorta AŞ	Istanbul	89,18	89,18
Birlik Hayat Sigorta AŞ	Istanbul	94,40	98,86

b) Information related to the subsidiaries as sorted in (a)⁽¹⁾ ⁽²⁾:

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value
63.378	43.314	1.034	1.585	10	3.218	8.882	34.416
150.731	56.405	3.272	953	734	2.110	4.446	70.760
156.703	73.500	432	620	309	6.897	19.225	87.464

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

(2) The information is presented from financial statements as of 31 March 2010 prepared for consolidation purposes.

c) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period (before elimination)	81.133	62.048
Movements during the period	(81.133)	(62.048)
Purchases	-	15.487
Free shares obtained profit from current year's share	-	3.598
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provision for impairment (-)	-	-
Share capital elimination of subsidiaries	(81.133)	(81.133)
Balance at the end of the period	-	-
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

	Current period	Prior period
Banks	-	-
Insurance companies	46.757	46.757
Factoring companies	-	-
Leasing companies	-	-
Financing companies	34.376	34.376
Other financial subsidiaries	-	-

e) Subsidiaries quoted in the stock exchange:

None.

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

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

None.

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

None.

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

None.

(12) Information on tangible assets:

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

(13) Information on intangible assets:

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

(14) Information on investment property:

None.

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

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

(15) Information on deferred tax assets:

	Current period	Prior period
Retirement pay provision and unused vacation provision	50.874	48.765
Precautionary provision for loans under close monitoring	23.932	23.932
Net accrual expense for derivative instruments	3.618	13.146
Marketable securities	108.840	112.958
Provision for lawsuits against bank	4.518	4.518
Amortisation difference on tangible and intangible assets	234	-
Others	8.572	7.473
Total deferred tax assets	200.588	210.792
Amortisation difference on tangible and intangible assets	(27)	(1.997)
Others	(1.083)	(1.233)
Deferred tax liabilities	(1.110)	(3.230)
Deferred tax assets, net	199.478	207.562
Deferred tax accounted in shareholders' equity	24.213	30.334
Available for sale financial assets IRR-fair value difference	26.102	32.856
Foreign currency subsidiaries hedge fund valuation difference	(1.889)	(2.522)

(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:

	Current period	Prior period
Prepaid promotion expenses	198.034	150.371
Clearing House account	122.825	135.916
Receivables from intermediary operations (Receivables from insurance operations and clients)	77.293	65.949
Receivables from credit card payments	58.695	55.812
Other prepaid expenses	50.686	17.259
Receivables from asset sale on credit terms	36.517	59.141
Collaterals received for derivative financial instruments	26.925	51.756
Receivables from banking services	4.402	4.210
Receivables from SDIF	1.986	1.857
Receivables from lawsuits	1.929	3.490
Advances given	968	233
Receivables pending for board of discipline decision	817	686
Cash guarantees given	805	803
Other	64.566	46.590
Total	646.448	594.073

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

II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	7 day call Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 6 months- months	1 year	1 year and over	Cumulative deposits	Total
Saving deposits	1.267.510	-	5.015.013	12.025.594	304.379	149.665	42.512	48.154	18.852.827
Foreign currency deposits	1.404.797	-	3.138.615	7.021.155	804.924	852.497	393.343	8.626	13.623.957
Residents in Turkey	1.363.438	-	3.037.387	4.777.638	741.993	555.715	296.331	8.615	10.781.117
Residents abroad	41.359	-	101.228	2.243.517	62.931	296.782	97.012	11	2.842.840
Public sector deposits	914.458	-	517.413	1.206.114	127.268	367	116	-	2.765.736
Commercial inst. Deposits	1.151.189	-	1.980.423	2.239.719	47.250	4.851	1.386	-	5.424.818
Other inst. deposits	261.162	-	810.134	2.046.693	169.852	2.442	660	-	3.290.943
Precious metals	217.267	-	-	-	-	-	-	-	217.267
Interbank deposits	521.078	-	1.819.533	57.445	-	-	-	-	2.398.056
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	54.690	-	1.413.189	630	-	-	-	-	1.468.509
Foreign banks	301.619	-	406.344	56.815	-	-	-	-	764.778
Participation banks	164.769	-	-	-	-	-	-	-	164.769
Other	-	-	-	-	-	-	-	-	-
Accruals	2.157	-	58.213	108.113	6.369	4.424	1.919	249	181.444
Total	5.739.618	-	13.339.344	24.704.833	1.460.042	1.014.246	439.936	57.029	46.755.048

a.2. Prior period:

	7 day call Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 6 months- months	1 year	1 year and over	Cumulative deposits	Total
Saving deposits	1.180.145	-	3.975.059	12.663.864	293.895	137.856	41.876	43.528	18.336.223
Foreign currency deposits	1.694.001	-	2.892.065	7.160.996	721.422	786.124	400.989	8.624	13.664.221
Residents in Turkey	1.628.571	-	2.800.939	5.207.263	494.871	550.051	353.826	8.613	11.044.134
Residents abroad	65.430	-	91.126	1.953.733	226.551	236.073	47.163	11	2.620.087
Public sector deposits	846.764	-	267.943	739.761	70.985	194	150	-	1.925.797
Commercial inst. Deposits	1.428.159	-	1.641.218	2.288.816	40.071	45.322	1.444	-	5.445.030
Other inst. deposits	299.857	-	136.220	1.570.269	232.496	2.956	655	-	2.242.453
Precious metals	185.269	-	-	-	-	-	-	-	185.269
Interbank deposits	215.341	-	1.599.467	106.926	-	-	-	-	1.921.734
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	25.714	-	1.383.208	80.066	-	-	-	-	1.488.988
Foreign banks	99.216	-	216.259	26.860	-	-	-	-	342.335
Participation banks	90.411	-	-	-	-	-	-	-	90.411
Other	-	-	-	-	-	-	-	-	-
Accruals	358	-	43.890	102.473	5.671	4.054	1.856	217	158.519
Total	5.849.894	-	10.555.862	24.633.105	1.364.540	976.506	446.970	52.369	43.879.246

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

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current period	Prior period	Current period	Prior period
Saving deposits	9.811.040	9.536.031	9.109.797	8.862.514
Foreign currency saving deposits	2.246.876	2.264.490	3.810.774	3.904.828
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	40.342	40.530	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

(*) Accruals are included in the table above in the current period.

- 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	169.656	176.219
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	1.272	930
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	2.637	-	3.078
Swap transactions	-	39.273	-	85.878
Future transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	41.910	-	88.956

(3) a) Banks and Other Financial Institutions:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	107.576	101.610	123.730	100.005
Foreign banks, institutions and funds	80.121	1.936.830	77.992	1.729.790
Total	187.697	2.038.440	201.722	1.829.795

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	107.576	298.992	123.730	292.745
Medium and long-term	80.121	1.739.448	77.992	1.537.050
Total	187.697	2.038.440	201.722	1.829.795

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

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

Main liability of the Parent Bank is deposit, which is composed of 40% of saving deposits and 29% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Parent Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Parent Bank's 44% of banks deposits and 31% of other deposits consist of foreign currency deposits.

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

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

Information on funds provided from repurchase agreement transactions:

	Current period		Prior period	
	TRY	FC	TRY	FC
From domestic transactions	4.371.190	-	5.197.488	-
Financial institutions and organizations	4.294.325	-	5.123.807	-
Other institutions and organizations	39.999	-	36.631	-
Real persons	36.866	-	37.050	-
From overseas transactions	332	635.156	281	544.540
Financial institutions and organizations	-	-	-	544.540
Other institutions and organizations	-	635.156	-	-
Real persons	332	-	281	-
Accruals	24.382	3.075	11.922	3.436
Total	4.395.904	638.231	5.209.691	547.976

- (4) Explanations to the funds:

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

- a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	57.762	1.160.437	134.485	1.181.317

- (5) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 282.599 and does not exceed 10% of the balance sheet total (31 December 2009: TRY 259.838).

- (6) Information on finance lease payables (Net):

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

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

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

(6) Information on finance lease payables (Net): (continued)

b) Explanation on finance lease payables:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	351	246	196	139
Between 1-4 years	-	-	-	-
More than 4 years	-	-	-	-
Total	351	246	196	139

c) Explanations regarding operational leases:

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

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

None.

(8) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior Period
General provisions	306.312	275.695
Provisions for first group loans and receivables	256.836	227.302
Provisions for second group loans and receivables	16.307	21.720
Provisions for non cash loans	33.169	26.673
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 2010, the Parent Bank's specific provisions for unindemnified non-cash loans balance is TRY 44.300 (31 December 2009: TRY 43.618). The Parent Bank provides 50% of provision for these non cash loans. TRY 2.548 (31 December 2009: TRY 2.580) 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.

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

(8) Explanations on provisions: (continued)

d) Information on other provisions:

Total other provision balance amounting to TRY 214.489 (31 December 2009: TRY 213.159) consists of TRY 44.300 (31 December 2009: TRY 43.618) for specific provisions for unindemnified non cash loans, TRY 21.473 (31 December 2009: TRY 21.518) for legal cases filed against the Parent Bank, TRY 50.269 of provision for close monitoring loans (31 December 2009: TRY 50.269), TRY 69.390 of provision for restructured from Group I loans (31 December 2009: TRY 69.390) and TRY 29.057 of other provisions (31 December 2009: TRY 28.364).

Provision balance for possible risks:

As of 31 March 2010, provision of TRY 7.600 has been set for prudence in consideration for any changes that may arise in the economy and the market (31 December 2009: TRY 7.000).

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 of the Parent Bank:

None.

TÜRKİYE HALK BANKASI AŞ**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS (continued)****II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES
(continued)**

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As at 31 March 2010, the Group's corporate tax payable is amounting to TRY 122.061 after setting off TRY 551.319 of prepaid taxes from TRY 673.380 of corporate tax liabilities.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	122.061	133.859
Income on securities tax	35.342	46.121
Property income tax	441	393
Banking and insurance transactions tax (BITT)	17.541	17.927
Foreign exchange transactions tax	2	1
Value added tax payable	102	243
Other	9.745	13.244
Total	185.234	211.788

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	67	80
Social insurance premiums-employer	170	137
Bank social aid pension fund premium-employee	3.260	2.643
Bank social aid pension fund premium-employer	4.453	3.678
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	5	11
Unemployment insurance-employer	15	8
Other	658	575
Total	8.628	7.132

b) Explanations regarding deferred tax liability:

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

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

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

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

None.

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

None.

(12) 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:

Capital system	Paid-in capital	Ceiling
Registered capital system	-	-

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

None.

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

None.

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

None.

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

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

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

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

g) Information on preferred shares:

None.

h) Information on Marketable Securities Revaluation Fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	-	-	-	-
Revaluation difference	82.859	(34.454)	92.163	(51.983)
Exchange rate difference	(14.062)	-	(13.734)	-
Total	68.797	(34.454)	78.429	(51.983)

(13) Information on minority shares:

	Current period	Prior period
Paid-in capital	4.409	4.409
Marketable Securities Revaluation Fund	48	56
Legal Reserves	146	146
Extraordinary Reserves	1.279	1.279
Retained Earnings	704	-
Net Period Income / Loss	308	704
Total	6.894	6.594

(14) Movement of minority interest:

	Current period
Beginning Balance	6.594
Change in Minority Interest	(8)
Net Period Income / Loss	308
Closing Balance	6.894

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

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

(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	3.239.327	2.793.507
Commitments for credit cards and banking services promotions	27.765	27.446
Two days forward foreign exchange buy/sell transactions	774.758	679.448
Other irrevocable commitments	368	3.805
Share capital commitments to associates and subsidiaries ⁽¹⁾	2.250	2.250
Loan granting commitments	1.146.745	1.040.649
Tax and fund liabilities from export commitments	22.514	11.284
Payment commitments for cheques	3.617.924	1.255.978
Total	8.831.651	5.814.367

(1) In the current period, the Parent Bank has TRY 250 of share capital commitment for its financial asset available for sale, Gelişen İşletmeler Piyasaları AŞ and TRY 2.000 of capital commitment for its associate Kredi Garanti Fonu AŞ.

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

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

	Current period	Prior period
Bank acceptance loans	142.386	138.242
Letters of credit	2.597.484	2.243.228
Other guarantees	148.126	158.159
Total	2.887.996	2.539.629

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

	Current period	Prior period
Letters of tentative guarantees	353.471	273.246
Letters of certain guarantees	2.992.970	2.810.912
Letters of advance guarantees	1.318.952	1.276.929
Letters of guarantee given to customs offices	205.442	197.297
Other letters of guarantee	2.351.104	2.216.929
Total	7.221.939	6.775.313

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
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**III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED OFF-BALANCE
SHEET COMMITMENTS AND CONTINGENCIES (continued)**

b.3. Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	172.850	184.145
Within one year or less original maturity	-	-
Within more than one year maturity	172.850	184.145
Other non-cash loans	9.937.085	9.130.797
Total	10.109.935	9.314.942

b.4. Non-cash loans sectoral risk concentrations:

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	11.165	0,27	3.300	0,05	9.698	0,26	3.386	0,06
Farming and raising livestock	9.504	0,23	3.261	0,05	7.628	0,20	3.346	0,06
Forestry	305	0,01	39	-	594	0,02	40	-
Fishing	1.356	0,03	-	-	1.476	0,04	-	-
Manufacturing	1.196.977	29,45	3.516.353	58,09	1.111.669	29,86	3.161.538	56,54
Mining	11.982	0,29	17.906	0,30	12.374	0,33	18.795	0,34
Production	982.255	24,17	3.311.833	54,71	898.871	24,15	2.947.858	52,71
Electric, gas and water	202.740	4,99	186.614	3,08	200.424	5,38	194.885	3,49
Construction	986.170	24,27	1.361.005	22,48	938.941	25,22	1.230.161	22,00
Services	1.846.976	45,62	1.155.820	19,10	1.647.064	44,24	1.181.523	21,13
Wholesale and retail trade	922.999	22,71	490.589	8,10	830.517	22,31	484.851	8,67
Hotel, food and beverage services	41.379	1,01	6.136	0,10	35.642	0,96	5.947	0,11
Transportation and telecommunication	45.341	1,12	53.258	0,88	42.084	1,13	31.009	0,55
Financial Institutions	727.648	18,08	385.202	6,36	622.641	16,72	361.845	6,47
Real estate and renting services	94.889	2,33	98.706	1,63	102.730	2,76	60.728	1,09
Self-employment services	9.222	0,23	121.269	2,00	2.778	0,07	274	-
Education services	2.311	0,06	383	0,01	2.431	0,07	2.817	0,05
Health and social services	3.187	0,08	277	0,02	8.241	0,22	234.052	4,19
Other	15.703	0,39	16.466	0,28	15.593	0,42	15.369	0,27
Total	4.056.991	100,00	6.052.944	100,00	3.722.965	100,00	5.591.977	100,00

b.5. Non-cash loans classified in Group I and II:

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	4.000.506	6.021.025	56.485	31.919
Letters of guarantee	3.951.829	3.182.601	56.485	31.024
Bank acceptances	-	142.386	-	-
Letters of credit	-	2.596.589	-	895
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	48.677	99.449	-	-

TÜRKİYE HALK BANKASI AŞ

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

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

- (1) Information on Off-Balance Sheet liabilities: (continued)
c) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Hedging	
	Current period	Prior period	Current period	Prior period
Types of trading transactions				
Foreign currency related derivative transactions (I)	5.083.877	6.334.837	-	-
Forward foreign currency buy/sell transactions	249.924	545.861	-	-
Currency buy/sell swap	4.833.953	5.788.976	-	-
Currency futures	-	-	-	-
Currency put/call options	-	-	-	-
Interest related derivative transactions (II)	778.290	625.290	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	778.290	625.290	-	-
Interest rate put/call options	-	-	-	-
interest rate buy/sell futures	-	-	-	-
Other trading derivative transactions (III)	935.653	717.890	-	-
A. Total trading derivative transactions (I+II+III)	6.797.820	7.678.017	-	-
Types of derivative transactions for hedging				
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B.Total derivative transactions for hedging	-	-	-	-
Total derivative transactions (A+B)	6.797.820	7.678.017	-	-

- d) Information on contingent liabilities and assets:

The Group has provided TRY 21.473 (31 December 2009: TRY 21.518) of provision for the disputed legal cases filed by various persons and institutions.

- e) Services supplied on behalf of others:

None.

TÜRKİYE HALK BANKASI AŞ**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS (continued)****IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME
STATEMENT**

(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	362.295	39.354	524.058	53.515
Medium and long term loans	482.430	87.930	431.036	66.351
Interest on non-performing loans	29.705	-	26.706	1
Premiums from resource utilization support fund	-	-	-	-
Total	874.430	127.284	981.800	119.867

(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	18.849	-	39.337	80
Domestic banks	719	23	-	58
Overseas banks	205	781	795	4.114
Head office and branches	-	-	-	-
Total	19.773	804	40.132	4.252

c) Interest income from marketable securities:

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

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries and associates	884	2.936

TÜRKİYE HALK BANKASI AŞ

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

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

(2) Information on interest expenses:

a) Information on interest expense on borrowings:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	5.117	9.000	6.670	17.469
Central Bank of Turkey	-	-	-	-
Domestic banks	2.994	874	4.548	1.133
Overseas banks	2.123	8.126	2.122	16.336
Overseas head office and branches	-	-	-	-
Other institutions	6	2	10	-
Total	5.123	9.002	6.680	17.469

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	680	1.068

c) Information on interest expenses to marketable securities issued:

None.

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	137	18.461	422	55	-	-	-	19.075
Saving deposits	1.234	91.462	260.344	5.321	2.988	1.844	-	363.193
Public deposits	247	7.306	16.969	2.862	5	2	-	27.391
Commercial deposits	1.454	45.388	49.609	889	396	34	-	97.770
Other deposits	60	5.018	36.978	2.407	54	12	-	44.529
7 days call accounts	-	-	-	-	-	-	-	-
Total	3.132	167.635	364.322	11.534	3.443	1.892	-	551.958
Foreign currency								
Deposits	207	15.831	35.533	3.668	4.480	2.186	-	61.905
Bank deposits	335	917	-	-	-	-	-	1.252
7 days call accounts	2	-	-	-	-	-	-	2
Precious metal	-	-	-	-	-	-	-	-
Total	544	16.748	35.533	3.668	4.480	2.186	-	63.159
Grand total	3.676	184.383	399.855	15.202	7.923	4.078	-	615.117

(3) Information on dividend income:

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	18	7
Other	4.721	3.916
Total	4.739	3.923

TÜRKİYE HALK BANKASI AŞ

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

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

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

	Current period	Prior period
Profit	1.007.283	1.195.758
Profit from the capital market operations	89.564	31.745
Profit on derivative financial instruments	153.792	264.670
Foreign exchange gains	763.927	899.343
Loss (-)	946.600	1.200.826
Loss from the capital market operations	1.394	449
Loss on derivative financial instruments	262.841	218.320
Foreign exchange losses	682.365	982.057

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	153.792	264.670
Effect of the change in foreign exchange on profit	157.837	234.560
Effect of the change in interest rate on profit	(4.045)	30.110
Loss on derivative financial instruments (-)	262.841	218.320
Effect of the change in foreign exchange on loss	251.459	209.159
Effect of the change in interest rate on loss	11.382	9.161
Profit/loss on derivative financial instruments	109.049	46.350

(5) Information on other operating income:

The Group's other operating income mainly consist of gains from sale of property and income on cancellation of specific provisions due to the principal collection of non-performing loans and insurance premium income.

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	111.360	119.318
Group - III loans and receivables	46.737	65.970
Group - IV loans and receivables	6.278	8.213
Group - V loans and receivables	58.345	45.135
General loan provision expenses	30.640	45
Provision expenses for possible losses	600	-
Marketable securities impairment losses	1	10
Financial assets at fair value through profit and loss	1	10
Financial assets available for sale	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
Associates	-	-
Subsidiaries	-	-
Jointly controlled entities (joint ventures)	-	-
Investments held-to-maturity	-	-
Other	6.134	27.763
Total	148.735	147.136

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010

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

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

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	161.687	144.027
Reserve for employee termination benefits	10.906	10.070
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	16.436	13.999
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	313	266
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	17	-
Amortization expenses of assets that will be disposed of	1.369	810
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	98.982	63.551
Operational leasing expenses	11.007	4.429
Maintenance expenses	8.110	3.014
Advertisement expenses	5.626	4.409
Other expenses ⁽¹⁾	74.239	51.699
Loss on sales of assets	329	771
Other ⁽²⁾	73.560	66.684
Total	363.599	300.178

(1) For the three-month period ended 31 March 2010, this account consists of promotion expenses related to banking activities amounting TRY 26.384 (31 March 2009: TRY 14.222), heating and lightning expenses amounting TRY 5.810 (31 March 2009: TRY 5.545), computer usage expenses amounting TRY 4.275 (31 March 2009: TRY 3.707), cleaning expenses amounting TRY 4.261 (31 March 2009: TRY 3.707), insurance expenses amounting TRY 3.524 (31 March 2009: TRY 2.120), transportation expenses amounting TRY 2.439 (31 March 2009: TRY 2.119), entertainment expenses amounting TRY 2.025 (31 March 2009: TRY 1.616) and other expenses amounting TRY 25.521 (31 March 2009: TRY 18.656).

(2) For the three-month period ended 31 March 2010, this account consists of taxes, duties and charges amounting TRY 16.321 (31 March 2009: TRY 10.216), Saving Deposit Insurance Fund premium expenses amounting TRY 15.530 (31 March 2009: TRY 16.098), Banking Regulation and Supervision Agency establishment share amounting TRY 4.486 (31 March 2009: TRY 3.850) and other expenses amounting TRY 37.223 (31 March 2009: TRY 36.520).

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

The Group's income before tax is due from continuing activities. TRY 843.569 of the income before tax consists of net interest income, TRY 132.475 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Bank is TRY 667.143.

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

For the three-month period ended 31 March 2010, the Group's tax provision amounting to TRY 137.627 consists of TRY 124.499 of current tax charge and TRY 13.128 of deferred tax charge.

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

For the three-month period ended 31 March 2010, the Bank's net operating income after tax is TRY 529.516.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010

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

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

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

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

a. Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Group's performance for the period between 1 January 2010 and 31 March 2010.

b. Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.

(12) Other items do not exceed 10% of the income statement. In case of other items exceed the 10% of the income statement, the sub accounts that forms minimum 20% of the items are;

Other fees and commissions:

	Current period	Prior period
Received intelligence fees	37.460	30.537
Credit card fees and commissions	21.656	20.756
Received fees and commissions - corporate	10.958	7.044
Collection of loans and payments commissions	10.616	10.599
Insurance commissions	10.017	5.242
Appraisal fees	9.354	5.083
Received fees and commissions - consumer	6.066	6.602
Other	28.407	14.803
Total	134.534	100.666

TÜRKİYE HALK BANKASI AŞ

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

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

(1) Explanations on inflation adjustments for equity items:

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

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

(2) Explanations on exchange rate differences:

Foreign currency non-consolidated associates recognized in accordance with the acquisition cost basis are presented in the balance sheet with their foreign currency acquisition cost translated with the exchange rates as of the balance sheet date. Exchange differences related to these foreign currency associates are recognized in the "Capital Reserves" account under equity.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010

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

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

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

For the three-month period ended 31 March 2010, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 34,804 decrease (31 March 2009: TRY 260.741, increase).

(1) 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.

(2) The effect of any change in accounting policies:

None.

(3) Period beginning cash and cash equivalents balance:

	Current period	Prior period
Cash	3.396.373	2.958.475
Cash in TRY and foreign currency	256.719	211.936
Central Bank and others ⁽¹⁾	3.139.654	2.746.539
Cash equivalents	1.172.037	2.119.022
Banks - maturity less than 3 months	1.171.834	2.119.022
Money Market Placements- maturity less than 3 months	203	-
Total cash and cash equivalents	4.568.410	5.077.497

(1) Others items include precious metals.

(4) Period ending cash and cash equivalents balance:

	Current period	Prior period
Cash	3.029.827	2.950.411
Cash in TRY and foreign currency	210.725	202.936
Central Bank and others ⁽¹⁾	2.819.102	2.747.475
Cash equivalents	1.618.360	921.347
Banks - maturity less than 3 months	1.618.360	921.347
Total cash and cash equivalents	4.648.187	3.871.758

(1) Other items include precious metals.

TÜRKİYE HALK BANKASI AŞ

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

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

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

a) Current period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	58.611	22.311	-	-	-	-
Closing balance	65.677	5.135	-	-	-	-
Interest and commissions income	873	11	-	-	-	-

b) Prior period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	80.146	6.861	-	-	-	-
Closing balance	58.611	22.311	-	-	-	-
Interest and commissions income	2.932	4	-	-	-	-

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

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Beginning balance	45.128	108.628	-	-	-	-
Closing Balance	47.867	45.128	-	-	-	-
Interest expense on deposits	680	1.068	-	-	-	-

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

None.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010

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

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

(2) Related to the risk group of the Parent Bank:

a) The relations of the Parent 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 Parent Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates.

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	65.677	0,19
Non-cash loans	5.135	0,05
Deposits	47.867	0,10
Forward and option contracts	-	-
Banks and financial institutions	-	-

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

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

Explained in b).

d) Transactions accounted under the equity method:

Demir-Halkbank N.V., operating in Netherlands and qualified as investments in associates of the Parent Bank, is accounted for in the accompanying consolidated financial statements by the equity method of accounting.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel of the Parent Bank are TRY 1.511 as of 31 March 2010 (31 March 2009: TRY 1.370).

VIII. EXPLANATIONS RELATED TO SUBSEQUENT EVENTS

In accordance with the act dated 26 April 2010 related with reserve deposits (Number 2010/5) the reserve deposit for foreign currency liabilities rates increased from 9% to 9,5%.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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SECTION VII: INDEPENDENT AUDITORS' REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' REVIEW REPORT

The consolidated financial statements as of and for the three-month period ended 31 March 2010 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 21 May 2010 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED BY INDEPENDENT AUDITORS

None.