

Türkiye Halk Bankası Anonim Şirketi

**Unconsolidated Financial Statements
As of and For the Six-month Period Ended 30 June 2010**
*(Convenience Translation of Unconsolidated
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
29 July 2010

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

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

**INDEPENDENT AUDITORS' REVIEW REPORT
AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010**

To the Board of Directors of
Türkiye Halk Bankası AŞ;

We have reviewed the unconsolidated balance sheet of Türkiye Halk Bankası AŞ as of 30 June 2010 and the related unconsolidated income statement, statement of cash flows and statement of changes in shareholders' equity for the six-month period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility as independent auditors is to issue a review report on these financial statements based on our review. The financial statements of the Bank as of and for the year ended 31 December 2009 and, as of and for the six-month period ended 30 June 2009 were audited and reviewed, respectively by another auditor who expressed an unqualified opinion in their report dated 22 February 2010 for the financial statements as of 31 December 2009 and an unqualified review report dated 11 August 2009 for the financial statements as of 30 June 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 financial statements do not present fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ as of 30 June 2010, and of the results of its operations and its cash flows for the six-month period then ended in accordance with the accounting principles and standards that are based on the current regulations described in Article 37 of the (Turkish) Banking Law No 5411; and other communiqués, disclosures and directives announced by the Banking Regulation and Supervision Agency.

Istanbul
29 July 2010

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Partner

Additional paragraph for convenience translation to English:

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

TÜRKİYE HALK BANKASI AŞ

THE UNCONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 unconsolidated six-month financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

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

Unless otherwise indicated, these six-month unconsolidated financial statements and explanatory footnotes and disclosures as of 30 June, 2010 are prepared in thousand Turkish Lira and they have been independently reviewed and presented below in accordance with the Communiqué on "Banks' Accounting Practice and Maintaining Documents", Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Ankara, 29 July 2010

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

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

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

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

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

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TÜRKİYE HALK BANKASI AŞ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

As of 30 June 2010 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	30.06.2010	%	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 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 UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010**

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan CEBECİ	Chairman of the Board of Directors	13.04.2005	Ankara Eco. and Com. Science (ECS) Academy – Economy-Finance.	30
Mehmet Emin ÖZCAN(*)	Vice Chairman of the Board of Directors	24.05.2010	Ankara ECS Academy – Economy&Finance	27
Hüseyin AYDIN	Member of the Board of Directors, Chief Executive Officer	01.06.2005	Ankara Eco. and Com. Science (ECS) Academy – Economy-Finance.	27
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors,	28.03.2003	Doctor of Philosophy in Business Administration Masters Degree: Syracuse University Business School NY-USA, Manchester Uni. U.K. Technology (M.Sc) PhD; Washington International University- Bachelor Degree: METU - Mechanical Engineering	27
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
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
Salim ALKAN(*)	Member of the Board of Directors,	24.05.2010	Bachelor Degree: İstanbul Uni. Business Administration Ankara Uni. Faculty of Political Science-Business Administration	37
Mitat ŞAHİN (*)	Member of the Board of Directors	24.05.2010	Ankara Uni. Faculty of Political Science-Economics	19
Faruk ÖZÇELİK(*)	Member of the Audit Committee	24.05.2010	Ankara Uni. Faculty of Political Science-Business Administration	-
Yusuf DAĞCAN	Member of the Audit Committee	28.03.2003	Eskişehir Economics and Trade Academy	30
Yakup DEMİRCİ	Executive Vice President	11.06.2008	Ankara Uni. Faculty of Political Science, Labor Economics and Industry Relations Dept.	20
Mustafa SAVAŞ	Executive Vice President	12.08.2002	Ankara University – Social Science Faculty, Labour Economics and Industry Relations	19
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	Financial Management and Planning Vice Chief Executive Officer	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	24
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 Üniversitesi, Social Sciences Faculty, Economics.	24

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

TÜRKİYE HALK BANKASI AŞ**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010**

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

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

(*) a) The professionals to the Bank's top management who have assigned to their position in 2010 are listed with titles and dates of assignment.

Name	Title	Assignment Date
Mehmet Akif AYDEMİR	Executive Vice President	04 March 2010
Taner AKSEL	Executive Vice President	26 March 2010
Mehmet Emin ÖZCAN	Vice Chairman of the Board of Directors	24 May 2010
Salim ALKAN	Member of the Board of Directors	24 May 2010
Mitat ŞAHİN	Member of the Board of Directors	24 May 2010
Faruk ÖZÇELİK	Member of the Audit Committee	24 May 2010

b) 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	01 March 2010
Hasan SEZER	Vice Chairman of the Board of Directors	19 March 2010
Burhaneddin TANYERİ	Member of the Board of Directors	24 May 2010
Mustafa ÇELİK	Member of the Board of Directors	24 May 2010
Şeref EFE	Member of the Audit Committee	24 May 2010
Halil ÇELİK	Executive Vice President	24 May 2010
Mehmet Cengiz GÖĞEBAKAN	Executive Vice President	31 May 2010
Mitat ŞAHİN	Member of the Board of Directors	01 July 2010

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

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

a) General information about the Bank:

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

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

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Bank were to be concluded under the provisions of Law No: 4046 based on the "Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law". The procedures relating to restructuring and sale of the shares were to be completed within three years (until 25 November 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term "3 years" in Article 2.2. of Law numbered 4603 was previously amended to "5 years" and 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 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 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 Bank corresponding to 24.98% was completed in the first week of May 2007 and Halkbank shares were traded on İstanbul Stock Exchange ("ISE") as of 10 May 2007 with the base price of TRY full 8,00.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

- d) Under No: 25539 Law regarding the “Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası AŞ and amendments to other acts” which came into force as of 31 July 2004 with the publication of the Official Gazette, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund (“SDIF”)) was transferred to the Bank. Insolvent Pamukbank TAŞ was a private sector deposit bank established by Çukurova İthalat ve İhracat TAO, Karamehmetler Scrip Company and more than 500 shareholders. The 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 Bank's service activities and operating areas: The Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

As of 30 June 2010, the Bank operates with a total of 692 branches consisting of 688 domestic and 4 foreign branches that are 3 in Cyprus and 1 in Bahrain. Domestic Branches include 20 satellite branches, 13 private processing center and 2 change offices. The Bank has also 3 financial service branches in Germany and 1 representative Office in Iran.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010**

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

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

Additional paragraph for convenience translation to English

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

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

1. The Bank’s strategy on financial instruments:

Due to its historical mission, the Bank focuses on granting loans to Small and Medium Size Enterprises (SMEs) and craftsmen. 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 Bank can raise funds from foreign borrowing and money market borrowing.

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

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

IV. INTEREST INCOME AND EXPENSES

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

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

V. FEES AND COMMISSION INCOME AND EXPENSES

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

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

Fair value is the amount for which an asset could be exchanged or a liability could be settled, between knowledgeable willing parties in an 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)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

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

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

1. Cash and banks:

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

2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

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

Financial Assets Held For Trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. 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 30 June 2010 and 31 December 2009.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010**

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. 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 are 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 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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. 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.

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. 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 Bank’s management performs consistent loan portfolio reviews and if any doubts on the collectibility of the loans arise, the related loans are classified in accordance with legislation on “Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” published in the Official Gazette numbered 26333 and dated 1 November 2006. The Bank does not limit the provision amount for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting 100% provision for the outstanding follow-up risk amount excluding the 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 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 November 1, 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)

VIII. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

Reverse repo transactions are recognized under the “Receivables from Reverse Repo Transactions” account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method. As of 30 June 2010 bank has no reverse repo transactions (31 December 2009: None).

X. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated 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.

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

	Estimated useful lives (Year)	Depreciation rate
Buildings	50	2%
Safe-deposit boxes	50	2%
Other movable properties	2-5	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)

XIII. EXPLANATIONS ON LEASING TRANSACTIONS

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable 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 Bank does not participate in the financial leasing transactions as a “lessor”.

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

XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

XV. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XV. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES (continued)

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 Türkiye Halk Bankası AŞ Employee Pension Fund TRY 9.251 of technical provision has been allocated as of 31 December 2006 and kept in financial statements as of December 31, 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.

XVI. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 31 December 2009 has been paid in February 2010, accrued advance tax as of 30 June 2010 will be paid in August 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.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVI. EXPLANATIONS ON TAXATION (continued)

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. Deferred tax assets and liabilities are also offset.

XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Bank 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.

XVIII. EXPLANATIONS ON SHARES AND SHARE ISSUE

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

The Bank has not issued any shares in the current and prior period. In accordance with the decree of the Privatization High Council dated 5 February 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration was completed and the Bank shares were registered to the Board with the decree of the Capital Markets Board dated 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)

XIX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXI. EXPLANATIONS ON SEGMENT REPORTING

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

XXII. EXPLANATION ON OTHER MATTERS

Associates and subsidiaries:

For TRY associates and subsidiaries, the additions of funds (such as revaluation fund) are deducted from the cost of the associate and subsidiary (the additions of these funds to the capital is 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, Birlik Sigorta AŞ, Birlik Hayat Sigorta AŞ, Halk Yatırım Menkul Değerler 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 were 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 FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CAPITAL ADEQUACY RATIO

Risk measurement methods used in the determination of unconsolidated 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 November 1, 2006. As of 30 June 2010, the Bank’s unconsolidated capital adequacy ratio calculated based on the essentials of the related communiqué is 15,10% (31 December 2009: 16,03%).

In calculating the amounts subject to credit risk, the Bank generally evaluates its loans according to their collateral classes based on the relevant risk weights. However, risk rate for fund loans for which the Bank recognises 0% and credit cards and cooperative loans 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 FINANCIAL STRUCTURE (continued)

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

1. Information on the unconsolidated capital adequacy ratio:

	Risk weights						
	0%	10%	20%	50%	100%	150%	200%
Credit risk base amount							
Balance sheet items (Net)	24.976.984	-	2.497.103	11.755.822	22.547.949	15.665	1.017
Cash	261.113	-	8	-	-	-	-
Matured marketable securities	-	-	-	-	-	-	-
Balances at the Central Bank of Turkey	2.153.404	-	-	-	-	-	-
Domestic, foreign banks, head office and overseas branches balances	-	-	2.097.105	-	2.243	-	-
Money market placements	-	-	-	-	-	-	-
Receivables from reverse repos transactions	-	-	-	-	-	-	-
Reserve deposits	977.314	-	-	-	-	-	-
Loans	5.373.219	-	146.499	11.631.087	20.356.114	15.665	1.017
Non-performing loans (Net)	-	-	-	-	289.961	-	-
Finance lease receivables	-	-	-	-	-	-	-
Financial assets available-for-sale	-	-	-	-	-	-	-
Investments held to maturity	15.382.022	-	-	-	-	-	-
Receivables from the asset sale on credit terms	-	-	-	-	35.476	-	-
Miscellaneous receivables	39.831	-	19.211	-	78.591	-	-
Interest and income accruals	591.839	-	2.038	124.735	271.763	-	-
Subsidiaries, associates and jointly controlled entities (joint ventures) (Net)	-	-	-	-	281.232	-	-
Property and equipment	-	-	-	-	1.189.211	-	-
Other assets	198.242	-	232.242	-	43.358	-	-
Off-balance sheet items	106.746	-	391.282	633.224	6.432.994	-	-
Non-cash loans and commitments	106.746	-	251.224	633.224	6.428.025	-	-
Derivative instruments	-	-	140.058	-	4.969	-	-
Non-risk weighted accounts	-	-	-	-	-	-	-
Total risk-weighted assets	25.083.730	-	2.888.385	12.389.046	28.980.943	15.665	1.017

2. Capital adequacy ratio summary:

	Current period	Prior period
Credit risk base amount (CRBA)	35.778.675	30.393.342
Market risk base amount (MRBA)	939.550	836.688
Operational risk base amount (ORBA)	5.120.983	4.369.727
Equity	6.316.038	5.705.659
Equity / (CRBA+MRBA+ORBA)*100	15,10	16,03

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

3. Information on equity items:

	Current period	Prior period
CORE CAPITAL		
Paid-in capital	1.250.000	1.250.000
Nominal capital	1.250.000	1.250.000
Capital commitments (-)	-	-
Adjustment to paid-in capital	1.220.451	1.220.451
Share premium	-	-
Share repeal	-	-
Legal reserves	610.282	507.495
First legal reserve (Turkish Commercial Code 466/1)	297.127	223.672
Second legal reserve (Turkish Commercial Code 466/2)	312.452	283.120
Other legal reserve per special legislation	703	703
Status reserves	-	-
Extraordinary reserves	2.219.149	1.047.336
Reserves allocated by the General Assembly	2.186.397	1.013.914
Retained earnings ⁽¹⁾	47.181	47.181
Accumulated loss	-	-
Foreign currency share capital exchange difference	(14.429)	(13.759)
Adjustment to legal, status and extraordinary reserves	-	-
Profit	1.035.215	1.631.091
Net current period profit	1.035.215	1.631.091
Prior period profit	-	-
Provisions for possible losses up to 25% of core capital	7.600	7.000
Profit on sale of associates, subsidiaries and buildings	-	-
Primary subordinated loans up to 15% of core capital	-	-
Loss that is not covered with reserves (-)	-	-
Net current period loss	-	-
Prior period loss	-	-
Leasehold improvements (-)	57.639	51.945
Prepaid expenses (-)	276.039	156.378
Intangible assets (-)	13.115	10.959
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-
Total Core Capital	5.995.904	5.444.091
SUPPLEMENTARY CAPITAL		
General reserves	343.118	275.695
45% of increase in revaluation fund of movables	-	-
45% of increase in revaluation fund of fixed assets	-	-
Free shares from investment and associates, subsidiaries and joint ventures (business partners)	61	61
Primary subordinated loans which are ignored in the calculation of core capital	-	-
Secondary subordinated loans	-	-
45% of marketable securities and investment securities value increase fund	50.476	46.401
Associates and subsidiaries	43.960	30.222
Financial assets available for sale	6.516	16.179
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal, status and extraordinary reserves)	-	-
Total Supplementary Capital	393.655	322.157
TIER III CAPITAL		
CAPITAL	6.389.559	5.766.248
DEDUCTIONS FROM THE CAPITAL	73.521	60.589
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	53.952	47.690
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank	-	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	-	-
Loans extended being noncompliant with articles 50 and 51 of the Law	-	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	19.569	12.899
Other	-	-
TOTAL SHAREHOLDERS' EQUITY	6.316.038	5.705.659

(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 FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO CREDIT RISK

The Bank, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Bank 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 Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Bank'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 credit committee and updated according to the top management's initiatives and changes in the economic conditions. The Bank receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees are suretyships, immovable mortgages, cash blockages and customer or real person cheques.

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

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

As of 30 June 2010, the receivables of the Group from its top 100 cash loan customers is 24,35 % of its total cash loans.

As of 30 June 2010, receivables of the Bank from its top 100 non-cash loan is 61,15 % of its total non-cash loans.

As of 30 June 2010, share of cash and non-cash receivables of the Bank from its top 100 customers is 17,51 % of its total balance sheet and off-balance sheet assets.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO CREDIT RISK (continued)

As of 30 June 2010, general loan loss provision related to the credit risk incurred by the Bank in accordance with the legislation on “Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” is TRY 343.118 TL.

Sector concentrations for cash loans:

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	819.296	3,01	26.718	0,25	852.052	3,66	44.228	0,50
Farming and raising livestock	806.963	2,97	20.977	0,19	835.386	3,59	35.926	0,40
Forestry	3.003	0,01	-	-	7.269	0,03	-	-
Fishing	9.330	0,03	5.741	0,06	9.397	0,04	8.302	0,09
Manufacturing	4.819.334	17,77	6.059.885	56,02	3.953.350	16,99	5.143.463	57,91
Mining	118.140	0,44	73.767	0,68	85.986	0,37	73.240	0,82
Production	4.674.036	17,23	5.020.051	46,41	3.789.924	16,29	4.563.194	51,38
Electric, gas and water	27.158	0,10	966.067	8,93	77.440	0,33	507.029	5,71
Construction	1.068.450	3,94	154.793	1,43	966.681	4,15	166.972	1,88
Services	10.188.812	37,51	4.473.170	41,35	9.133.782	39,26	3.428.125	38,60
Wholesale and retail trade	5.254.430	19,35	790.205	7,30	4.506.249	19,37	782.415	8,81
Hotel, food and beverage services	306.768	1,13	689.321	6,37	243.912	1,05	571.572	6,44
Transportation and telecommunication	1.181.360	4,35	697.028	6,44	1.485.387	6,38	239.147	2,69
Financial institutions	1.387.366	5,11	571.191	5,28	1.076.888	4,63	726.487	8,18
Real estate and renting services	1.651.588	6,08	1.554.219	14,37	1.434.132	6,16	934.717	10,52
Self-employment services	136.801	0,50	-	-	126.528	0,54	-	-
Education services	92.893	0,34	32.409	0,30	78.589	0,34	38.589	0,43
Health and social services	177.606	0,65	138.797	1,29	182.097	0,78	135.198	1,52
Other	10.254.840	37,77	102.804	0,95	8.360.975	35,94	98.959	1,11
Total	27.150.732	100,00	10.817.370	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 FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO MARKET RISK

The Bank 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 Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Bank. Additionally, the Board of Directors has ensured that the risk management division and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the 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	71.604
(II) Capital requirement to be employed for specific risk - Standard method	864
(III) Capital requirement to be employed for currency risk - Standard method	2.696
(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)	75.164
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	939.550

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

IV. EXPLANATIONS RELATED TO OPERATIONAL RISK

In the calculation of the Bank'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 Bank's last three years' average gross revenue with 12,5. Amount subject to operational risk is TRY 5.120.983 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 Bank are taken into consideration. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira.

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

Announced current foreign exchange buying rates of the Bank as at 30 June 2010 and the previous five working days in full TRY are as follows:

	23.06.2010	24.06.2010	25.06.2010	28.06.2010	29.06.2010	30.06.2010
USD	1,5600000	1,5600000	1,5550000	1,5500000	1,5650000	1,5600000
CHF	1,4013000	1,4133000	1,4176000	1,4298000	1,4400000	1,4403000
GBP	2,3187000	2,3368000	2,3236000	2,3378000	2,3549000	2,3300000
JPY	0,0172843	0,0174410	0,0173997	0,0173768	0,0176889	0,0175817
EURO	1,9093000	1,9226000	1,9120000	1,9106000	1,9044000	1,9119000

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 30 June 2010 are as follows:

	Monthly average
USD	1,5565909
CHF	1,3818773
GBP	2,2951909
JPY	0,0171267
EURO	1,9019364

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

V. EXPLANATIONS RELATED TO CURRENCY RISK (continued)

Information related to 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	1.443.225	24.649	9	4.220	1.472.103
Banks and financial institutions	1.866.238	171.993	1.692	25.084	2.065.007
Financial assets at fair value through profit and loss ⁽³⁾	2.199	18.985	-	55	21.239
Money market placements	-	-	-	-	-
Financial assets available-for-sale	528.241	900.317	-	-	1.428.558
Loans ⁽²⁾	3.848.695	7.020.435	-	32.054	10.901.184
Subsidiaries, associates and entities under common control	191.052	-	-	-	191.052
Held-to-maturity investments	819.801	1.178.256	-	-	1.998.057
Derivative financial assets for hedging purposes	-	-	-	-	-
Tangible assets	45	-	-	5	50
Intangible assets	-	-	-	-	-
Other assets ⁽³⁾	9.505	24.429	-	57	33.991
Total assets	8.709.001	9.339.064	1.701	61.475	18.111.241
Liabilities					
Bank deposits	1.695.177	118.082	38	6.305	1.819.602
Foreign currency deposits	8.202.894	5.306.979	6.271	358.251	13.874.395
Money market balances	-	898.901	-	-	898.901
Funds provided from other financial institutions	1.618.198	522.754	-	335	2.141.287
Marketable securities issued	-	-	-	-	-
Sundry creditors	2.429	10.118	5	90	12.642
Derivative financial liabilities for hedging purposes	-	-	-	-	-
Other liabilities ⁽³⁾	42.470	106.992	588	499	150.549
Total liabilities	11.561.168	6.963.826	6.902	365.480	18.897.376
Net balance sheet position	(2.852.167)	2.375.238	(5.201)	(304.005)	(786.135)
Net off-balance sheet position					
Financial derivative assets⁽⁴⁾	2.991.968	873.336	76.581	345.120	4.287.005
Financial derivative liabilities⁽⁴⁾	133.485	3.213.464	71.953	34.254	3.453.156
Non-cash loans⁽¹⁾	1.673.041	4.732.737	36.285	86.172	6.528.235
Prior period					
Total assets	7.191.668	8.245.862	1.751	101.968	15.541.249
Total liabilities	9.580.414	7.111.320	1.389	378.197	17.071.320
Net balance sheet position	(2.388.746)	1.134.542	362	(276.229)	(1.530.071)
Net off-balance sheet position					
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 83.814 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 26.639), prepaid expenses (TRY 126) in assets; and derivative financial instruments foreign currency expense accruals (TRY 46.231) and shareholders' equity (TRY 58.575) in liabilities are not taken into consideration in the currency risk measurement.

(4) Financial derivative assets include credit default swaps amounting TRY 234.000 and forward precious metal purchase transactions amounted to TRY 262.556. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 262.033.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VI. EXPLANATIONS RELATED TO INTEREST RATE RISK

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

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

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

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

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

Current period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	2.703.657	-	-	-	-	708.635	3.412.292
Banks and financial institutions	2.036.030	-	-	-	-	63.785	2.099.815
Financial assets at fair value through profit and loss	347	28.729	15.545	12.875	22.954	1.924	82.374
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	467.203	1.640.543	594.749	2.231.833	835.650	10.803	5.780.781
Loans	13.874.180	3.462.044	10.571.603	8.125.135	1.173.705	761.435	37.968.102
Held-to-maturity investments	4.948.538	5.535.494	1.943.799	2.214.169	1.264.975	-	15.906.975
Other assets	41.344	-	-	-	-	2.788.662	2.830.006
Total assets	24.071.299	10.666.810	13.125.696	12.584.012	3.297.284	4.335.244	68.080.345
Liabilities							
Bank deposits	1.528.852	54.092	1.010	-	-	1.505.255	3.089.209
Other deposits	31.313.374	9.501.038	1.188.620	1.309	-	6.147.789	48.152.130
Money market balances	3.140.206	962.694	313.242	-	-	-	4.416.142
Sundry creditors	9.098	-	-	-	-	629.184	638.282
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	15.964	1.454.665	742.425	18.209	113.893	798	2.345.954
Other liabilities	1.061.669	79.113	221.305	939	25.579	8.050.023	9.438.628
Total liabilities	37.069.163	12.051.602	2.466.602	20.457	139.472	16.333.049	68.080.345
Balance sheet long position	-	-	10.659.094	12.563.555	3.157.812	-	26.380.461
Balance sheet short position	(12.997.864)	(1.384.792)	-	-	-	(11.997.805)	(26.380.461)
Off-balance sheet long position	14.462	234.000	-	-	-	-	248.462
Off-balance sheet short position	(14.462)	-	-	(198.070)	-	-	(212.532)
Total position	(12.997.864)	(1.150.792)	10.659.094	12.365.485	3.157.812	(11.997.805)	35.930

- (1) TRY 174.045 of deferred tax assets is disclosed under the non-interest bearing column in other assets.
- (2) TRY 289.961 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 FINANCIAL STRUCTURE (continued)

VI. EXPLANATIONS RELATED TO INTEREST RATE RISK (continued)

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	-	-	-	-	671.286	3.415.715
Banks and financial institutions	1.085.140	-	-	-	-	50.890	1.136.030
Financial assets at fair value through profit and loss	35	5.438	5.907	29.937	7.842	6.700	55.859
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	489.682	884.783	442.203	2.427.715	504.187	11.486	4.760.056
Loans	11.259.035	5.282.456	7.180.659	6.484.221	946.682	995.534	32.148.587
Held-to-maturity investments	5.255.585	6.029.805	1.606.675	1.966.409	1.698.328	-	16.556.802
Other assets	-	-	-	-	-	2.577.037	2.577.037
Total assets	20.833.906	12.202.482	9.235.444	10.908.282	3.157.039	4.312.933	60.650.086
Liabilities							
Bank deposits	1.660.704	47.079	-	-	-	215.341	1.923.124
Other deposits	24.045.614	10.795.181	1.548.256	1.014	-	5.636.514	42.026.579
Money market balances	4.912.826	588.018	260.884	-	-	-	5.761.728
Sundry creditors	9.919	-	-	-	-	525.356	535.275
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	7.021.824	8.371.863
Total liabilities	31.694.991	12.584.762	2.736.154	63.384	125.544	13.445.251	60.650.086
Balance sheet long position	-	-	6.499.290	10.844.898	3.031.495	-	20.375.683
Balance sheet short position	(10.861.085)	(382.280)	-	-	-	(9.132.318)	(20.375.683)
Off-balance sheet long position	59.200	481.000	-	-	-	-	540.200
Off-balance sheet short position	-	-	-	(505.160)	-	-	(505.160)
Total position	(10.801.885)	98.720	6.499.290	10.339.738	3.031.495	(9.132.318)	35.040

(1) TRY 207.189 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 FINANCIAL STRUCTURE (continued)

VI. EXPLANATIONS RELATED TO INTEREST RATE RISK (continued)

2. Average interest rates applied to financial instruments:

Current period	EURO	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	5,20
Due from other banks and financial institutions ⁽¹⁾	0,21	0,23	-	7,20
Financial assets at fair value through profit and loss	5,22	4,87	-	8,62
Money market placements	-	-	-	-
Available-for-sale financial assets	5,19	4,86	-	9,64
Loans ⁽²⁾	4,45	5,03	-	13,22
Held-to-maturity investments	6,25	6,94	-	10,69
Liabilities				
Bank deposits	0,52	0,15	-	6,87
Other deposits	1,90	2,55	-	8,76
Money market borrowings	-	1,73	-	7,27
Sundry creditors ⁽³⁾	-	-	-	5,44
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions ⁽⁴⁾	1,82	1,10	-	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 deposit interest rate with a maturity of six months as of 30 June 2010.

(4) Interest rates of borrowings.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO 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 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 Bank.

When funding and liquidity sources are considered, the 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 FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO LIQUIDITY RISK (continued)

Presentation of assets and liabilities according to their remaining maturities:

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

Current period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	708.127	1.322.066	1.223.998	149.489	7.924	189	499	3.412.292
Banks and financial institutions	63.785	2.036.030	-	-	-	-	-	2.099.815
Financial assets at fair value through profit and loss	-	22.097	3.689	13.968	32.271	8.425	1.924	82.374
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	67.424	821.800	307.967	3.551.537	1.021.250	10.803	5.780.781
Loans	578.730	5.518.183	2.980.694	11.872.186	14.531.465	2.486.844	-	37.968.102
Held-to-maturity investments	-	134.721	2.010.515	2.283.699	9.286.053	2.191.987	-	15.906.975
Other assets	392.159	24.092	2.051	5.527	9.673	-	2.396.504	2.830.006
Total assets	1.742.801	9.124.613	7.042.747	14.632.836	27.418.923	5.708.695	2.409.730	68.080.345
Liabilities								
Bank deposits	1.505.255	1.528.852	54.092	1.010	-	-	-	3.089.209
Other deposits	6.149.896	31.298.102	9.484.215	1.154.646	63.965	1.306	-	48.152.130
Funds provided from other financial institutions	809	26.184	294.399	293.815	569.729	1.161.018	-	2.345.954
Money market balances	-	3.140.206	962.694	313.242	-	-	-	4.416.142
Marketable securities issued	-	-	-	-	-	-	-	-
Sundry creditors	629.184	9.098	-	-	-	-	-	638.282
Other liabilities	1.717.529	166.382	130.759	615.264	223.270	153.440	6.431.984	9.438.628
Total liabilities	10.002.673	36.168.824	10.926.159	2.377.977	856.964	1.315.764	6.431.984	68.080.345
Liquidity gap	(8.259.872)	(27.044.211)	(3.883.412)	12.254.859	26.561.959	4.392.931	(4.022.254)	-
Previous period								
Total assets	1.976.132	6.906.425	6.059.773	14.626.111	23.849.000	4.909.103	2.323.542	60.650.086
Total liabilities	7.876.249	30.828.215	11.707.272	2.415.085	862.243	1.201.475	5.759.547	60.650.086
Liquidity gap	(5.900.117)	(23.921.790)	(5.647.499)	12.211.026	22.986.757	3.707.628	(3.436.005)	-

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

(2) TRY 289.961 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 FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION

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

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

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

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

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

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO 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 FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 30 June 2010 are presented in the table below.

	Corporate	Commercial	Entrepreneur	Treasury / investment ⁽¹⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	333.503	218.138	2.944.211	2.558.409	(2.893.604)	3.160.657
Interest on loans	177.029	150.608	1.569.226	141.094	-	2.037.957
Interest income on marketable securities	-	-	-	1.075.119	-	1.075.119
Interest received from banks	-	-	-	41.409	-	41.409
Other interest income ⁽²⁾	156.474	67.530	1.374.985	1.300.787	(2.893.604)	6.172
Interest expense	260.461	146.190	2.093.629	1.890.696	(2.893.604)	1.497.372
Interest on deposits	124.469	47.689	1.001.215	112.113	-	1.285.486
Interest on borrowings	518	3.134	3.116	20.960	-	27.728
Interest on money market borrowings	-	-	-	162.736	-	162.736
Other interest expense ⁽²⁾	135.474	95.367	1.089.298	1.594.887	(2.893.604)	21.422
Net interest income	73.042	71.948	850.582	667.713	-	1.663.285
Net fees and commissions income	19.397	17.087	215.915	18.024	-	270.423
Net trading profit / (loss)	-	-	-	75.587	-	75.587
Dividend income	-	-	-	29.218	-	29.218
Other income	1.625	12.191	142.826	34.828	-	191.470
Loans and other receivables' impairment loss	2.767	10.412	145.649	89.227	-	248.055
Other expenses	5.590	21.368	332.823	333.442	-	693.223
Income before taxes	85.707	69.446	730.851	402.701	-	1.288.705
Income tax provision	-	-	-	(253.490)	-	(253.490)
Net profit for the period	85.707	69.446	730.851	149.211	-	1.035.215
SEGMENT ASSETS						
Marketable securities	-	-	-	21.770.130	-	21.770.130
Banks and money market receivables	-	-	-	2.099.815	-	2.099.815
Associates and subsidiaries (net)	-	-	-	335.184	-	335.184
Loans	5.845.758	4.363.073	23.921.332	4.127.900	-	38.258.063
Other assets	1.186	6.968	534.287	5.074.712	-	5.617.153
TOTAL ASSETS	5.846.944	4.370.041	24.455.619	33.407.741	-	68.080.345
SEGMENT LIABILITIES						
Deposits	5.739.652	2.058.482	34.132.462	9.310.743	-	51.241.339
Derivative financial liabilities held for trading	-	-	-	50.421	-	50.421
Money market balances	-	-	-	4.416.142	-	4.416.142
Borrowing funding loans	11.133	98.687	123.379	2.112.755	-	2.345.954
Other liabilities	40.437	135.374	1.676.531	754.158	-	2.606.500
Provisions and tax payable	6.227	7.168	64.077	910.533	-	988.005
Shareholders' equity	-	-	-	6.431.984	-	6.431.984
TOTAL LIABILITIES	5.797.449	2.299.711	35.996.449	23.986.736	-	68.080.345
OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES						
Guaranties and suretyships	6.178.138	1.837.152	3.001.738	1.877	-	11.018.905
Commitments	36.286	92.003	4.438.781	6.774.746	-	11.341.816
Derivative financial instruments	196.160	73.765	33.249	8.504.153	-	8.807.327

(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 1.171.171 and deferred tax assets amounting TRY 174.045 in other assets are presented under the treasury / investment column.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

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

The Bank does not engage in transaction based on trust.

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	210.210	50.903	205.185	51.525
Central Bank of Turkey	1.729.979	1.421.192	1.911.485	1.247.493
Other	-	8	-	27
Total	1.940.189	1.472.103	2.116.670	1.299.045

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount	1.726.417	447.440	1.908.421	414.491
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits	3.562	973.752	3.064	833.002
Total	1.729.979	1.421.192	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 foreign currency reserve deposits (31 December 2008: 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	-	3.990	-	3.733
Swap transactions	-	34.855	-	16.795
Futures transactions	-	-	-	-
Options	-	47	-	-
Other	-	-	-	-
Total	-	38.892	-	20.528

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

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	17.015	15.280	75.042	14.037
Foreign banks	17.793	2.049.727	9.942	1.037.009
Branches and offices abroad	-	-	-	-
Total	34.808	2.065.007	84.984	1.051.046

(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 UNCONSOLIDATED
FINANCIAL STATEMENTS (continued)**

I. EXPLANATIONS AND NOTES RELATED TO THE 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	-	-	-	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	167.887	-	104.285
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	-	167.887	-	104.285

b) Information on financial assets available for sale portfolio:

	Current period		Prior period	
	TRY	FC	TRY	FC
Debt securities	5.772.149		4.749.597	
Quoted on a stock exchange	5.772.149		4.749.597	
Not quoted	-		-	
Share certificates	11.056		11.727	
Quoted on a stock exchange	-		-	
Not quoted	11.056		11.727	
Impairment provision(-)	2.424		1.268	
Total	5.780.781		4.760.056	

(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	88.852	-	83.872	-
Total	88.852	-	83.872	-

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

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

(5) Information on loans: (continued)

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

Cash loans	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⁾
Non-specialized loans	28.334.270	101.636	918.204	21.393
Discount notes	8.702	-	-	-
Export loans	2.690.079	-	5.886	-
Import loans	-	-	-	-
Loans given to financial sector	1.738.415	-	-	-
Overseas loans	224.332	6	95	27
Consumer loans ⁽¹⁾	8.402.419	39	248.895	17.344
Credit cards ⁽²⁾	578.684	13	25.518	3.623
Precious metals loans	-	-	-	-
Other	14.691.639	101.578	637.810	399
Specialized lending	7.865.627	36.210	246.260	-
Other receivables	-	-	-	-
Accruals	428.822	1.633	13.794	253
Total	36.628.719	139.479	1.178.258	21.646

(1) Includes TRY 66.144 of personnel loans.

(2) Includes TRY 22.708 of personnel credit cards.

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

c) Loans according to their maturity structure:

Cash loans	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⁾
Short-term loans and other receivables	15.202.555	2.361	361.826	2.130
Non-specialized loans	13.462.846	1.077	327.462	2.105
Specialized loans	1.561.729	1.256	30.128	-
Other receivables	-	-	-	-
Accruals	177.980	28	4.236	25
Medium and long-term loans and other receivables	21.426.164	137.118	816.432	19.516
Non-specialized loans	14.871.363	100.585	590.735	19.261
Specialized loans	6.303.960	34.927	216.139	27
Other receivables	-	-	-	-
Accruals	250.841	1.606	9.558	228
Total	36.628.719	139.479	1.178.258	21.646

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

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	199.730	8.226.450	8.426.180
Real estate loans	1.284	3.411.353	3.412.637
Automobile loans	543	27.645	28.188
Consumer loans	197.903	4.787.452	4.985.355
Other	-	-	-
Consumer loans- Indexed to FC	-	464	464
Real estate loans	-	464	464
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans- FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual credit cards-TRY	549.883	2.696	552.579
Installment	95.627	-	95.627
Non-installment	454.256	2.696	456.952
Individual credit cards-FC	-	-	-
Installment	-	-	-
Non-installment	-	-	-
Personnel loans-TRY	4.281	61.863	66.144
Real estate loans	-	42	42
Automobile loans	-	-	-
Consumer loans	4.281	61.821	66.102
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	22.679	29	22.708
Installment	5.548	-	5.548
Non-installment	17.131	29	17.160
Personnel credit cards-FC	-	-	-
Installment	-	-	-
Non-installment	-	-	-
Overdraft accounts-TRY (Retail customer)	175.909	-	175.909
Overdraft accounts-FC (Retail customer)	-	-	-
Total	952.482	8.291.502	9.243.984

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

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	34.617	362.167	396.784
Business residential loans	1.449	185.748	187.197
Automobile loans	33.168	176.419	209.587
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	32.551	-	32.551
Installment	3.734	-	3.734
Non-installment	28.817	-	28.817
Corporate credit cards-FC	-	-	-
Installment	-	-	-
Non-installment	-	-	-
Overdraft accounts-TRY (Commercial customer)	162.160	-	162.160
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	229.328	362.167	591.495

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

f) Loan according to type of borrowers:

	Current period	Prior period
Public	1.524.823	867.815
Private	36.443.279	31.280.772
Total	37.968.102	32.148.587

g) Domestic and overseas loans:

	Current period	Prior period
Domestic loans	37.707.538	31.863.954
Foreign loans	260.564	284.633
Total	37.968.102	32.148.587

h) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	52.059	58.611
Indirect loans granted to subsidiaries and associates	-	-
Total	52.059	58.611

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED
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I. EXPLANATIONS AND NOTES RELATED TO THE 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	115.002	153.184
Loans and receivables with doubtful collectibility	94.894	82.877
Uncollectible loans and receivables	1.204.064	1.122.367
Total	1.413.960	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	35.707	11.680	239.360
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	35.707	11.680	239.360
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 UNCONSOLIDATED
FINANCIAL STATEMENTS (continued)**

I. EXPLANATIONS AND NOTES RELATED TO THE 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 (+)	157.661	45.650	62.686
Transfers from other categories of loans under follow-up (+)	-	112.119	166.789
Transfers to other categories of loans under follow-up (-)	162.672	116.236	-
Collections (-)	67.573	25.818	136.597
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current period end balance	162.786	131.046	1.410.089
Specific provision (-)	115.002	94.894	1.204.064
Net balance on balance sheet	47.784	36.152	206.025

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

(5) Information on loans: (continued)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period (Net)	47.784	36.152	206.025
Loans to granted real persons and legal entities (Gross)	161.847	131.044	1.372.752
Specific provisions (-)	114.063	94.892	1.166.727
Loans to granted real persons and legal entities (Net)	47.784	36.152	206.025
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	939	2	37.337
Specific provisions (-)	939	2	37.337
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 Bank about the uncollectible loans and receivables:

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

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

(l) Explanations on write-off policy:

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

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

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills	-	-	-	-
Government bonds and similar securities	2.352.629	97.687	1.700.157	706.769
Other	-	-	-	-
Total	2.352.629	97.687	1.700.157	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	3.598.033	701.815	5.416.526	604.461
Other	-	-	-	-
Total	3.598.033	701.815	5.416.526	604.461

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

	Current period	Prior period
Government bonds	15.906.975	16.556.802
Treasury bills	-	-
Other public sector debt securities	-	-
Total	15.906.975	16.556.802

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	15.906.975	16.556.802
Quoted on a stock exchange	10.843.075	11.493.920
Not quoted	5.063.900	5.062.882
Impairment provision (-)	-	-
Total	15.906.975	16.556.802

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

	Current period	Prior period
Beginning balance	16.556.802	15.858.882
Foreign currency differences on monetary assets	(39.043)	(17.115)
Purchases during the year ⁽¹⁾	2.402.940	3.727.323
Disposals through sales and redemptions (-) ⁽²⁾	(3.013.724)	(3.028.343)
Impairment provision (-) / provision reversal (+)	-	16.055
Balance at the of the period	15.906.975	16.556.802

(1) Interest income accrual amounting TRY 524.953 have been included in purchases row (31 December 2009: TRY 528.001).

(2) In accordance with the tainting rules defined in paragraph 9 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 30 June 2010, the Bank reclassified TRY 1.243.274 of financial assets from held to maturity investments portfolio to available for sale portfolio. Related amount was presented in "Disposals Through Sales and Redemptions" row.

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

I. EXPLANATIONS AND NOTES RELATED TO THE 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 Bank is as follows:

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of Treasury of Republic of Turkey ⁽²⁾	7.312.032	-	7.594.075	-	5.597.148	883.342	5.732.145	904.383
Obtained with the transfer	2.340.938	-	2.393.881	-	2.340.938	-	2.392.831	-
Reclassified from other securities portfolios ⁽¹⁾	3.782.935	1.348.043	3.920.962	1.388.942	5.535.196	1.672.176	5.796.368	1.731.075
Other	-	598.074	-	609.115	-	-	-	-
Total	13.435.905	1.946.117	13.908.918	1.998.057	13.473.282	2.555.518	13.921.344	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 October 31, 2008 and published in the Official Gazette 27040, TASB, made an amendment related to Article 50 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement and also permitted the reclassification of financial assets recognized as Financial Assets at Fair Value Through Profit and Loss Portfolio to Held to Maturity Financial Assets Portfolio within a certain period identified in the amendments. In order to avoid the effect of market fluctuations on financial assets portfolio, on October 3, 2008 and October 8, 2008, the Bank reclassified from Financial Assets at Fair Value Through Profit and Loss from Available for Sale Financial Assets to Held to Maturity Investments.

(2) The Bank has not reclassified any financial assets from other portfolios to held to maturity investment portfolio during 2010. The additions for the period and financial assets amounting TRY 192.500 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 UNCONSOLIDATED
FINANCIAL STATEMENTS (continued)**

I. EXPLANATIONS AND NOTES RELATED TO THE 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
3.773.151	399.296	53.348	26.214	(17.930)	(5.565)	11.460	573.570
408.864	93.296	2.854	216	26	2.576	6.995	73.836
41.494	41.326	226	513	-	217	3.994	33.292
9.894	3.985	123	55	11	104	359	-
16.780	6.726	2.636	34	-	282	4.329	-
32.291	25.336	1.819	414	-	2.663	6.693	-
18.767	16.305	6.197	200	-	1.905	1.533	-
133.833	130.087	990	1.239	-	2.120	9.317	-

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

(2) The associates that are presented in (b), the financial data of Demir Halkbank N.V is obtained from 30 June 2010 unaudited financial statements, the financial data of Bankalararası Kart Merkezi AŞ is obtained from 31 March 2010 audited financial statements, and the financial data of remaining associates are obtained from 31 March 2010 unaudited financial statements.

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	239.795	262.624
Movements during the period	6.261	(22.829)
Purchases ⁽¹⁾	944	1.989
Bonus shares obtained profit from current year's share ⁽¹⁾	5.317	3.919
Dividends from current year income	-	-
Sales	-	-
Revaluation decrease (-) / increase	-	-
Provision for impairment (-) / reversals (+)	-	28.737
Balance at the end of the period	246.056	239.795
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 Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and TRY597 is the capital increase to Halk Finansal Kiralama AŞ.

(2) TRY 2.000 is the capital commitment to Kredi Garanti Fonu AŞ.

d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	191.052	191.052
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	35.854	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 UNCONSOLIDATED
FINANCIAL STATEMENTS (continued)**

I. EXPLANATIONS AND NOTES RELATED TO THE 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	99,94	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, 2009 prepared for consolidation purposes.

c) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period	81.133	62.048
Movements during the period	7.995	19.085
Purchases	-	15.487
Bonus shares obtained profit from current year's share ⁽¹⁾	7.995	3.598
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provision for impairment (-)	-	-
Balance at the end of the period	89.128	81.133
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(1) TRY 7.995 is capital increase of Halk Yatırım Menkul Değerler AŞ.

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

	Current period	Prior period
Banks	-	-
Insurance companies	46.757	46.757
Factoring companies	-	-
Leasing companies	-	-
Financing companies	42.371	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 UNCONSOLIDATED
FINANCIAL STATEMENTS (continued)**

I. EXPLANATIONS AND NOTES RELATED TO THE 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 communique “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 communique “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 UNCONSOLIDATED
FINANCIAL STATEMENTS (continued)**

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

(15) Information on deferred tax assets:

	Current period	Prior period
Retirement pay provision and unused vacation provision	50.049	48.569
Precautionary provision for loans under close monitoring	23.932	23.932
Net accrual expense for derivative instruments	2.306	13.146
Marketable securities	83.631	112.903
Provision for lawsuits against bank	4.504	4.518
Amortisation difference on tangible and intangible assets	88	-
Others	9.535	6.019
Total deferred tax assets	174.045	209.087
Amortisation difference on tangible and intangible assets	-	(1.898)
Deferred tax liabilities	-	(1.898)
Deferred tax assets, net	174.045	207.189
Deferred tax accounted in shareholders' equity	11.295	24.073
Available for sale financial assets IRR-fair value difference	15.131	31.705
Foreign currency subsidiaries hedge fund valuation difference	(3.836)	(7.632)

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

Not prepared in compliance with the Article 25 of the communique "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	234.372	150.371
Clearing House account	232.242	135.916
Receivables from credit card payments	70.390	55.812
Other prepaid expenses	41.667	6.007
Receivables from asset sale on credit terms	35.477	59.141
Receivables from SDIF	31.701	1.857
Collaterals received for derivative financial instruments	19.211	51.756
Receivables from banking services	4.988	4.210
Receivables from lawsuits	2.054	3.490
Advances given	1.062	215
Receivables pending for board of discipline decision	964	686
Cash guarantees given	818	803
Other	76.336	35.160
Total	751.282	505.424

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

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	7 day call Demand	Up to 1 accounts	1-3 month	1-3 months	3-6 6 months- months	1 year	1 year and over	Cumulative deposits	Total
Saving deposits	1.500.923	-	4.480.848	12.348.145	342.682	147.444	41.198	54.746	18.915.986
Foreign currency									
deposits	1.442.433	-	5.452.652	4.531.936	939.544	876.621	329.288	9.495	13.581.969
Residents in Turkey	1.399.634	-	3.727.311	4.050.823	860.637	530.463	226.554	9.483	10.804.905
Residents abroad	42.799	-	1.725.341	481.113	78.907	346.158	102.734	12	2.777.064
Public sector deposits	1.345.686	-	405.626	1.087.831	120.041	398	447	-	2.960.029
Commercial inst.									
deposits	1.336.898	-	2.758.392	2.749.020	252.289	14.787	978	-	7.112.364
Other inst. deposits	263.345	-	1.394.083	3.288.626	180.749	2.227	649	-	5.129.679
Precious metals	259.347	-	-	-	-	-	-	-	259.347
Interbank deposits	1.505.176	-	1.513.775	67.027	-	1.000	-	-	3.086.978
Central Bank of									
Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	86.370	-	1.235.870	13.494	-	1.000	-	-	1.336.734
Foreign banks	1.396.375	-	277.905	53.533	-	-	-	-	1.727.813
Participation banks	22.431	-	-	-	-	-	-	-	22.431
Other	-	-	-	-	-	-	-	-	-
Accruals	4.162	-	70.386	105.863	8.071	4.584	1.638	283	194.987
Total	7.657.970	-	16.075.762	24.178.448	1.843.376	1.047.061	374.198	64.524	51.241.339

a.2. Prior period:

	7 day call Demand	Up to 1 accounts	1-3 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	1.694.033	-	2.894.452	7.162.518	722.972	786.124	400.989	8.624	13.669.712
Residents in Turkey	1.628.603	-	2.803.326	5.208.785	496.421	550.051	353.826	8.613	11.049.625
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	1.430.088	-	1.655.116	2.337.955	40.071	45.322	1.444	-	5.509.996
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	5.851.855	-	10.572.147	24.683.766	1.366.090	976.506	446.970	52.369	43.949.703

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current period	Prior period	Current period	Prior period
Saving deposits	10.232.982	9.536.031	8.745.809	8.862.514
Foreign currency saving deposits	2.241.413	2.264.490	4.359.211	3.904.828
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	48.381	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	161.423	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	1.977	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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FINANCIAL STATEMENTS (continued)****II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)**

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	3.256	-	3.078
Swap transactions	-	47.058	-	85.878
Future transactions	-	-	-	-
Options	7	100	-	-
Other	-	-	-	-
Total	7	50.414	-	88.956

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	122.352	110.837	123.730	100.005
Foreign banks, institutions and funds	82.315	2.030.450	77.992	1.729.790
Total	204.667	2.141.287	201.722	1.829.795

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	122.352	434.471	123.730	292.745
Medium and long-term	82.315	1.706.816	77.992	1.537.050
Total	204.667	2.141.287	201.722	1.829.795

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

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

Main liability of the Bank is deposit, which is composed of 37% of saving deposits and 27% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Bank's 59% of banks deposits and 29% of other deposits consist of foreign currency deposits.

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

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

Information on funds provided from repurchase agreement transactions:

	Current period		Prior period	
	TRY	FC	TRY	FC
From domestic transactions	3.505.425	-	5.201.549	-
Financial institutions and organizations	3.430.981	-	5.127.868	-
Other institutions and organizations	37.274	-	36.631	-
Real persons	37.170	-	37.050	-
From overseas transactions	1.094	893.935	281	544.540
Financial institutions and organizations	-	893.935	-	544.540
Other institutions and organizations	-	-	-	-
Real persons	1.094	-	281	-
Accruals	10.722	4.966	11.922	3.436
Total	3.517.241	898.901	5.213.752	547.976

(4) Explanations to the funds:

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

a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	167.152	1.169.170	134.485	1.181.317

(5) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 631.542 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 Bank:

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

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FINANCIAL STATEMENTS (continued)****II. EXPLANATIONS AND NOTES RELATED TO THE 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	514	354	196	139
Between 1-4 years	-	-	-	-
More than 4 years	-	-	-	-
Total	514	354	196	139

c) Explanations regarding operational leases:

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

(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	343.118	275.695
Provisions for first group loans and receivables	289.856	227.302
Provisions for second group loans and receivables	15.132	21.720
Provisions for non cash loans	38.130	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 30 June 2010, the Bank's specific provisions for unindemnified non-cash loans balance is TRY 43.000 (31 December 2009: TRY 43.618). The Bank provides 50% of provision for these non cash loans. TRY 2.538 (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 UNCONSOLIDATED
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II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)

(8) Explanations on provisions: (continued)

d) Information on other provisions:

Total other provision balance amounting to TRY 218.060 (31 December 2009: TRY 212.409) consists of TRY 43.000 (31 December 2009: TRY 43.618) for specific provisions for unindemnified non cash loans, TRY 22.519 (31 December 2009: TRY 21.518) for legal cases filed against the 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 32.882 of other provisions (31 December 2009: TRY 27.614).

Provision balance for possible risks:

As of 30 June 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:

None.

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

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 30 June 2010, the Bank's corporate tax payable is amounting to TRY 90.980 after setting off TRY 116.695 of prepaid taxes from TRY 207.675 of corporate tax liabilities.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	90.980	132.900
Income on securities tax	47.823	45.892
Property income tax	520	393
Banking and insurance transactions tax (BITT)	16.884	17.208
Foreign exchange transactions tax	4	1
Value added tax payable	53	184
Other	10.681	13.148
Total	166.945	209.726

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	7	6
Social insurance premiums-employer	11	8
Bank social aid pension fund premium-employee	3.689	2.643
Bank social aid pension fund premium-employer	5.132	3.678
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	-	-
Unemployment insurance-employer	-	-
Other	795	571
Total	9.634	6.906

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 UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

None.

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

None.

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

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

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

(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)	-	97.688	-	97.688
Revaluation difference	53.594	(39.113)	87.936	(51.983)
Exchange rate difference	(14.429)	-	(13.759)	-
Total	39.165	58.575	74.177	45.705

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

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

(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	3.744.838	2.793.507
Commitments for credit cards and banking services promotions	32.353	27.446
Two days forward foreign exchange buy/sell transactions	2.699.496	679.448
Other irrevocable commitments	755.435	3.805
Share capital commitments to associates and subsidiaries ⁽¹⁾	2.250	2.250
Loan granting commitments	521.929	1.040.649
Tax and fund liabilities from export commitments	23.963	11.284
Payment commitments for cheques	3.558.333	1.255.978
Total	11.338.597	5.814.367

(1) In the current period, the Bank has TRY 250 of share capital commitment for its financial asset available for sale, Gelişen İşletmeleri 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	95.603	138.242
Letters of credit	3.021.198	2.243.228
Other guarantees	180.438	158.159
Total	3.297.239	2.539.629

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

	Current period	Prior period
Letters of tentative guarantees	413.387	273.246
Letters of certain guarantees	3.313.753	2.810.912
Letters of advance guarantees	1.283.231	1.276.929
Letters of guarantee given to customs offices	198.397	197.297
Other letters of guarantee	2.512.898	2.216.929
Total	7.721.666	6.775.313

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

b.3. Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	7.107.007	4.648.876
Within one year or less original maturity	298.780	8.344
Within more than one year maturity	6.808.227	4.640.532
Other non-cash loans	3.911.898	4.666.066
Total	11.018.905	9.314.942

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

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	10.485	0,23	3.149	0,05	9.698	0,26	3.386	0,06
Farming and raising livestock	8.915	0,20	3.129	0,05	7.628	0,20	3.346	0,06
Forestry	138	-	20	-	594	0,02	40	-
Fishing	1.432	0,03	-	-	1.476	0,04	-	-
Manufacturing	1.250.686	27,85	3.985.119	61,04	1.111.669	29,86	3.161.538	56,54
Mining	10.801	0,24	55.035	0,84	12.374	0,33	18.795	0,34
Production	1.006.684	22,42	3.715.252	56,91	898.871	24,15	2.947.858	52,71
Electric, gas and water	233.201	5,19	214.832	3,29	200.424	5,38	194.885	3,49
Construction	1.174.596	26,16	1.419.434	21,74	938.941	25,22	1.230.161	22,00
Services	2.037.801	45,38	1.120.295	17,17	1.647.064	44,24	1.181.523	21,13
Wholesale and retail trade	999.952	22,27	491.849	7,53	830.517	22,31	484.851	8,67
Hotel, food and beverage services	44.271	0,99	9.533	0,15	35.642	0,96	5.947	0,11
Transportation and telecommunication	60.195	1,34	41.792	0,64	42.084	1,13	31.009	0,55
Financial Institutions	799.460	17,80	369.429	5,66	622.641	16,72	361.845	6,47
Real estate and renting services	117.591	2,62	95.916	1,47	102.730	2,76	60.728	1,09
Self-employment services	2.843	0,06	99.764	1,53	2.778	0,07	274	-
Education services	2.243	0,05	362	0,01	2.431	0,07	2.817	0,05
Health and social services	11.246	0,25	11.650	0,18	8.241	0,22	234.052	4,19
Other	17.102	0,38	238	-	15.593	0,42	15.369	0,27
Total	4.490.670	100,00	6.528.235	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	4.444.829	6.505.513	45.841	22.722
Letters of guarantee	4.381.840	3.271.383	45.841	22.602
Bank acceptances	-	95.603	-	-
Letters of credit	-	3.021.078	-	120
Endorsements	62.989	117.449	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	-	-	-	-

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FINANCIAL STATEMENTS (continued)**

**III. EXPLANATIONS AND NOTES RELATED TO THE 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)	7.850.668	6.334.837	-	-
Forward foreign currency buy/sell transactions	834.411	545.861	-	-
Currency buy/sell swap	6.941.662	5.788.976	-	-
Currency futures	-	-	-	-
Currency put/call options	74.595	-	-	-
Interest related derivative transactions (II)	-	625.290	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	-	625.290	-	-
Interest rate put/call options	-	-	-	-
interest rate buy/sell futures	-	-	-	-
Other trading derivative transactions (III)	956.659	717.890	-	-
A. Total trading derivative transactions (I+II+III)	8.807.327	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)	8.807.327	7.678.017	-	-

d) Information on contingent liabilities and assets:

The Bank has provided TRY 22.519 (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.

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

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans ⁽¹⁾				
Short term loans	726.443	80.369	982.610	103.231
Medium and long term loans	988.270	177.758	868.308	125.614
Interest on non-performing loans	65.116	1	57.714	1
Premiums from resource utilization support fund	-	-	-	-
Total	1.779.829	258.128	1.908.632	228.846

(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	39.224	-	70.105	80
Domestic banks	95	54	143	99
Overseas banks	453	1.583	1.383	6.197
Head office and branches	-	-	-	-
Total	39.772	1.637	71.631	6.376

c) Interest income from marketable securities:

Not prepared in compliance with the Article 25 of the communique "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	951	4.112

TÜRKİYE HALK BANKASI AŞ

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

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

(2) Information on interest expenses:

a) Information on interest expense on borrowings:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	9.435	18.291	12.973	29.169
Central Bank of Turkey	-	-	-	-
Domestic banks	5.094	1.674	8.628	1.905
Overseas banks	4.341	16.617	4.345	27.264
Overseas head office and branches	-	-	-	-
Other institutions	-	2	-	-
Total	9.435	18.293	12.973	29.169

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	4.771	7.029

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	360	38.281	594	54	7	-	-	39.296
Saving deposits	1.610	187.815	521.711	11.298	6.007	3.703	-	732.144
Public deposits	339	15.491	38.224	5.585	13	8	-	59.660
Commercial deposits	2.670	103.879	117.800	3.871	536	57	-	228.813
Other deposits	60	11.302	76.010	6.761	99	24	-	94.256
7 days call accounts	-	-	-	-	-	-	-	-
Total	5.039	356.768	754.339	27.569	6.662	3.792	-	1.154.169
Foreign currency								
Deposits	368	37.084	69.207	9.474	8.785	4.049	-	128.967
Bank deposits	-	2.332	-	-	-	-	-	2.332
7 days call accounts	18	-	-	-	-	-	-	18
Precious metal	-	-	-	-	-	-	-	-
Total	386	39.416	69.207	9.474	8.785	4.049	-	131.317
Grand total	5.425	396.184	823.546	37.043	15.447	7.841	-	1.285.486

(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	218	597
Other	29.000	10.111
Total	29.218	10.708

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

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

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

	Current period	Prior period
Profit	2.489.662	1.920.331
Profit from the capital market operations	124.396	56.822
Profit on derivative financial instruments	395.633	397.435
Foreign exchange gains	1.969.633	1.466.074
Loss (-)	2.414.075	1.916.264
Loss from the capital market operations	1.853	430
Loss on derivative financial instruments	643.420	399.904
Foreign exchange losses	1.768.802	1.515.930

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	395.632	397.435
Effect of the change in foreign exchange on profit	396.921	396.648
Effect of the change in interest rate on profit	(1.289)	787
Loss on derivative financial instruments (-)	643.419	399.904
Effect of the change in foreign exchange on loss	639.509	372.071
Effect of the change in interest rate on loss	3.910	27.833
Profit/loss on derivative financial instruments	(247.787)	(2.469)

(5) Information on other operating income:

The Bank'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.

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	173.093	220.083
Group - III loans and receivables	78.980	110.386
Group - IV loans and receivables	13.283	13.429
Group - V loans and receivables	80.830	96.268
General loan provision expenses	67.447	30.265
Provision expenses for possible losses	600	-
Marketable securities impairment losses	1	-
Financial assets at fair value through profit and loss	1	-
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	6.914	42.541
Total	248.055	292.889

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

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

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	325.956	291.022
Reserve for employee termination benefits	9.076	22.178
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	33.003	27.534
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	640	422
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	149	-
Amortization expenses of assets that will be disposed of	2.825	1.566
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	207.405	141.751
Operational leasing expenses	24.480	12.955
Maintenance expenses	11.683	6.551
Advertisement expenses	13.924	13.651
Other expenses ⁽¹⁾	157.318	108.594
Loss on sales of assets	1.817	2.504
Other ⁽²⁾	112.352	78.365
Total	693.223	565.342

(1) For the six-month period ended 30 June 2010, this account consists of promotion expenses related to banking activities amounting TRY 59.543 (30 June 2009: TRY 27.668), heating and lighting expenses amounting TRY 10.443 (30 June 2009: TRY 9.697), computer usage expenses amounting TRY 9.456 (30 June 2009: TRY 8.835), cleaning expenses amounting TRY 9.894 (30 June 2009: TRY 8.773), insurance expenses amounting TRY 8.214 (30 June 2009: TRY 5.376), transportation expenses amounting TRY 6.133 (30 June 2009: TRY 5.210), entertainment expenses amounting TRY 4.473 (30 June 2009: TRY 3.803) and other expenses amounting TRY 49.162 (30 June 2009: TRY 39.232).

(2) For the six-month period ended 30 June 2010, this account consists of taxes, duties and charges amounting TRY 33.475 (30 June 2009: TRY 18.707), Saving Deposit Insurance Fund premium expenses amounting TRY 31.842 (30 June 2009: TRY 32.626), Banking Regulation and Supervision Agency establishment share amounting TRY 9.098 (30 June 2009: TRY 7.665) and other expenses amounting TRY 37.937 (30 June 2009: TRY 19.367).

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

The Bank's income before tax is due from continuing activities. TRY 1.663.285 of the income before tax consists of net interest income, TRY 270.423 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Bank is TRY 1.288.705.

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

For the six-month period ended 30 June 2010, the Bank's tax provision amounting to TRY 253.490 consists of TRY 207.675 of current tax charge and TRY 45.815 of deferred tax charge.

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

For the six-month period ended 30 June 2010, the Bank's net operating income after tax is TRY 1.035.215.

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

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

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

a. Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Bank's performance for the period between 1 January 2010 and 30 June 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 form minimum 20% of the items are;

Other fees and commissions:

	Current period	Prior period
Received intelligence fees	80.502	65.318
Credit card fees and commissions	44.978	42.941
Received fees and commissions – corporate	23.869	18.854
Received fees and commissions – consumer	21.988	15.329
Insurance commissions	18.961	10.559
Collection of loans and payments commissions	17.223	17.338
Appraisal fees	17.687	11.513
Other	48.478	45.842
Total	273.686	227.694

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

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

(1) Explanations on inflation adjustments for equity items:

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

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

(2) Explanations on exchange rate differences:

Foreign currency 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 SIX-MONTH PERIOD ENDED 30 JUNE 2010

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

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

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

For the six-month period ended 30 June 2010, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 154.209 increase (30 June 2009: TRY 40.974, 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	3.396.364	2.958.475
Cash in TRY and foreign currency	256.710	211.936
Central Bank and others ⁽¹⁾	3.139.654	2.746.539
Cash equivalents	1.135.955	2.119.022
Banks - maturity less than 3 months	1.135.955	2.119.022
Total cash and cash equivalents	4.532.319	5.077.497

(1) Others items include precious metals.

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

	Current period	Prior period
Cash	3.391.839	3.127.268
Cash in TRY and foreign currency	261.113	222.168
Central Bank and others ⁽¹⁾	3.130.726	2.905.100
Cash equivalents	2.099.348	1.663.032
Banks - maturity less than 3 months	2.099.348	1.663.032
Total cash and cash equivalents	5.491.187	4.790.300

(1) Other items include precious metals.

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

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK

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

a) Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	58.611	22.311	-	-	-	-
Closing balance	52.059	16.015	-	-	-	-
Interest and commissions income	898	53	-	-	-	-

b) Prior period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	80.146	6.861	-	-	-	-
Closing balance	58.611	22.311	-	-	-	-
Interest and commissions income	3.974	138	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
	Deposits					
Beginning balance	115.585	108.628	-	-	-	-
Closing Balance	166.181	115.585	-	-	-	-
Interest expense on deposits	4.771	7.029	-	-	-	-

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

None.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

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

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

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

(2) Disclosures for risk group:

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

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

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	52.059	0,14%
Non-cash loans	16.015	0,15%
Deposits	166.181	0,32%
Forward and option contracts	-	-
Banks and financial institutions	-	-

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

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

Explained in b).

d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 1.970 as of 30 June 2010 (30 June 2009: TRY 1.773).

VIII. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

The Bank provided 2 different pieces of "Syndication Loan" with one year maturity amounting USD 130.000.000 and EURO 349.000.000 from international markets and signed the agreement deal on 15 July 2010. In addition, the Bank authorized 11 other banks as equal regulators in order to acquire other syndication loan with the same terms.

With the decision of Board of Directors for founding, "Halk Gayrimenkul Yatırım Ortaklığı Anonim Şirketi" pre-permission applications have been done to "Banking Regulation and Supervision Agency" and "Capital Markets Board of Turkey".

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

SECTION VII: INDEPENDENT AUDITORS' REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' REVIEW REPORT

The unconsolidated financial statements as of and for the six-month period ended 30 June 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 29 July 2010 is presented in the introduction of this report.

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

None.