

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

# **Türkiye Halk Bankası Anonim Şirketi**

**Unconsolidated Financial Statements  
As of and For the Year Ended 31 December 2010**  
*(Convenience Translation of Unconsolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*  
**With Independent Auditors' Report Thereon**

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

11 February 2011

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

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

**INDEPENDENT AUDITORS' REPORT  
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2010**

To the Board of Directors of  
Türkiye Halk Bankası AŞ;

We have audited the unconsolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") as of 31 December 2010 and the related unconsolidated income statement, statement of cash flows, statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements. The financial statements of the Bank for the year ended 31 December 2009 have been audited by other auditors whose report, dated 22 February 2010, expressed an unqualified opinion.

*Disclosure for the responsibility of the Bank's Board of Directors:*

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the unconsolidated financial statements; and for adopting sound accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette no.26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the statements, communiqués and guidance published by the Banking Regulation and Supervision Agency (BRSA) on accounting and financial reporting principles.

*Disclosure for the Responsibility of the Authorized Audit Firm:*

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no. 26333 dated 1 November 2006 and international standards on auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

*Independent Auditors' Opinion:*

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ as of 31 December 2010 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 of (Turkish) Banking Law No 5411 and the statements, communiqués and guidances published by the BRSA on accounting and financial reporting principles.

Istanbul  
11 February 2011

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

Erdal Tıkmak  
Partner

**Additional paragraph for convenience translation to English:**

As explained in Note 1 in Third Section, 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 YEAR ENDED 31 DECEMBER 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 year end financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- **Section One** : GENERAL INFORMATION ABOUT THE 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' REPORT

Unless otherwise indicated, these year end unconsolidated financial statements and explanatory footnotes and disclosures as of 31 December, 2010 are prepared in thousand Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on "Banks' Accounting Practice and Maintaining Documents", Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Ankara, 11 February 2011

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 Buhan/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 YEAR ENDED 31 DECEMBER 2010

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

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# TÜRKİYE HALK BANKASI AŞ

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

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# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 31 December 2010 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	31.12.2010	%	31.12.2009	%
Prime Ministry Privatization Administration <sup>(1)</sup>	937.276	74,98	937.276	74,98
Public shares	312.261	24,98	312.250	24,98
Other shareholders	463	0,04	474	0,04
<b>Total</b>	<b>1.250.000</b>	<b>100,00</b>	<b>1.250.000</b>	<b>100,00</b>

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

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan CEBECİ	Chairman of the Board of Directors	13.04.2005	Ankara Eco. and Com. Science (ECS) Academy-Economy&Finance	30
Mehmet Emin ÖZCAN(*)	Vice Chairman of the Board of Directors	24.05.2010	Ankara University - Faculty of Political Science-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's Degree: Washington International University- Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU – Faculty of Engineering - Mechanical Engineering.	27
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.04.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree in Finance; Marmara Uni. Banking and Insurance Ins. – International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	20
İbrahim Hakkı TUNCA Y Ahmet YARIZ	Member of the Board of Directors Member of the Board of Directors	09.04.2008 09.04.2008	Bachelor Degree: METU Business Administration. Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins. - Banking Department. Bachelor Degree: Istanbul Uni.- Business Administration.	30 19
Salim ALKAN(*) Sabahattin BİRDAL(*)	Member of the Board of Directors Member of the Board of Directors	24.05.2010 27.10.2010	Ankara Uni. Faculty of Political Science-Business Administration. Istanbul Uni. Faculty of Economics Business Administration-Finance	38 25
Faruk ÖZÇELİK(*)	Member of the Audit Committee	24.05.2010	Master's Degree: Selcuk University Social Sciences Ins.- International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	-
Yusuf DAĞCAN Yakup DEMİRCİ	Member of the Audit Committee Executive Vice President	28.03.2003 11.06.2008	Eskişehir Economics and Trade Academy- Economy&Finance. Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	31 21
Mustafa SAVAŞ	Executive Vice President	12.08.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	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 Department.	22
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. Master's Degree: Marmara University, Banking and Insurance Ins.- Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	19
Süleyman ASLAN	Executive Vice President	17.06.2005	METU Faculty of Economic and Administrative Sciences-International Relations Department.	18
Selahattin SÜLEYMANOĞLU	Executive Vice President	01.07.2007	Master Degree: Selcuk University Social Sciences Ins.- International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	20
Osman ARSLAN	Executive Vice President	01.07.2007	Master's Degree: METU Business Administration for Executives. Bachelor's Degree: METU Faculty of Arts and Sciences- Department of Statistics.	15
Bilgehan KURU	Executive Vice President	01.07.2007	Master's Degree: METU Faculty of Arts and Sciences Bachelor's Degree: METU Faculty of Engineering-Mining Engineering.	24
Mehmet Akif AYDEMİR(*) Taner AKSEL(*)	Executive Vice President Executive Vice President	04.03.2010 26.03.2010	Ankara University, Political Sciences Faculty –Economics. Anadolu University, Faculty of Economic and Administrative Sciences -Economics.	24 24
Ufuk Hacer DENİZCİ YÜCE (*)	Executive Vice President	12.10.2010	Istanbul Technical University Business Administration Faculty-Business Engineering.	21
Mürsel ERTAŞ (*)	Executive Vice President (By proxy)	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences-Foreign Trade & Exchange.	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 YEAR ENDED 31 DECEMBER 2010

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

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

#### III. EXPLANATIONS REGARDING THE BANK'S CHAIRMAN AND MEMBERS OF 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
Ufuk Hacer DENİZCİ YÜCE	Executive Vice President	12 October 2010
Mürsel ERTAŞ	Executive Vice President (by proxy)	12 October 2010
Sabahattin BİRDAL	Member of the Board of Directors	27 October 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 THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE BANK**

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

**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, 13<sup>th</sup> 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 YEAR ENDED 31 DECEMBER 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 3<sup>rd</sup> and 4<sup>th</sup> 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 31 December 2010, the Bank operates with a total of 709 branches consisting of 705 domestic and 4 foreign branches that are 3 in Cyprus and 1 in Bahrain. Domestic Branches include 16 satellite branches, 8 private processing center. 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 YEAR ENDED 31 DECEMBER 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 Items
- III. Statement of Income
- IV. Statement of Income and Expense Items Accounted under Shareholders' Equity
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows
- VII. Statement of Profit Distribution Table

**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 THE 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. Valuation gains or losses are recognized in the profit/loss accounts. Interests gained from the retention of held for trading financial assets are recognized under the interest income and dividends gained is recognized under the dividend income in the income statement. If these assets are disposed of prior to their maturity periods, loss or gain from the disposal is recognized in the income statement by using interest income/expense accounts under profit/loss from the capital market operations.

2.2. Financial assets at fair value through profit and loss

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

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

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

### 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.

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

### 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.

**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.

Other than specific allowances, the Bank provides “general allowances” for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The Bank was providing 0.5% general allowance for cash loans and other receivables; 0.1% general allowances for non-cash loans until 1 November 2006. With the changes in the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No: 26333 dated 1 November 2006, the Bank started to provide general allowance as follows: after 31 October 2006, if standard cash loans and other receivables increased; for the increased part, the provision is 1%; 2% of close monitoring loans, for the account of 31 October 2006 it is 0.5%; after 31 October 2006, if there is an increase in non-cash loans, for the increased part it is 0.2%; 0.4% of close monitoring loans, and for the account of 31 October 2006 it is 0.1%.

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**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.

**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.

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

### 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:

	<b>Estimated useful lives (Year)</b>	<b>Depreciation rate</b>
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. In any case useful life can not exceed the lease period. If the duration of lease agreement is not determined or longer than five years, amortization duration is considered as five years.

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

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**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.

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

### 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 31 December 2007. As of 31 March 2008, part of the related technical provision was set as provision for possible risks and the remaining amount was cancelled. Based on the results of the actuarial report prepared as of 31 December 2010 and 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 April 2010, accrued advance tax as of 31 December 2010 will be paid in February 2011.

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.

**Tax practices in the countries that foreign branches operate:**

Turkish Republic of Northern Cyprus (TRNC)

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

Bahrain

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

**XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS**

The Bank borrows funds from domestic and foreign institutions 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.

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

### SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

#### 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 26 April 2007 and numbered 16/471, and the shares were traded on the Istanbul Stock Exchange as of 10 May 2007.

#### 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. The Bank has terminated the application of net investment hedge for its foreign currency associate Demirhalkbank NV, operating in Netherlands and transferred the valuation difference due to net investment hedge transaction as hedging funds followed under equity to profit and loss.

**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 1 November 2006. As of 31 December 2010, the Bank’s unconsolidated capital adequacy ratio calculated based on the essentials of the related communiqué is 15,94% (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.

**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 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%
<b>Credit risk base amount</b>							
<b>Balance sheet items (Net)</b>	<b>24.372.608</b>	<b>-</b>	<b>1.820.760</b>	<b>14.578.435</b>	<b>24.278.496</b>	<b>22.597</b>	<b>1.067</b>
Cash	379.280	-	12	-	-	-	-
Matured marketable securities	-	-	-	-	-	-	-
Balances at the Central Bank of Turkey	2.949.703	-	-	-	-	-	-
Domestic, foreign banks, head office and overseas branches balances	-	-	987.832	-	1.509	-	-
Money market placements	-	-	-	-	-	-	-
Receivables from reverse repos transactions	-	-	120.000	-	-	-	-
Reserve deposits	1.317.067	-	-	-	-	-	-
Loans	6.670.187	-	517.926	14.443.249	21.903.916	22.597	1.067
Non-performing loans (Net)	-	-	-	-	293.223	-	-
Finance lease receivables	-	-	-	-	-	-	-
Financial assets available-for-sale	-	-	-	-	-	-	-
Investments held to maturity	12.218.461	-	-	-	-	-	-
Receivables from the asset sale on credit terms	-	-	-	-	40.467	-	-
Miscellaneous receivables	36.224	-	15.875	-	82.217	-	-
Interest and Income accruals	555.218	-	4.925	135.186	253.287	-	-
Subsidiaries, associates and jointly controlled entities (joint ventures) (Net)	-	-	-	-	733.027	-	-
Property and equipment	-	-	-	-	950.795	-	-
Other assets	246.468	-	174.190	-	20.055	-	-
<b>Off-balance sheet items</b>	<b>119.562</b>	<b>-</b>	<b>301.754</b>	<b>669.877</b>	<b>7.401.448</b>	<b>-</b>	<b>-</b>
Non-cash loans and commitments	119.562	-	213.070	669.877	7.399.862	-	-
Derivative instruments	-	-	88.684	-	1.586	-	-
<b>Non-risk weighted accounts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total risk-weighted assets</b>	<b>24.492.170</b>	<b>-</b>	<b>2.122.514</b>	<b>15.248.312</b>	<b>31.679.944</b>	<b>22.597</b>	<b>1.067</b>

**2. Capital adequacy ratio summary:**

	Current period	Prior period
Credit risk base amount (CRBA)	39.764.632	30.393.342
Market risk base amount (MRBA)	1.550.350	836.688
Operational risk base amount (ORBA)	5.120.983	4.369.727
Shareholders' Equity	7.399.784	5.705.659
<b>Shareholders' Equity / (CRBA+MRBA+ORBA)*100</b>	<b>15,94</b>	<b>16,03</b>

**TÜRKİYE HALK BANKASI AŞ**

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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
<b>CORE CAPITAL</b>		
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)	312.163	283.120
Other legal reserve per special legislation	992	703
Status reserves	-	-
Extraordinary reserves	2.233.578	1.047.336
Reserves allocated by the General Assembly	2.186.397	1.013.914
Retained earnings <sup>(1)</sup>	47.181	47.181
Accumulated loss	-	-
Foreign currency share capital exchange difference	-	(13.759)
Adjustment to legal, status and extraordinary reserves	-	-
Profit	1.970.569	1.631.091
Net current period profit	1.970.569	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 (-)	66.169	51.945
Prepaid expenses (-)	262.019	156.378
Intangible assets (-)	17.665	10.959
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-
<b>Total Core Capital</b>	<b>6.946.627</b>	<b>5.444.091</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General reserves	390.121	275.695
45% of increase in revaluation fund of movables	-	-
45% of increase in revaluation fund of fixed assets	-	-
Bonus shares from investment and associates, subsidiaries and joint ventures (business partners) <sup>(2)</sup>	44.076	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	52.076	46.401
Associates and subsidiaries	-	30.222
Financial assets available for sale	52.076	16.179
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal, status and extraordinary reserves)	-	-
<b>Total Supplementary Capital</b>	<b>486.273</b>	<b>322.157</b>
<b>TIER III CAPITAL</b>		
<b>CAPITAL</b>	<b>7.432.900</b>	<b>5.766.248</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>33.116</b>	<b>60.589</b>
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	6.581	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	26.535	12.899
Other	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>7.399.784</b>	<b>5.705.659</b>

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

(2) Includes bonus shares of subsidiaries and associates TRY 39.824 accounted under profit and loss and TRY 4.252 accounted under the shareholders' equity in the current period.

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

**II. EXPLANATIONS RELATED TO THE 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 31 December 2010, the receivables of the Group from its top 100 cash loan customers is 23,99 % of its total cash loans.

As of 31 December 2010, receivables of the Bank from its top 100 non-cash loan is 59,89 % of its total non-cash loans.

As of 31 December 2010, share of cash and non-cash receivables of the Bank from its top 100 customers is 18,28 % of its total balance sheet and off-balance sheet assets.

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## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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### SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

#### II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

As of 31 December 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 390.121 TL (31 December 2009: TRY 275.695).

Credit risk by types of borrowers and geographical concentrations:

	Loans to real person and legal entities		Loans to banks and other financial institutions		Marketable Securities <sup>(1)</sup>		Other Loans <sup>(2)</sup>	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Loans according to borrowers</b>								
Private Sector	28.466.360	22.402.819	2.074.764	1.058.788	12.760	11.486	660.862	286.198
Public Sector	1.630.707	867.815	-	-	20.193.831	21.361.231	174.796	185.128
Banks	-	-	60.927	29.600	-	-	989.341	1.135.955
Retail	11.326.183	7.306.663	-	-	-	-	-	-
Share Certificates	-	-	-	-	-	-	-	-
<b>Total</b>	<b>41.423.250</b>	<b>30.577.297</b>	<b>2.135.691</b>	<b>1.088.388</b>	<b>20.206.591</b>	<b>21.372.717</b>	<b>1.824.999</b>	<b>1.607.281</b>
<b>Information according to geographical concentration</b>								
Domestic	41.237.747	30.368.164	2.095.185	1.058.788	20.195.805	21.363.726	1.542.104	369.289
EU countries	66.885	132.477	-	-	8.636	6.990	231.805	1.162.648
OECD Countries <sup>(3)</sup>	-	6.061	-	-	-	-	6.172	6.691
Offshore banking regions	-	-	-	-	-	-	-	-
USA, Canada	-	172	-	-	-	-	13.471	47.448
Other Countries	118.618	70.423	40.506	29.600	2.150	2.001	31.447	21.205
<b>Total</b>	<b>41.423.250</b>	<b>30.577.297</b>	<b>2.135.691</b>	<b>1.088.388</b>	<b>20.206.591</b>	<b>21.372.717</b>	<b>1.824.999</b>	<b>1.607.281</b>

- (1) Includes marketable securities designated at fair value through profit or loss, available for sale and held-to-maturity. Re-discount of marketable securities amounting TRY 889.252 are not included to the table above.
- (2) Includes the on balance sheet transactions classified in the Uniform Chart of Accounts except the ones in the first three categories and the transactions defined as loan in the Article 48 of the Banking Act No: 5411.
- (3) OECD Countries other than EU Countries, USA and Canada.
- (4) Interest and income accruals for the loans amounting TRY 444.323 (31 December 2009: TRY 482.902) are not included in the table above.

Information according to geographical concentration:

	Assets <sup>(2)</sup>	Liabilities <sup>(3)</sup>	Non-cash Loans	Equity Investments <sup>(2)</sup>	Net Profit/Loss
<b>Current Period</b>					
Domestic	71.753.959	57.974.576	12.603.623	668.792	2.010.393
EU countries	223.975	1.717.185	73.790	83.352	-
OECD Countries <sup>(1)</sup>	6.172	17.836	2.219	-	-
Offshore Banking Regions	-	-	-	-	-
USA, Canada	13.470	1.469.957	24.450	-	-
Other Countries	192.441	4.318.151	22.270	224	-
Associates, Subsidiaries and Entities under Common control (Joint Ventures)	-	-	-	-	-
Undistributed Assets /Liabilities <sup>(4)</sup>	-	-	-	-	-
<b>Total</b>	<b>72.190.017</b>	<b>65.497.705</b>	<b>12.726.352</b>	<b>752.368</b>	<b>2.010.393</b>
<b>Prior Period</b>					
Domestic	59.030.758	50.225.620	9.193.437	134.149	1.631.091
EU countries	766.522	2.868.130	101.501	198.042	-
OECD Countries <sup>(1)</sup>	11.711	38.732	4.634	-	-
Offshore Banking Regions	-	-	-	-	-
USA, Canada	651	21.671	12.523	-	-
Other Countries	508.030	1.736.386	2.847	223	-
Associates, Subsidiaries and Entities under Common control (Joint Ventures)	-	-	-	-	-
Undistributed Assets /Liabilities <sup>(4)</sup>	-	-	-	-	-
<b>Total</b>	<b>60.317.672</b>	<b>54.890.539</b>	<b>9.314.942</b>	<b>332.414</b>	<b>1.631.091</b>

- (1) OECD Countries other than EU Countries, USA and Canada
- (2) Total of assets and equity investments represents the total assets in the balance sheet.
- (3) Shareholders' equity components are not included in liabilities.
- (4) Assets and liabilities that cannot be allocated on a coherent basis.

**TÜRKİYE HALK BANKASI AŞ**

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

**II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)**

Sector concentrations for cash loans:

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	698.812	2,19	38.141	0,31	852.052	3,66	44.228	0,50
Farming and raising livestock	686.288	2,15	30.651	0,25	835.386	3,59	35.926	0,40
Forestry	2.807	0,01	-	0,00	7.269	0,03	-	0,00
Fishing	9.717	0,03	7.490	0,06	9.397	0,04	8.302	0,09
Manufacturing	6.001.460	18,79	5.942.927	49,23	3.953.350	16,99	5.143.463	57,91
Mining	92.322	0,29	86.915	0,72	85.986	0,37	73.240	0,82
Production	5.848.346	18,31	5.175.926	42,88	3.789.924	16,29	4.563.194	51,38
Electric, gas and water	60.792	0,19	680.086	5,63	77.440	0,33	507.029	5,71
Construction	1.274.501	3,99	158.718	1,32	966.681	4,15	166.972	1,88
Services	12.112.598	37,93	4.763.990	39,48	9.133.782	39,26	3.428.125	38,60
Wholesale and retail trade	6.288.656	19,69	929.340	7,70	4.506.249	19,37	782.415	8,81
Hotel, food and beverage services	348.260	1,09	920.453	7,63	243.912	1,05	571.572	6,44
Transportation and telecommunication	1.334.864	4,18	737.703	6,11	1.485.387	6,38	239.147	2,69
Financial institutions	1.776.151	5,56	698.219	5,79	1.076.888	4,63	726.487	8,18
Real estate and renting services	1.859.528	5,82	1.230.487	10,20	1.434.132	6,16	934.717	10,52
Self-employment services	200.614	0,63	-	0,00	126.528	0,54	-	0,00
Education services	95.348	0,30	34.260	0,28	78.589	0,34	38.589	0,43
Health and social services	209.177	0,66	213.528	1,77	182.097	0,78	135.198	1,52
Other <sup>(1)</sup>	11.846.421	37,10	1.165.696	9,66	8.360.975	35,94	98.959	1,11
<b>Total</b>	<b>31.933.792</b>	<b>100,00</b>	<b>12.069.472</b>	<b>100,00</b>	<b>23.266.840</b>	<b>100,00</b>	<b>8.881.747</b>	<b>100,00</b>

(1) Accruals are included in other line.

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

**II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)**

The table below shows the maximum risk exposure to credit risk for the components of the financial statements.

<b>Gross Maximum Exposure</b>	<b>Current Period</b>	<b>Prior Period</b>
Due from banks	989.394	1.136.030
Money Market Receivables	120.025	-
Financial Assets at Fair Value through profit or loss	89.359	55.859
Financial Assets Available for Sale	7.398.053	4.760.056
Held to maturity Investments	12.719.179	16.556.802
Loans	44.296.487	32.458.071
<b>Total</b>	<b>65.612.497</b>	<b>54.966.818</b>
Contingent Liabilities	12.726.352	9.314.942
Commitments	9.887.878	5.817.586
<b>Total</b>	<b>22.614.230</b>	<b>15.132.528</b>
<b>Total Credit Risk Exposure</b>	<b>88.226.727</b>	<b>70.099.346</b>

Credit quality per class of financial assets as of 31 December 2010 is as follows:

	<b>Neither past due nor impaired</b>	<b>Past due and individually not impaired</b>	<b>Past due and individually impaired</b>	<b>Total</b>
Receivables from banks	989.394	-	-	989.394
Financial assets at fair value through profit or loss	89.359	-	-	89.359
Loans	42.671.630	185.393	293.223	43.150.246
Corporate Lending	16.498.322	1.768	74.520	16.574.610
SME Lending	12.683.185	158.555	188.111	13.029.851
Consumer Lending	11.384.327	25.070	30.592	11.439.989
Other	2.105.796	-	-	2.105.796
Financial assets available for sale	7.398.053	-	-	7.398.053
Investments held to maturity	12.719.179	-	-	12.719.179

- (1) Loans for which the risk does not belong to the Bank amounting TRY 1.146.241 are not included the table above.
- (2) Specific provision amounting TRY 1.464.530 is made for overdue and impaired assets amounting TRY 1.757.753.
- (3) The above amounts include only the overdue installments of SME, corporate loans and individual loans. The principles of these loans amounting TRY 861.852 and TRY 423.124 respectively.

Credit quality per class of financial assets as of 31 December 2009 is as follows:

	<b>Neither past due nor impaired</b>	<b>Past due and individually not impaired</b>	<b>Past due and individually impaired</b>	<b>Total</b>
Receivables from banks	1.136.030	-	-	1.136.030
Financial assets at fair value through profit or loss	55.859	-	-	55.859
Loans	30.792.981	272.838	309.484	31.375.303
Corporate Lending	7.734.909	9.062	42.761	7.786.732
SME Lending	14.199.491	214.786	180.981	14.595.258
Consumer Lending	7.312.644	48.990	85.742	7.447.376
Other	1.545.937	-	-	1.545.937
Financial assets available for sale	4.760.056	-	-	4.760.056
Investments held to maturity	16.556.802	-	-	16.556.802

- (1) Loans for which the risk does not belong to the Bank amounting TRY 1.082.768 are not included the table above.
- (2) Specific Provision amounting 1.358.428 is made for overdue and impaired assets amounting TRY 1.667.912.
- (3) The above amounts include only the overdue installments of SME, corporate loans and individual loans. The principles of these loans amounting TRY 718.922 and TRY 711 respectively.

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

**II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)**

Corporate and Commercial Loans	Internal/External Valuation Grade	Total	Entrepreneur Firms	Internal/External	Total
				Valuation Grade	
Risk rating group 1	AAA	23.076	<b>High</b>		
Risk rating group 2	AA	2.951.158	Risk rating group 1	1	835.302
Risk rating group 3	A	2.869.336	Risk rating group 2	2	1.418.475
Risk rating group 4	BBB	4.842.305	<b>Standard</b>		
Risk rating group 5	BB	5.253.699	Risk rating group 3	3	1.566.089
Risk rating group 6	B	3.597.484	Risk rating group 4	4	1.783.640
Risk rating group 7	CCC	1.813.933	Risk rating group 5	5	2.027.160
Risk rating group 8	CC	235.982	<b>Below the standard</b>		
Risk rating group 9	C	14.552	Risk rating group 6	6	1.066.825
			Risk rating group 7	7	912.258
<b>Total</b>		<b>21.601.525</b>	<b>Total</b>		<b>9.609.749</b>

- (1) Loans for which the risk does not belong to the Bank amounting TRY 1.146.241 are not included the table above.
- (2) Prepared in accordance with the internal grading results of the Bank.
- (3) Only graded firms are included.
- (4) Includes the total of cash and non cash loans.

Risk Grade (1-4)	Risk Group	Definition of risk group	Risk Grade (%)
1,00 - 1,40	AAA	The firm is an extremely positive firm with its financial and non financial criteria and it can pursue its high credibility in the long run.	100 - 86
1,41 - 1,80	AA	The firm is a positive firm with its financial and non financial criteria and it can pursue its high credibility in the long run.	85 - 73
1,81 - 2,00	A	The firm that has performed its optimization and has a high credibility in the short run and is a credible firm in the medium run.	72 - 67
2,01 - 2,20	BBB	The firm is a credible firm despite the fact that it cannot perform the optimization certain aspects of its financial and non financial criteria.	66 - 60
2,21 - 2,40	BB	The firm cannot retain optimization in the major parts of its financials and non financial criteria. It has speculative attributes but its a credible firm in the short run.	59 - 53
2,41 - 2,60	B	Some of the financial and non financial criteria are negative. It carries highly speculative attributes. In the short run it is a credible firm dependent on the positive conjuncture.	52 - 47
2,61 - 2,80	CCC	The major part of its financial and non financial criteria is negative and the firm is having difficulties in meetings its commitments. But it has guaranteed short run credibility dependent on the positive conjuncture.	46 - 40
2,81 - 3,20	CC	The firm force acceptable risk limits when its financial and non financial criteria considered together, and has poor credibility.	39 - 27
3,21 - 3,60	C	The firm has no credibility when its financial and non financial criteria considered together	26 - 13
3,61 - 4,00	D	The firm has no credibility under any condition.	12 - 0

Carrying amount per class of financial assets whose terms have been renegotiated:

	Current Period	Prior Period
<b>Loans</b>		
Corporate Loans	64.731	80.853
SME Loans	77.407	66.375
Consumer Loans	16.149	10.229
Other	186	8.259
<b>Total</b>	<b>158.473</b>	<b>165.716</b>

- (1) Accruals amounting TRY 1.616 are not included to the table above (31 December 2009: TRY 2.527)
- (2) Presents loans accounted under in restructured or rescheduled loan accounts.

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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### SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

#### II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

The net value and type of collaterals of the loans amounting TRY 906.886 followed under loans and other receivables under close monitoring section is below: (31 December 2009 : TRY 1.515.222).

<b>Collateral Types</b>	<b>Net Value of Collateral Current Period</b>	<b>Net Value of Collateral Prior Period</b>
Real estate mortgage	640.047	1.090.759
Salary pledge, vehicle pledge and pledge of commercial undertaking	51.711	77.369
Financial collaterals (cash, securities pledge, etc.)	283	12
Cheque /bills	12.447	37.346
Suretyship	145.568	165.608
Other	56.830	144.128
<b>Total</b>	<b>906.886</b>	<b>1.515.222</b>

- (1) The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered in the table above.
- (2) Income accruals are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 1.757.753 followed under non performing loans section is below: (31 December 2010: TRY 1.667.912)

<b>Collateral Types</b>	<b>Net Value of Collateral Current Period</b>	<b>Net Value of Collateral Prior Period</b>
Cash	12.877	18.141
Mortgage	578.297	587.068
Pledge	51.662	65.086
Cheque,bills	4.411	5.783
Suretyship	715.001	650.172
Bond	7	7
Other	395.498	341.655
<b>Total</b>	<b>1.757.753</b>	<b>1.667.912</b>

- (1) The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered in the table above.

#### III. EXPLANATIONS RELATED TO THE 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.

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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**SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)**

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

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:

	<b>Amount</b>
(I) Capital requirement to be employed for general market risk - Standard method	103.419
(II) Capital requirement to be employed for specific risk - Standard method	1.105
(III) Capital requirement to be employed for currency risk - Standard method	19.361
(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	143
(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)	124.028
<b>(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)</b>	<b>1.550.350</b>

b) Average market risk table calculated at the end of the months during the period:

	<b>Current Period</b>			<b>Prior Period</b>		
	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>
Interest Rate Risk	83.271	102.999	65.899	41.206	59.794	23.913
Common stock risk	1.774	2.210	1.678	1.847	1.896	1.810
Currency Risk	8.820	29.225	336	5.902	12.018	930
Commodity Risk	-	-	-	-	-	-
Clearance Risk	-	-	-	-	-	-
Option Risk	260	1.429	-	-	-	-
<b>Total Value Subject to Risk</b>	<b>94.125</b>	<b>135.863</b>	<b>67.913</b>	<b>48.955</b>	<b>73.708</b>	<b>26.653</b>

Other price risks

The Bank does not have in equity investments reflected with their fair values; hence it is not subject to share price risk.

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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### SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

#### IV. EXPLANATIONS RELATED TO THE 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 THE CURRENCY RISK

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

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 31 December 2010 and the previous five working days in full TRY are as follows:

	24.12.2010	27.12.2010	28.12.2010	29.12.2010	30.12.2010	31.12.2010
USD	1,5250000	1,5250000	1,5350000	1,5400000	1,5350000	1,5250000
CHF	1,5846000	1,5858000	1,6131000	1,6173000	1,6326000	1,6339000
GBP	2,3519000	2,3487000	2,3596000	2,3752000	2,3637000	2,3808000
JPY	0,0183773	0,0183872	0,0186666	0,0187617	0,0187718	0,0187840
EURO	2,0004000	2,0058000	2,0197000	2,0235000	2,0391000	2,0421000

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

	Monthly average
USD	1,5032609
CHF	1,5515696
GBP	2,3396043
JPY	0,0180372
EURO	1,9863130

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

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

Information related to currency risk:

<b>Current period</b>	<b>EURO</b>	<b>USD</b>	<b>JPY</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>Assets</b>					
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	1.831.074	31.234	32	4.576	1.866.916
Banks and financial institutions	144.411	727.885	1.644	35.396	909.336
Financial assets at fair value through profit and loss <sup>(3)</sup>	886	28.451	-	294	29.631
Money market placements	-	-	-	-	-
Financial assets available-for-sale	797.240	759.236	-	-	1.556.476
Loans <sup>(2)</sup>	4.754.139	7.302.958	429	71.554	12.129.080
Subsidiaries, associates and entities under common control	-	-	-	-	-
Held-to-maturity investments	875.896	1.035.576	-	-	1.911.472
Derivative financial assets held for risk management	-	-	-	-	-
Tangible assets	40	-	-	7	47
Intangible assets	-	-	-	-	-
Other assets <sup>(3)</sup>	13.896	19.027	1.809	2	34.734
<b>Total assets</b>	<b>8.417.582</b>	<b>9.904.367</b>	<b>3.914</b>	<b>111.829</b>	<b>18.437.692</b>
<b>Liabilities</b>					
Bank deposits	1.216.575	612.543	1.078	8.959	1.839.155
Foreign currency deposits	5.726.281	6.963.709	553	576.606	13.267.149
Money market balances	-	614.156	-	-	614.156
Funds provided from other financial institutions	2.584.461	1.036.569	428	1.200	3.622.658
Marketable securities issued	-	-	-	-	-
Sundry creditors	1.960	16.164	6	24	18.154
Derivative financial liabilities held for risk management	-	-	-	-	-
Other liabilities <sup>(3)</sup>	41.852	127.791	523	1.346	171.512
<b>Total liabilities</b>	<b>9.571.129</b>	<b>9.370.932</b>	<b>2.588</b>	<b>588.135</b>	<b>19.532.784</b>
<b>Net balance sheet position</b>	<b>(1.153.547)</b>	<b>533.435</b>	<b>1.326</b>	<b>(476.306)</b>	<b>(1.095.092)</b>
<b>Net off-balance sheet position</b>	<b>924.144</b>	<b>(623.219)</b>	<b>-</b>	<b>485.200</b>	<b>786.125</b>
Financial derivative assets <sup>(4)</sup>	987.958	702.391	-	561.481	2.251.830
Financial derivative liabilities <sup>(4)</sup>	63.814	1.325.610	-	76.281	1.465.705
Non-cash loans <sup>(1)</sup>	1.973.961	3.899.018	29.407	76.153	5.978.539
<b>Prior period</b>					
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
<b>Net balance sheet position</b>	<b>(2.388.746)</b>	<b>1.134.542</b>	<b>362</b>	<b>(276.229)</b>	<b>(1.530.071)</b>
<b>Net off-balance sheet position</b>	<b>2.314.355</b>	<b>(1.287.660)</b>	<b>(1.625)</b>	<b>267.536</b>	<b>1.292.606</b>
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 <sup>(1)</sup>	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 position items.

(2) Includes TRY 59.608 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 13.725), prepaid expenses (TRY 102) in assets; and derivative financial instruments foreign currency expense accruals (TRY 24.161) and shareholders' equity negative (TRY 59.790) in liabilities are not taken into consideration in the currency risk measurement.

(4) Financial derivative assets include credit default swaps amounting TRY 228.750 and forward precious metal purchase transactions amounting to TRY 483.170. Financial derivative liabilities include forward precious metal sale transactions amounting to TRY 474.467.

(5) Demirhalkbank NV (TRY 74.716), an associate operates in foreign currency, Macar Halkbank (TRY 8.636) and International Garagum Bank (TRY 225), followed as available for sale items in foreign currency, are presented in financials with their historical costs since they are non-monetary financial items.

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### SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

Foreign currency sensitivity:

Bank is exposed to currency risk in Euro and USD terms in balance sheet and also utilizes from derivative instruments in order to compensate for currency risk.

The following table sets the Bank's sensitivity to a 10% increase and decrease in the TRY against USD, EURO and the other foreign currencies. 10% sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the possible change in foreign exchange rates. Negative amounts represent value decrease in profit and loss or shareholders' equity due to 10% decrease in value of TRY against EURO or USD.

	Change in currency rate in %	Effect on profit /loss before taxation	
		Current period	Prior period
USD	10% increase	(8.978)	(15.312)
EURO	10% increase	(22.940)	(7.439)
Other	10% increase	1.022	(996)

The Bank's sensitivity to foreign currency rates has increased due to the change of foreign currency position in the current period.

#### VI. EXPLANATIONS RELATED TO THE INTEREST RATE RISK

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

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

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

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

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

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

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

<b>Current period</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 Months</b>	<b>1-5 years</b>	<b>5 years and over</b>	<b>Non-interest bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	-	-	-	-	-	4.649.560	4.649.560
Banks and financial institutions	913.003	-	-	-	-	76.391	989.394
Financial assets at fair value through profit and loss	817	28.064	26.970	25.484	8.024	-	89.359
Money market placements	120.025	-	-	-	-	-	120.025
Financial assets available-for-sale	1.287.224	972.680	788.634	3.252.003	1.084.752	12.760	7.398.053
Loans	14.931.731	6.601.889	9.898.339	10.147.610	1.664.774	758.921	44.003.264
Held-to-maturity investments	3.262.196	3.824.793	1.568.526	2.883.288	1.180.376	-	12.719.179
Other assets	36.352	-	-	-	-	2.937.199	2.973.551
<b>Total assets</b>	<b>20.551.348</b>	<b>11.427.426</b>	<b>12.282.469</b>	<b>16.308.385</b>	<b>3.937.926</b>	<b>8.434.831</b>	<b>72.942.385</b>
<b>Liabilities</b>							
Bank deposits	1.974.261	52.911	21.077	-	-	1.175.579	3.223.828
Other deposits	31.152.080	10.526.245	2.373.468	2.469	-	7.503.924	51.558.186
Money market balances	2.430.599	337.188	387.268	-	-	-	3.155.055
Sundry creditors	14.779	-	-	-	-	727.656	742.435
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	1.072.743	1.830.161	711.700	93.338	115.650	795	3.824.387
Other liabilities	1.162.042	76.225	85.326	-	-	9.114.901	10.438.494
<b>Total liabilities</b>	<b>37.806.504</b>	<b>12.822.730</b>	<b>3.578.839</b>	<b>95.807</b>	<b>115.650</b>	<b>18.522.855</b>	<b>72.942.385</b>
Balance sheet long position	-	-	8.703.630	16.212.578	3.822.276	-	28.738.484
Balance sheet short position	(17.255.156)	(1.395.304)	-	-	-	(10.088.024)	(28.738.484)
Off-balance sheet long position	70.776	230.923	-	-	-	-	301.699
Off-balance sheet short position	(35.363)	(37.586)	-	(198.070)	-	-	(271.019)
<b>Total position</b>	<b>(17.219.743)</b>	<b>(1.201.967)</b>	<b>8.703.630</b>	<b>16.014.508</b>	<b>3.822.276</b>	<b>(10.088.024)</b>	<b>30.680</b>

- (1) TRY 221.471 of deferred tax assets is disclosed under the non interest bearing column in other assets.
- (2) TRY 293.223 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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## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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### SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
<b>Assets</b>							
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
<b>Total assets</b>	<b>20.833.906</b>	<b>12.202.482</b>	<b>9.235.444</b>	<b>10.908.282</b>	<b>3.157.039</b>	<b>4.312.933</b>	<b>60.650.086</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>31.694.991</b>	<b>12.584.762</b>	<b>2.736.154</b>	<b>63.384</b>	<b>125.544</b>	<b>13.445.251</b>	<b>60.650.086</b>
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)
<b>Total position</b>	<b>(10.801.885)</b>	<b>98.720</b>	<b>6.499.290</b>	<b>10.339.738</b>	<b>3.031.495</b>	<b>(9.132.318)</b>	<b>35.040</b>

(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 include borrowings.

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

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

2. Average interest rates applied to financial instruments:

<b>Current period</b>	<b>EURO</b>	<b>USD</b>	<b>JPY</b>	<b>TRY</b>
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-
Due from other banks and financial institutions <sup>(1)</sup>	0,52	1,18	-	7,19
Financial assets at fair value through profit and loss	-	3,93	-	11,30
Money market placements	-	-	-	-
Available-for-sale financial assets	5,00	4,64	-	10,03
Loans <sup>(2)</sup>	3,61	3,03	3,50	11,69
Held-to-maturity investments	6,33	6,85	-	13,62
<b>Liabilities</b>				
Bank deposits	0,28	0,85	-	7,02
Other deposits	2,07	2,52	-	8,29
Money market borrowings	-	1,73	-	6,76
Sundry creditors <sup>(3)</sup>	-	-	-	4,50
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions <sup>(4)</sup>	1,68	1,18	-	6,77
<b>Prior Period</b>				
<b>Assets</b>				
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 <sup>(1)</sup>	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 <sup>(2)</sup>	5,17	5,18	-	14,98
Held-to-maturity investments	6,33	6,69	-	11,18
<b>Liabilities</b>				
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 <sup>(4)</sup>	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) 100% of the declared maximum deposit interest rate with a maturity of six months as of 31 December 2010.

(4) Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 December 2010.

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

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

Interest rate sensitivity:

If interest rates increase by 200 base points as of reporting date all other variables remaining constant;

- Bank's net income before tax will decrease by TRY 1.063 (31 December 2009: TRY 671 decrease).
- Bank's shareholders' equity will decrease by TRY 148.768 (31 December 2009: TRY 95.642 decrease).

**VII. EXPLANATIONS RELATED TO THE 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 THE 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
<b>Assets</b>								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	869.845	1.431.186	1.895.188	437.200	15.311	273	557	4.649.560
Banks and financial institutions	76.391	913.003	-	-	-	-	-	989.394
Financial assets at fair value through profit and loss	-	11.801	12.331	21.285	35.918	8.024	-	89.359
Money market placements	-	120.025	-	-	-	-	-	120.025
Financial assets available-for-sale	-	606.036	166.728	310.970	4.414.957	1.886.602	12.760	7.398.053
Loans	763.451	6.602.538	3.451.949	12.189.567	17.746.214	3.249.545	-	44.003.264
Held-to-maturity investments	-	146.552	307.483	739.518	9.988.304	1.537.322	-	12.719.179
Other assets	312.132	13.037	10.244	139	12.932	-	2.625.067	2.973.551
<b>Total assets</b>	<b>2.021.819</b>	<b>9.844.178</b>	<b>5.843.923</b>	<b>13.698.679</b>	<b>32.213.636</b>	<b>6.681.766</b>	<b>2.638.384</b>	<b>72.942.385</b>
<b>Liabilities</b>								
Bank deposits	1.175.579	1.974.261	52.911	21.077	-	-	-	3.223.828
Other deposits	7.503.924	31.150.702	10.522.768	2.302.765	76.634	1.393	-	51.558.186
Funds provided from other financial institutions	801	91.281	218.836	1.365.391	772.041	1.376.037	-	3.824.387
Money market balances	-	2.430.599	337.188	387.268	-	-	-	3.155.055
Marketable securities issued	-	-	-	-	-	-	-	-
Sundry creditors	727.656	14.779	-	-	-	-	-	742.435
Other liabilities	2.097.103	135.332	118.804	265.845	215.417	161.313	7.444.680	10.438.494
<b>Total liabilities</b>	<b>11.505.063</b>	<b>35.796.954</b>	<b>11.250.507</b>	<b>4.342.346</b>	<b>1.064.092</b>	<b>1.538.743</b>	<b>7.444.680</b>	<b>72.942.385</b>
<b>Liquidity gap</b>	<b>(9.483.244)</b>	<b>(25.952.776)</b>	<b>(5.406.584)</b>	<b>9.356.333</b>	<b>31.149.544</b>	<b>5.143.023</b>	<b>(4.806.296)</b>	<b>-</b>
<b>Previous period</b>								
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
<b>Liquidity gap</b>	<b>(5.900.117)</b>	<b>(23.921.790)</b>	<b>(5.647.499)</b>	<b>12.211.026</b>	<b>22.986.757</b>	<b>3.707.628</b>	<b>(3.436.005)</b>	<b>-</b>

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

(2) TRY 293.223 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.

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

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

Analysis of non-derivative financial liabilities by remaining contractual maturities:

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Deposits	41.909.552	10.676.191	2.396.774	76.836	1.394	(278.733)	54.782.014
Funds provided from other financial institutions	101.222	222.617	1.423.755	972.728	1.540.319	(436.254)	3.824.387
Money market borrowings	2.436.522	338.603	392.106	-	-	(12.176)	3.155.055
Securities issued	-	-	-	-	-	-	-
Funds	581.080	119.619	249.201	214.734	175.427	(44.829)	1.295.232
Sundry Creditors	742.435	-	-	-	-	-	742.435
<b>Total</b>	<b>45.770.811</b>	<b>11.357.030</b>	<b>4.461.836</b>	<b>1.264.298</b>	<b>1.717.140</b>	<b>(771.992)</b>	<b>63.799.123</b>

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>Liabilities</b>							
Deposits	31.621.865	10.940.053	1.549.657	51.513	1.429	(214.814)	43.949.703
Funds provided from other financial institutions	38.181	131.935	442.958	622.688	1.212.870	(417.115)	2.031.517
Money market borrowings	4.918.910	593.359	263.888	-	-	(14.429)	5.761.728
Securities issued	-	-	-	-	-	-	-
Funds	563.307	95.831	266.867	249.137	174.520	(33.860)	1.315.802
Sundry Creditors	535.275	-	-	-	-	-	535.275
<b>Total</b>	<b>37.677.538</b>	<b>11.761.178</b>	<b>2.523.370</b>	<b>923.338</b>	<b>1.388.819</b>	<b>(680.218)</b>	<b>53.594.025</b>

Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

In accordance with the Communiqué on the “Measurement and Assessment of Liquidity of the Banks” published in the official gazette dated 1 November 2006 No: 26333, beginning from 1 June 2007 liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%. Liquidity ratio as at 31 December 2010 and 2009 are presented below:

	Current Period				Prior Period			
	First maturity Tranche(Weekly)		First maturity Tranche(Monthly)		First maturity Tranche(Weekly)		First maturity Tranche(Monthly)	
	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC
Average	168,36	194,3	113,4	119,53	223,2	230,72	132,83	132,5
Maximum	218,68	248,76	139,41	130,76	415,46	347,64	180,33	155,66
Minimum	118,89	172,05	92,27	108,27	163,06	178,45	108,68	115,1

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

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

Analysis of Bank's derivative financial instruments according to their remaining maturities:

<b>Current Period</b>	<b>Up to one month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Forwards Contracts- Buy	23.743	21.192	7.391	-	-	52.326
Forward Contracts – Sell	23.713	21.153	7.404	-	-	52.270
Swaps – Buy	1.218.848	59.343	251.625	76.250	-	1.606.066
Swaps – Sell	1.207.894	58.750	247.590	59.500	-	1.573.734
Credit Default Swap – Buy	-	-	-	228.750	-	228.750
Credit Default Swap – Sell	-	-	-	198.070	-	198.070
Forward Precious Metal - Buy	-	483.170	-	-	-	483.170
Forward Precious Metal - Sell	-	474.467	-	-	-	474.467
Money Buy Options	87.092	9.004	-	-	-	96.096
Money Sell Options	87.267	8.826	-	-	-	96.093
<b>Total</b>	<b>2.648.557</b>	<b>1.135.905</b>	<b>514.010</b>	<b>562.570</b>	<b>-</b>	<b>4.861.042</b>

<b>Prior Period</b>	<b>Up to one month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Forwards Contracts- Buy	235.314	34.053	3.230	-	-	272.597
Forward Contracts – Sell	235.473	34.540	3.251	-	-	273.264
Swaps - Buy	2.578.745	218.725	74.000	-	-	2.871.470
Swaps - Sell	2.609.361	231.620	76.525	-	-	2.917.506
Interest Rate Swaps - Buy	-	-	-	318.200	-	318.200
Interest Rate Swaps - Sell	-	-	-	307.090	-	307.090
Credit Default Swap - Buy	-	-	-	222.000	-	222.000
Credit Default Swap - Sell	-	-	-	198.070	-	198.070
Forward Precious Metal - Buy	-	148.799	-	-	-	148.799
Forward Precious Metal - Sell	-	149.021	-	-	-	149.021
<b>Total</b>	<b>5.658.893</b>	<b>816.758</b>	<b>157.006</b>	<b>1.045.360</b>	<b>-</b>	<b>7.678.017</b>

**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,
- 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 31 December 2010 are presented in the table below.

<b>Current Period</b>	<b>Corporate</b>	<b>Commercial</b>	<b>SME/ Intagrated</b>	<b>Treasury / Investment<sup>(1)</sup></b>	<b>Elimination<sup>(2)</sup></b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>						
Interest income	772.010	492.956	6.074.668	5.177.666	(6.166.685)	6.350.615
Interest on loans	433.012	349.072	3.191.646	282.525	-	4.256.255
Interest income on marketable securities	-	-	-	2.014.419	-	2.014.419
Interest received from banks	-	-	-	71.414	-	71.414
Other interest income <sup>(2)</sup>	338.998	143.884	2.883.022	2.809.308	(6.166.685)	8.527
Interest expense	610.179	337.364	4.369.057	4.009.686	(6.166.685)	3.159.601
Interest on deposits	268.369	100.696	2.078.216	324.774	-	2.772.055
Interest on borrowings	820	6.104	6.152	53.131	-	66.207
Interest on money market borrowings	-	-	-	271.819	-	271.819
Other interest expense <sup>(2)</sup>	340.990	230.564	2.284.689	3.359.962	(6.166.685)	49.520
Net interest income	161.831	155.592	1.705.611	1.167.980	-	3.191.014
Net fees and commissions income	41.503	37.163	419.926	27.272	-	525.864
Net trading profit / (loss)	-	-	-	114.756	-	114.756
Dividend income	-	-	-	55.935	-	55.935
Other income	2.343	27.271	253.740	292.066	-	575.420
Loans and other receivables' impairment loss	3.180	21.915	255.501	177.838	-	458.434
Other expenses	11.644	45.604	706.439	731.583	-	1.495.270
Income before taxes	190.853	152.507	1.417.337	748.588	-	2.509.285
Income tax provision	-	-	-	(498.892)	-	(498.892)
Net profit for the period	190.853	152.507	1.417.337	249.696	-	2.010.393
<b>SEGMENT ASSETS</b>						
Marketable securities	-	-	-	20.172.284	-	20.172.284
Derivative financial assets held for trading	-	-	-	34.307	-	34.307
Banks and money market receivables	-	-	-	1.109.419	-	1.109.419
Associates and subsidiaries (net)	-	-	-	739.608	-	739.608
Loans	7.002.121	5.781.770	27.248.538	4.264.058	-	44.296.487
Other assets	13.120	76.641	965.886	5.534.633	-	6.590.280
<b>TOTAL ASSETS</b>	<b>7.015.241</b>	<b>5.858.411</b>	<b>28.214.424</b>	<b>31.854.309</b>	<b>-</b>	<b>72.942.385</b>
<b>SEGMENT LIABILITIES</b>						
Deposits	7.210.628	2.602.577	38.941.181	6.027.628	-	54.782.014
Derivative financial liabilities held for trading	-	-	-	39.151	-	39.151
Money market balances	-	-	-	3.155.055	-	3.155.055
Borrowing funding loans	7.441	95.736	132.071	3.589.139	-	3.824.387
Other liabilities	32.227	60.387	1.797.216	682.046	-	2.571.876
Provisions and tax payable	6.101	9.367	72.105	1.037.649	-	1.125.222
Shareholders' equity	-	-	-	7.444.680	-	7.444.680
<b>TOTAL LIABILITIES</b>	<b>7.256.397</b>	<b>2.768.067</b>	<b>40.942.573</b>	<b>21.975.348</b>	<b>-</b>	<b>72.942.385</b>
<b>OFF BALANCE SHEET ITEMS</b>						
Guarantees and suretyships	6.987.939	2.407.489	3.329.660	1.264	-	12.726.352
Commitments	48.183	105.255	4.670.000	5.064.440	-	9.887.878
Derivative financial instruments	-	32.354	30.180	4.798.508	-	4.861.042

(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 945.368 (net) and deferred tax assets amounting TRY 221.471 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)**

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

Prior Period	Corporate	Commercial	SME/ Intagrated	Treasury / Investment <sup>(1)</sup>	Elimination <sup>(2)</sup>	Total
<b>OPERATING INCOME / EXPENSES</b>						
Interest income	679.248	501.979	6.675.653	6.089.215	(7.129.391)	6.816.704
Interest on loans	373.903	308.957	3.240.958	302.224	-	4.226.042
Interest income on marketable securities	-	-	-	2.442.237	-	2.442.237
Interest received from banks	-	-	-	126.342	-	126.342
Other interest income <sup>(2)</sup>	305.345	193.022	3.434.695	3.218.412	(7.129.391)	22.083
Interest expense	519.919	347.237	5.151.785	4.818.446	(7.129.391)	3.707.996
Interest on deposits	213.416	125.504	2.712.007	161.327	-	3.212.254
Interest on borrowings	1.951	10.256	6.149	56.011	-	74.367
Interest on money market borrowings	-	-	-	331.373	-	331.373
Other interest expense <sup>(2)</sup>	304.552	211.477	2.433.629	4.269.735	(7.129.391)	90.002
Net interest income	159.329	154.742	1.523.868	1.270.769	-	3.108.708
Net fees and commissions income	30.276	27.196	369.288	33.830	-	460.590
Net trading profit / (loss)	-	-	-	15.854	-	15.854
Dividend income	-	-	-	10.774	-	10.774
Other income	3.838	16.368	163.095	77.764	-	261.065
Loans and other receivables' impairment loss	2.629	54.388	328.356	260.759	-	646.132
Other expenses	11.798	37.968	528.568	615.325	-	1.193.659
Income before taxes	179.016	105.950	1.199.327	532.907	-	2.017.200
Income tax provision	-	-	-	(386.109)	-	(386.109)
Net profit for the period	179.016	105.950	1.199.327	146.798	-	1.631.091
<b>SEGMENT ASSETS</b>						
Marketable securities	-	-	-	21.352.189	-	21.352.189
Derivative financial assets held for trading	-	-	-	20.528	-	20.528
Banks and money market receivables	-	-	-	1.136.030	-	1.136.030
Associates and subsidiaries (net)	-	-	-	320.928	-	320.928
Loans	4.262.748	3.179.019	20.904.779	4.111.525	-	32.458.071
Other assets	280	5.237	427.392	4.929.431	-	5.362.340
<b>TOTAL ASSETS</b>	<b>4.263.028</b>	<b>3.184.256</b>	<b>21.332.171</b>	<b>31.870.631</b>	<b>-</b>	<b>60.650.086</b>
<b>SEGMENT LIABILITIES</b>						
Deposits	3.886.374	1.993.233	32.174.263	5.895.833	-	43.949.703
Derivative financial liabilities held for trading	-	-	-	88.956	-	88.956
Money market balances	-	-	-	5.761.728	-	5.761.728
Borrowing funding loans	19.780	101.008	102.957	1.807.772	-	2.031.517
Other liabilities	19.395	80.787	1.627.937	382.935	-	2.111.054
Provisions and tax payable	4.485	8.152	71.573	863.371	-	947.581
Shareholders' equity	-	-	-	5.759.547	-	5.759.547
<b>TOTAL LIABILITIES</b>	<b>3.930.034</b>	<b>2.183.180</b>	<b>33.976.730</b>	<b>20.560.142</b>	<b>-</b>	<b>60.650.086</b>
<b>OFF BALANCE SHEET ITEMS</b>						
Guarantees and suretyships	5.412.387	1.475.628	2.424.866	2.061	-	9.314.942
Commitments	15.335	50.528	1.924.573	3.827.150	-	5.817.586
Derivative financial instruments	-	25.228	16.846	7.635.943	-	7.678.017

(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 1.138.962 (net) and deferred tax assets amounting TRY 207.189 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 ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE**

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>69.956.074</b>	<b>58.061.563</b>	<b>70.188.174</b>	<b>58.532.697</b>
Cash and Balances with the Central Bank of Turkey	4.649.560	3.415.715	4.649.560	3.415.715
Financial assets fair value changes reflected to income statement	89.359	55.859	89.359	55.859
Banks	989.394	1.136.030	989.346	1.136.004
Money market placements	120.025	-	120.014	-
Available for sale financial assets <sup>(1)</sup>	7.385.293	4.748.570	7.385.293	4.748.570
Held to maturity investments	12.719.179	16.556.802	12.972.240	16.931.982
Loans <sup>(2)</sup>	44.003.264	32.148.587	43.982.362	32.244.567
<b>Financial Liabilities</b>	<b>62.543.608</b>	<b>52.367.318</b>	<b>62.586.012</b>	<b>52.427.913</b>
Deposits	54.782.014	43.949.703	54.841.282	43.996.412
Derivative financial liabilities held for trading	39.151	88.956	39.151	88.956
Funds provided from other financial institutions	3.824.387	2.031.517	3.807.566	2.045.430
Money market borrowings	3.155.055	5.761.728	3.155.055	5.761.728
Securities issued	-	-	-	-
Miscellaneous payables	742.435	535.275	742.392	535.248
Leasing payables	566	139	566	139

(1) TRY 12.760 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2009: TRY 11.486).

(2) Net of follow-up loans has not been included in the table above.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- The fair value of the held to maturity assets is determined by market places, when the market prices are not available, quoted market prices of other marketable securities which are subject to redemption with the same terms of interest maturity and other similar conditions have been used.
- ii- The applicable interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial institutions and sundry creditors.

*Classification of Fair Value Measurement*

*IFRS 7 – Financial Instruments* requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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

**IX. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (continued)**

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

<b>Current Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value through profit/loss:</b>				
Financial assets held for trading purpose:	53.127	34.307	1.925	89.359
<i>Debt securities</i>	53.127	-	-	53.127
<i>Derivative financial assets held for trading purpose</i>		34.307	-	34.307
<i>Bonds</i>	-	-	-	-
<i>Other Securities</i>	-	-	1.925	1.925
Available-for-sale financial assets	7.337.229	48.064	-	7.385.293
Debt securities	7.337.229	48.064	-	7.385.293
<b>Total Financial Assets</b>	<b>7.390.356</b>	<b>82.371</b>	<b>1.925</b>	<b>7.474.652</b>
<b>Financial liabilities at fair value through profit/loss:</b>				
Derivative financial liabilities held for trading purpose	-	39.151	-	39.151
<b>Total Financial Liabilities</b>	<b>-</b>	<b>39.151</b>	<b>-</b>	<b>39.151</b>
<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value through profit/loss:</b>				
Financial assets held for trading purpose:	33.553	20.528	1.778	55.859
<i>Debt securities</i>	33.553	-	-	33.553
<i>Derivative financial assets held for trading purpose</i>		20.528	-	20.528
<i>Bonds</i>	-	-	-	-
<i>Other Securities</i>	-	-	1.778	1.778
Available-for-sale financial assets	4.670.632	77.938	-	4.748.570
Debt securities	4.670.632	77.938	-	4.748.570
<b>Total Financial Assets</b>	<b>4.704.185</b>	<b>98.466</b>	<b>1.778</b>	<b>4.804.429</b>
<b>Financial liabilities at fair value through profit/loss:</b>				
Derivative financial liabilities held for trading purpose	-	88.956	-	88.956
<b>Total Financial Liabilities</b>	<b>-</b>	<b>88.956</b>	<b>-</b>	<b>88.956</b>

**X. 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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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	316.631	62.649	205.185	51.525
Central Bank of Turkey	2.466.013	1.804.255	1.911.485	1.247.493
Other	-	12	-	27
<b>Total</b>	<b>2.782.644</b>	<b>1.866.916</b>	<b>2.116.670</b>	<b>1.299.045</b>

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount	2.458.657	491.046	1.908.421	414.491
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits	7.356	1.313.209	3.064	833.002
<b>Total</b>	<b>2.466.013</b>	<b>1.804.255</b>	<b>1.911.485</b>	<b>1.247.493</b>

The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency liabilities in TL and USD or EUR at the rates of 6% and 11 %, respectively as per the Communique no.2005/1 “Reserve Deposits” of the Central Bank of Turkey. As of 31 December 2010 interest rates are not applied for reserve requirements by the Central Bank of Turkey.(31 December 2009: 5.20% for TL deposits).

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

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

None.

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

None.

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	10.049	-	3.733
Swap transactions	-	23.537	-	16.795
Futures transactions	-	-	-	-
Options	3	718	-	-
Other	-	-	-	-
<b>Total</b>	<b>3</b>	<b>34.304</b>	<b>-</b>	<b>20.528</b>

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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)**

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	59.030	722.132	75.042	14.037
Foreign banks	21.028	187.204	9.942	1.037.009
Branches and offices abroad	-	-	-	-
<b>Total</b>	<b>80.058</b>	<b>909.336</b>	<b>84.984</b>	<b>1.051.046</b>

b) Information on foreign banks:

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	157.089	971.596	-	-
USA and Canada	13.471	47.448	-	-
OECD Ülkeleri <sup>(1)</sup>	6.172	6.691	-	-
Offshore Banking Regions	-	-	-	-
Other	31.500	21.216	-	-
<b>Total</b>	<b>208.232</b>	<b>1.046.951</b>	<b>-</b>	<b>-</b>

(1) OECD Countries other than EU countries, USA and Canada.

(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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**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	-	-	-	104.285
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	-	-	-	<b>104.285</b>

b) Information on financial assets available for sale portfolio:

	Current period		Prior period	
	TRY	FC	TRY	FC
Debt securities		7.388.061		4.749.597
Quoted on a stock exchange		7.388.061		4.749.597
Not quoted		-		-
Share certificates		25.095		11.727
Quoted on a stock exchange		-		-
Not quoted		25.095		11.727
Impairment provision(-)		15.103		1.268
<b>Total</b>		<b>7.398.053</b>		<b>4.760.056</b>

(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	97.620	-	83.872	-
<b>Total</b>	<b>97.620</b>	-	<b>83.872</b>	-

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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)

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

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Restructured or rescheduled <sup>(3)</sup>	Loans and other receivables	Restructured or rescheduled <sup>(3)</sup>
<b>Cash loans</b>				
Non-specialized loans	33.945.891	90.348	730.740	23.695
Discount notes	12.936	-	-	-
Export loans	2.558.504	-	4.103	-
Import loans	-	-	-	-
Loans given to financial sector	2.095.185	-	-	-
Overseas loans	225.884	-	115	9
Consumer loans <sup>(1)</sup>	10.432.009	66	183.029	19.839
Credit cards <sup>(2)</sup>	702.754	32	26.092	3.518
Precious metals loans	-	-	-	-
Other	17.918.619	90.250	517.401	329
Specialized lending	8.571.391	44.426	152.446	4
Other receivables	-	-	-	-
Accruals	433.698	1.371	9.009	245
<b>Total</b>	<b>42.950.980</b>	<b>136.145</b>	<b>892.195</b>	<b>23.944</b>

(1) Includes TRY 69.117 of personnel loans.

(2) Includes TRY 28.503 of personnel credit cards.

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

c) Loans according to their maturity structure:

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Restructured or rescheduled <sup>(1)</sup>	Loans and other receivables	Restructured or rescheduled <sup>(1)</sup>
<b>Cash loans</b>				
Short-term loans and other receivables	16.833.702	2.112	272.679	1.704
Non-specialized loans	15.420.215	1.313	253.685	1.683
Specialized loans	1.243.509	781	16.241	-
Other receivables	-	-	-	-
Accruals	169.978	18	2.753	21
Medium and long-term loans and other receivables	26.117.278	134.033	619.516	22.240
Non-specialized loans	18.525.253	89.035	477.056	22.012
Specialized loans	7.328.305	43.645	136.204	4
Other receivables	-	-	-	-
Accruals	263.720	1.353	6.256	224
<b>Total</b>	<b>42.950.980</b>	<b>136.145</b>	<b>892.195</b>	<b>23.944</b>

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

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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)

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

	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Consumer loans-TRY	203.831	10.162.344	10.366.175
Real estate loans	1.513	4.033.189	4.034.702
Automobile loans	777	33.529	34.306
Consumer loans	201.541	6.095.626	6.297.167
Other	-	-	-
Consumer loans- Indexed to FC	-	404	404
Real estate loans	-	404	404
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans- FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual credit cards-TRY	660.041	2.696	662.737
Installment	153.588	-	153.588
Non-installment	506.453	2.696	509.149
Individual credit cards-FC	-	-	-
Installment	-	-	-
Non-installment	-	-	-
Personnel loans-TRY	5.117	64.000	69.117
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	5.117	64.000	69.117
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	28.483	20	28.503
Installment	7.647	-	7.647
Non-installment	20.836	20	20.856
Personnel credit cards-FC	-	-	-
Installment	-	-	-
Non-installment	-	-	-
Overdraft accounts-TRY (Retail customer)	199.247	-	199.247
Overdraft accounts-FC (Retail customer)	-	-	-
<b>Total</b>	<b>1.096.719</b>	<b>10.229.464</b>	<b>11.326.183</b>

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

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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)

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

	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Commercial installment loans-TRY	72.950	474.178	547.128
Business residential loans	37.850	266.444	304.294
Automobile loans	35.100	207.734	242.834
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	41.156	-	41.156
Installment	6.118	-	6.118
Non-installment	35.038	-	35.038
Corporate credit cards-FC	-	-	-
Installment	-	-	-
Non-installment	-	-	-
Overdraft accounts-TRY (Commercial customer)	170.438	-	170.438
Overdraft accounts-FC (Commercial customer)	-	-	-
<b>Total</b>	<b>284.544</b>	<b>474.178</b>	<b>758.722</b>

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

f) Loan according to type of borrowers:

	<b>Current period</b>	<b>Prior period</b>
Public	1.647.341	867.815
Private	42.355.923	31.280.772
<b>Total</b>	<b>44.003.264</b>	<b>32.148.587</b>

g) Domestic and foreign loans:

	<b>Current period</b>	<b>Prior period</b>
Domestic loans	43.746.012	31.863.954
Foreign loans	257.252	284.633
<b>Total</b>	<b>44.003.264</b>	<b>32.148.587</b>

h) Loans granted to subsidiaries and associates:

	<b>Current period</b>	<b>Prior period</b>
Direct loans granted to subsidiaries and associates	75.704	58.611
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>75.704</b>	<b>58.611</b>

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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:

	<b>Current period</b>	<b>Prior period</b>
Specific provisions		
Loans and receivables with limited collectibility	127.289	153.184
Loans and receivables with doubtful collectibility	75.681	82.877
Uncollectible loans and receivables	1.261.560	1.122.367
<b>Total</b>	<b>1.464.530</b>	<b>1.358.428</b>

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:

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Current period</b>	<b>44.297</b>	<b>20.564</b>	<b>286.518</b>
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	44.297	20.564	286.518
<b>Prior period</b>	<b>70.647</b>	<b>22.594</b>	<b>122.302</b>
(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  
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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(5) Information on loans: (continued)

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

	<b>III. Group Loans and receivables with limited collectibility</b>	<b>IV. Group Loans and receivables with doubtful collectibility</b>	<b>V. Group Uncollectible loans and receivables</b>
Prior period end balance	235.370	115.331	1.317.211
Additions (+)	354.551	86.735	126.185
Transfers from other categories of loans under follow-up (+)	-	193.788	302.500
Transfers to other categories of loans under follow-up (-)	268.794	227.494	-
Collections (-)	126.102	61.848	289.680
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current period end balance	195.025	106.512	1.456.216
Specific provision (-)	127.289	75.681	1.261.560
<b>Net balance on balance sheet</b>	<b>67.736</b>	<b>30.831</b>	<b>194.656</b>

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:

	<b>III. Group Loans and receivables with limited collectibility</b>	<b>IV. Group Loans and receivables with doubtful collectibility</b>	<b>V. Group Uncollectible loans and receivables</b>
<b>Current period (Net)</b>	<b>67.736</b>	<b>30.831</b>	<b>194.656</b>
Loans to granted real persons and legal entities (Gross)	194.110	106.510	1.419.636
Specific provisions (-)	126.374	75.679	1.224.980
Loans to granted real persons and legal entities (Net)	67.736	30.831	194.656
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	915	2	36.580
Specific provisions (-)	915	2	36.580
Other loans and receivables (Net)	-	-	-
<b>Prior period (Net)</b>	<b>82.186</b>	<b>32.454</b>	<b>194.844</b>
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)**

(5) Information on loans: (continued)

m) Aging analysis of past due but not impaired financial assets per classes of financial instruments:

<b>Current Period</b>	<b>Less than 30 days</b>	<b>Between 31-60 days</b>	<b>Between 61-90 days</b>	<b>Total</b>
<b>Loans</b>				
Corporate Loans	-	1.021	746	1.767
SME Loans	106.756	34.721	17.078	158.555
Consumer Loans	11.427	9.656	3.986	25.069
Credit cards	57.999	18.448	6.369	82.816
<b>Total</b>	<b>176.182</b>	<b>63.846</b>	<b>28.179</b>	<b>268.207</b>

<sup>(1)</sup> Loans for which risk does not belong to the Bank are not included.

As at 31 December 2010, the fair value of collaterals held against the past due but not yet impaired loans amounting TRY 198.945.

<b>Prior Period</b>	<b>Less than 30 days</b>	<b>Between 31-60 days</b>	<b>Between 61-90 days</b>	<b>Total</b>
<b>Loans</b>				
Corporate Loans	6.232	1.771	1.059	9.062
SME Loans	140.152	46.854	27.780	214.786
Consumer Loans	20.764	20.086	8.140	48.990
Credit cards	18.563	19.721	1.336	39.620
<b>Total</b>	<b>185.711</b>	<b>88.432</b>	<b>38.315</b>	<b>312.458</b>

<sup>(1)</sup> Loans for which risk does not belong to the Bank are not included.

As at 31 December 2009, the fair value of collaterals held against the past due but not yet impaired loans amounting TRY 142.951.

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**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	2.272.031	86.107	1.700.157	706.769
Other	-	-	-	-
<b>Total</b>	<b>2.272.031</b>	<b>86.107</b>	<b>1.700.157</b>	<b>706.769</b>

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	2.537.984	722.386	5.416.526	604.461
Other	-	-	-	-
<b>Total</b>	<b>2.537.984</b>	<b>722.386</b>	<b>5.416.526</b>	<b>604.461</b>

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

	Current period	Prior period
Government bonds	12.719.179	16.556.802
Treasury bills	-	-
Other public sector debt securities	-	-
<b>Total</b>	<b>12.719.179</b>	<b>16.556.802</b>

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	12.719.179	16.556.802
Quoted on a stock exchange	10.330.213	11.493.920
Not quoted	2.388.966	5.062.882
Impairment provision (-)	-	-
<b>Total</b>	<b>12.719.179</b>	<b>16.556.802</b>

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	(14.112)	(17.115)
Purchases during the year <sup>(1)</sup>	3.112.796	3.727.323
Disposals through sales and redemptions <sup>(2)</sup>	(6.936.307)	(3.028.343)
Impairment provision (-) / provision reversal (+)	-	16.055
<b>Balance at the of the period</b>	<b>12.719.179</b>	<b>16.556.802</b>

(1) Interest income accrual amounting TRY 500.718 have been included in purchases row (31 December 2009: TRY 528.002).

(2) In accordance with the tainting rules defined in paragraph 9 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2010, the Bank reclassified TRY 1.854.076 of financial assets from held to maturity investments portfolio to available for sale portfolio. Related amount was presented in "Disposals Through Sales and Redemptions" row.

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**I. EXPLANATIONS AND NOTES RELATED TO THE 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 <sup>(2)</sup>	5.641.848	-	5.920.059	-	5.597.148	883.342	5.732.145	904.383
Obtained with the transfer	2.340.938	-	2.388.965	-	2.340.938	-	2.392.831	-
Reclassified from other securities portfolios <sup>(1)</sup>	2.396.216	1.839.459	2.498.683	1.911.472	5.535.196	1.672.176	5.796.368	1.731.075
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>10.379.002</b>	<b>1.839.459</b>	<b>10.807.707</b>	<b>1.911.472</b>	<b>13.473.282</b>	<b>2.555.518</b>	<b>13.921.344</b>	<b>2.635.458</b>

(1) While paragraph 54 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board (“TASB”) permit reclassification of financial assets from Available for Sale Financial Assets to Held to Maturity Portfolio, with the Communiqué 105, dated 31 October 2008 and published in the Official Gazette 27040, TASB, made an amendment related to Article 50 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement and also permitted the reclassification of financial assets recognized as Financial Assets at Fair Value Through Profit and Loss Portfolio to Held to Maturity Financial Assets Portfolio within a certain period identified in the amendments. In order to avoid the effect of market fluctuations on financial assets portfolio, on 3 October 2008 and 8 October 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 427.510 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 NV	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. Bileşim 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)**

(7) Information on associates (Net): (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
3.601.525	420.801	56.417	41.620	(13.235)	2.234	9.455	608.730
408.647	101.580	4.266	615	-	10.860	10.507	104.000
42.059	41.854	236	1.734	-	744	1.423	33.292
12.412	4.149	109	170	36	269	275	-
18.479	9.010	2.496	125	-	3.397	2.571	-
40.927	32.578	1.703	1.834	-	9.905	6.802	-
19.837	16.925	6.018	661	-	2.525	(536)	-
138.091	133.547	2.235	4.510	-	5.437	7.394	-

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

(2) The associates that are presented in (b), the financial data of Demir Halkbank NV and Bankalararası Kart Merkezi AŞ is obtained from 30 September 2010 reviewed financial statements, and the financial data of remaining associates are obtained from 30 September 2010 unaudited financial statements.

(3) Fair values of the associates are taken from the valuation reports of related associations

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	239.795	262.624
Movements during the period	(96.268)	(22.829)
Purchases <sup>(1)</sup>	944	1.989
Bonus shares obtained profit from current year's share <sup>(1)</sup>	5.317	3.919
Dividends from current year income	-	-
Sales	-	-
Revaluation decrease (-) / increase <sup>(3)</sup>	(116.336)	-
Provision for impairment (-) / reversals (+) <sup>(4)</sup>	13.807	28.737
<b>Balance at the end of the period</b>	<b>143.527</b>	<b>239.795</b>
Capital commitments <sup>(2)</sup>	2.000	2.000
Share percentage at the end of the period (%)	0,00	0,00

(1) TRY 5.664 of additions in current period is the capital increase to Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and TRY 597 is the capital increase to Halk Finansal Kiralama AŞ.

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

(3) TRY 116.336 presented under revaluation decrease/increase is due to the termination of net investment hedge accounting regarding Demirhalkbank NV and reversal of revaluation fund regarding Demirhalkbank NV followed previously under marketable securities valuation differences.

(4) TRY 13.807 is reversal of impairment for the Halk Finansal Kiralama AŞ.

d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	74.716	191.052
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	49.660	35.257
Financing companies	-	-
Other financial investments	18.099	12.434

e) Associates quoted to a stock exchange:

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)**

(8) Information on subsidiaries (Net):

a) Information on subsidiaries:

Description	Address (City/ Country)	Bank's share percentage, if Bank's risk group different-voting share percentage	
		percentage (%)	(%)
Halk Yatırım Menkul Değerler AŞ	Istanbul	99,94	99,96
Halk Sigorta AŞ	Istanbul	89,18	89,18
Halk Hayat ve Emeklilik AŞ	Istanbul	94,40	99,46
Halk Gayrimenkul Yatırım Ortaklığı AŞ	Istanbul	99,84	99,99

b) Information related to the subsidiaries as sorted in (a)<sup>(1)(2)</sup>:

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value <sup>(3)</sup>
72.521	48.522	2.374	5.683	34	8.516	8.882	34.416
155.707	49.095	2.948	5.228	1.956	(4.329)	4.446	70.760
180.099	72.687	1.320	4.266	309	21.223	19.225	87.464
479.286	478.829	466.241	160	-	1.829	-	-

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

(2) The information is presented from financial statements as of 30 September 2010 prepared for consolidation purposes. The values of the Halk Gayrimenkul Yatırım Ortaklığı AŞ is taken from the financials of the audited financial statements as of 31 December 2010.

(3) Fair values of the subsidiaries are taken from the valuation reports of related subsidiaries.

c) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period	81.133	62.048
Movements during the period	514.948	19.085
Purchases <sup>(1)</sup>	476.250	15.487
Bonus shares obtained profit from current year's share <sup>(2)</sup>	38.698	3.598
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provision for impairment (-)	-	-
<b>Balance at the end of the period</b>	<b>596.081</b>	<b>81.133</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(1) TRY 476.250 is consist of the added capital to the new subsidiaries of Halk Gayrimenkul Yatırım Ortaklığı AŞ.

(2) Additions in the current period includes, Halk Yatırım Menkul Değerler AŞ's capital increase amounting TRY 7.995 and Halk Hayat ve Emeklilik AŞ's capital increase amounting TRY 30.703.

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

	Current period	Prior period
Banks	-	-
Insurance companies	77.460	46.757
Factoring companies	-	-
Leasing companies	-	-
Financing companies	42.371	34.376
Other financial subsidiaries	476.250	-

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:

<b>Current Period</b>	<b>Balance at the end of the prior period</b>	<b>Current Year Additions</b>	<b>Current Year Disposals</b>	<b>Transfers</b>	<b>Balance at the end of the period</b>
<b>Cost:</b>					
- Immovables	948.799	30.044	(304.789)	(12.677)	661.377
- Tangible assets purchased through financial lease	108.100	639	(62.844)	-	45.895
- Office machines	147.874	48.224	(18.463)	-	177.635
- Fixed assets obtained due to non-performing loans	259.089	181.746	(40.644)	(91.335)	308.856
- Lease hold improvements costs	80.201	38.932	(18.517)	(8)	100.608
- Other	225.053	24.959	(41.273)	-	208.739
<b>Total Cost</b>	<b>1.769.116</b>	<b>324.544</b>	<b>(486.530)</b>	<b>(104.020)</b>	<b>1.503.110</b>
<b>Accumulated depreciation:</b>					
- Immovables	200.505	12.941	(24.665)	(3.046)	185.735
- Tangible assets purchased through financial lease	99.806	5.085	(62.737)	-	42.154
- Office machines	101.439	18.008	(14.182)	-	105.265
- Fixed assets obtained due to non-performing loans	9.245	5.373	(1.582)	(1.086)	11.950
- Lease hold improvements costs	27.876	16.332	(10.810)	1.041	34.439
- Other	175.081	14.225	(33.704)	-	155.602
<b>Total accumulated depreciation</b>	<b>613.952</b>	<b>71.964</b>	<b>(147.680)</b>	<b>(3.091)</b>	<b>535.145</b>
<b>Provision for impairment (-)</b>					
- Immovables	8.656	303	(251)	(251)	8.457
- Tangible assets purchased through financial lease	-	-	-	-	-
- Office machines	-	-	-	-	-
- Fixed assets obtained due to non-performing loans	7.546	8.764	(3.000)	830	14.140
- Other	-	-	-	-	-
<b>Total provision for impairment (-)</b>	<b>16.202</b>	<b>9.067</b>	<b>(3.251)</b>	<b>579</b>	<b>22.597</b>
<b>Net Book Value</b>	<b>1.138.962</b>	<b>243.513</b>	<b>(335.599)</b>	<b>(101.508)</b>	<b>945.368</b>

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**FINANCIAL STATEMENTS (continued)**

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

(12) Information on tangible assets(continued):

<b>Prior Period</b>	<b>Balance at the end of the prior period</b>	<b>Current Year Additions</b>	<b>Current Year Disposals (-)</b>	<b>Transfers</b>	<b>Balance at the end of the period</b>
<b>Cost:</b>					
- Immovables	899.519	54.511	-	(5.231)	948.799
- Tangible assets purchased through financial lease	109.386	374	(1.660)	-	108.100
- Office machines	138.982	29.862	(20.970)	-	147.874
- Fixed assets obtained due to non-performing loans	105.610	152.176	(9.850)	11.153	259.089
- Other	220.313	104.713	(76.076)	56.304	305.254
<b>Total Cost</b>	<b>1.473.810</b>	<b>341.636</b>	<b>(108.556)</b>	<b>62.226</b>	<b>1.769.116</b>
<b>Accumulated depreciation:</b>					
- Immovables	192.046	13.860	-	(5.401)	200.505
- Tangible assets purchased through financial lease	93.970	7.252	(1.416)	-	99.806
- Office machines	105.736	13.592	(17.889)	-	101.439
- Fixed assets obtained due to non-performing loans	3.697	4.750	(1.027)	1.825	9.245
- Other	179.447	22.164	(18.033)	19.379	202.957
<b>Total accumulated depreciation</b>	<b>574.896</b>	<b>61.618</b>	<b>(38.365)</b>	<b>15.803</b>	<b>613.952</b>
<b>Provision for impairment (-)</b>					
- Immovables	6.234	2.388	-	34	8.656
- Tangible assets purchased through financial lease	-	-	-	-	-
- Office machines	-	-	-	-	-
- Fixed assets obtained due to non-performing loans	1.036	5.935	-	575	7.546
- Other	-	-	-	-	-
<b>Total provision for impairment (-)</b>	<b>7.270</b>	<b>8.323</b>	<b>-</b>	<b>609</b>	<b>16.202</b>
<b>Net Book Value</b>	<b>891.644</b>	<b>271.695</b>	<b>(70.191)</b>	<b>45.814</b>	<b>1.138.962</b>

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**FINANCIAL STATEMENTS (continued)**

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

(13) Information on intangible assets:

<b>Current Period</b>	<b>Balance at the end of the prior period</b>	<b>Current Year Additions</b>	<b>Current Year Disposals</b>	<b>Transfers</b>	<b>Balance at the end of the period</b>
<b>Cost:</b>					
Other intangible assets	13.342	10.537	(3.146)	(106)	20.627
<b>Total Cost</b>	<b>13.342</b>	<b>10.537</b>	<b>(3.146)</b>	<b>(106)</b>	<b>20.627</b>
<b>Accumulated Depreciation:</b>					
Other intangible assets	2.383	1.268	(689)	-	2.962
<b>Total Accumulated Depreciation</b>	<b>2.383</b>	<b>1.268</b>	<b>(689)</b>	<b>-</b>	<b>2.962</b>
<b>Provision for impairment (-)</b>					
Other intangible assets	-	-	-	-	-
<b>Total Accumulated Depreciation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>10.959</b>	<b>9.269</b>	<b>(2.457)</b>	<b>(106)</b>	<b>17.665</b>
<b>Prior Period</b>					
<b>Cost:</b>					
Leasehold improvements	-	-	-	-	-
Other intangible assets	61.612	10.855	(1.317)	(57.808)	13.342
<b>Total Cost</b>	<b>61.612</b>	<b>10.855</b>	<b>(1.317)</b>	<b>(57.808)</b>	<b>13.342</b>
<b>Accumulated Depreciation:</b>					
Leasehold improvements	-	-	-	-	-
Other intangible assets	23.024	961	(506)	(21.096)	2.383
<b>Total Accumulated Depreciation</b>	<b>23.024</b>	<b>961</b>	<b>(506)</b>	<b>(21.096)</b>	<b>2.383</b>
<b>Provision for impairment (-)</b>					
Leasehold improvements	-	-	-	-	-
Other intangible assets	-	-	-	-	-
<b>Total provision for impairment (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value</b>	<b>38.588</b>	<b>9.894</b>	<b>(811)</b>	<b>(36.712)</b>	<b>10.959</b>

(14) Information on investment property:

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)**

(15) Information on deferred tax assets:

	<b>Current period</b>	<b>Prior period</b>
Retirement pay provision and unused vacation provision	55.008	48.569
Precautionary provision for loans under close monitoring	19.291	23.932
Net accrual expense for derivative instruments	969	13.146
Valuation difference on marketable securities	131.652	112.903
Provision for lawsuits against the Bank	4.499	4.518
Others	11.776	6.019
<b>Total deferred tax assets</b>	<b>223.195</b>	<b>209.087</b>
Amortisation difference on tangible and intangible assets	(1.646)	(1.898)
Others	(78)	-
<b>Deferred tax liabilities</b>	<b>(1.724)</b>	<b>(1.898)</b>
<b>Deferred tax assets, net</b>	<b>221.471</b>	<b>207.189</b>
<b>Deferred tax accounted in shareholders' equity</b>	<b>42.961</b>	<b>24.073</b>
Available for sale financial assets IRR-fair value difference	42.961	31.705
Foreign currency subsidiaries hedge fund valuation difference	-	(7.632)

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

	<b>Current period</b>	<b>Prior period</b>
Cost	98.131	84.091
Accumulated Depreciation (-)	-	-
<b>Net Book Value</b>	<b>98.131</b>	<b>84.091</b>
Opening Balance	84.091	130.416
Acquisitions (Transfers) (Net)	105.564	(10.879)
Disposals (-) (Net)	(92.652)	(36.141)
Impairment Charge (-)	1.128	(695)
Amortization Charge (-)	-	-
<b>Net Book Value</b>	<b>98.131</b>	<b>84.091</b>

(17) Information on other assets:

	<b>Current period</b>	<b>Prior period</b>
Prepaid promotion expenses	247.098	150.371
Clearing House account	174.190	135.916
Receivables from credit card payments	71.971	55.812
Receivables from asset sale on credit terms	40.467	59.141
Receivables from SDIF	32.585	1.857
Receivables from derivative financial instruments	15.875	51.756
Other prepaid expenses	14.921	6.007
Receivables pending for board of discipline decision	4.487	686
Receivables from banking services	2.872	4.210
Receivables from lawsuits	2.154	3.490
Advances given	2.148	803
Cash guarantees given	556	215
Other	48.761	35.160
<b>Total</b>	<b>658.085</b>	<b>505.424</b>

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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**

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	<b>7 day call Demand</b>	<b>Up to 1 accounts</b>	<b>1-3 month</b>	<b>1-3 months</b>	<b>3-6 6 months- months</b>	<b>1 year</b>	<b>1 year and over</b>	<b>Cumulative deposits</b>	<b>Total</b>
Saving deposits	1.789.824	-	4.355.760	15.294.271	413.109	172.023	59.068	67.782	22.151.837
Foreign currency deposits	1.733.958	-	3.135.223	5.113.978	985.228	1.447.214	368.150	10.284	12.794.035
Residents in Turkey	1.690.803	-	3.029.742	4.876.940	923.253	1.081.347	232.511	10.271	11.844.867
Residents abroad	43.155	-	105.481	237.038	61.975	365.867	135.639	13	949.168
Public sector deposits	1.405.663	-	461.599	1.393.275	21.398	24.280	417	-	3.306.632
Commercial inst. deposits	1.841.704	-	2.698.832	4.991.388	98.347	66.463	1.865	-	9.698.599
Other inst. deposits	259.659	-	195.128	1.745.687	913.667	19.542	283	-	3.133.966
Precious metals	473.117	-	-	-	-	-	-	-	473.117
Interbank deposits	1.175.580	-	1.879.882	146.366	21.000	1.000	-	-	3.223.828
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	12.870	-	1.747.843	53.014	20.000	1.000	-	-	1.834.727
Foreign banks	1.161.415	-	132.039	93.352	1.000	-	-	-	1.387.806
Participation banks	1.295	-	-	-	-	-	-	-	1.295
<b>Total</b>	<b>8.679.505</b>	<b>-</b>	<b>12.726.424</b>	<b>28.684.965</b>	<b>2.452.749</b>	<b>1.730.522</b>	<b>429.783</b>	<b>78.066</b>	<b>54.782.014</b>

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

a.2. Prior period:

	<b>7 day call Demand</b>	<b>Up to 1 accounts</b>	<b>1-3 month</b>	<b>1-3 months</b>	<b>3-6 6 months- months</b>	<b>1 year</b>	<b>1 year and over</b>	<b>Cumulative deposits</b>	<b>Total</b>
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
<b>Total</b>	<b>5.851.855</b>	<b>-</b>	<b>10.572.147</b>	<b>24.683.766</b>	<b>1.366.090</b>	<b>976.506</b>	<b>446.970</b>	<b>52.369</b>	<b>43.949.703</b>

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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:

<b>Saving deposits</b>	<b>Under the guarantee insurance</b>		<b>Exceeding the insurance limit</b>	
	<b>Current period</b>	<b>Prior period</b>	<b>Current period</b>	<b>Prior period</b>
Saving deposits	11.452.490	9.536.031	10.655.063	8.862.514
Foreign currency saving deposits	2.419.516	2.264.490	4.002.148	3.904.828
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	53.080	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:

	<b>Current period</b>	<b>Prior period</b>
Foreign branches' saving deposits and other accounts	152.388	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	2.141	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	-	-

**TÜRKİYE HALK BANKASI AŞ**

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	601	-	3.078
Swap transactions	-	37.673	-	85.878
Future transactions	-	-	-	-
Options	7	870	-	-
Other	-	-	-	-
<b>Total</b>	<b>7</b>	<b>39.144</b>	<b>-</b>	<b>88.956</b>

(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	126.442	128.796	123.730	100.005
Foreign banks, institutions and funds	75.287	3.493.862	77.992	1.729.790
<b>Total</b>	<b>201.729</b>	<b>3.622.658</b>	<b>201.722</b>	<b>1.829.795</b>

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	126.442	1.833.822	123.730	292.745
Medium and long-term	75.287	1.788.836	77.992	1.537.050
<b>Total</b>	<b>201.729</b>	<b>3.622.658</b>	<b>201.722</b>	<b>1.829.795</b>

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 40% of saving deposits and 23% 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 57% of banks deposits and 26% of other deposits consist of foreign currency deposits.

**TÜRKİYE HALK BANKASI AŞ****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010***(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)***SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS (continued)****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	2.527.844	-	5.201.549	-
Financial institutions and organizations	2.423.650	-	5.127.868	-
Other institutions and organizations	70.940	-	36.631	-
Real persons	33.254	-	37.050	-
From overseas transactions	69	611.411	281	544.540
Financial institutions and organizations	-	611.411	-	544.540
Other institutions and organizations	-	-	-	-
Real persons	69	-	281	-
Accruals	12.986	2.745	11.922	3.436
<b>Total</b>	<b>2.540.899</b>	<b>614.156</b>	<b>5.213.752</b>	<b>547.976</b>

**(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
	75.832	1.219.400	134.485	1.181.317

**(5) Information on other liabilities:**

Other liabilities balance in the balance sheet amounts to TRY 533.643 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.

**TÜRKİYE HALK BANKASI AŞ****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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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)**

(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	831	566	196	139
Between 1-4 years	-	-	-	-
More than 4 years	-	-	-	-
<b>Total</b>	<b>831</b>	<b>566</b>	<b>196</b>	<b>139</b>

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
<b>General provisions</b>	<b>390.121</b>	<b>275.695</b>
Provisions for first group loans and receivables	339.845	227.302
Provisions for second group loans and receivables	9.553	21.720
Provisions for non cash loans	40.723	26.673

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

None.

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

As of 31 December 2010, the Bank's specific provisions for unindemnified non-cash loans balance is TRY 46.665 (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.

# TÜRKİYE HALK BANKASI AŞ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

(8) Explanations on provisions: (continued)

d) Information on other provisions:

Total other provision balance amounting to TRY 191.522 (31 December 2009: TRY 212.409) consists of TRY 46.665 (31 December 2009: TRY 43.618) for specific provisions for unindemnified non cash loans, TRY 22.493 (31 December 2009: TRY 21.518) for legal cases filed against the Bank, TRY 27.064 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 25.910 of other provisions (31 December 2009: TRY 27.614).

Provision balance for possible risks:

As of 31 December 2010, provision amounting 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).

d.1. Movement of employee termination benefits

Severance indemnity provision is calculated by an independent company by using the Severance indemnity provision as of 31 December 2010 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation, according to TAS 19, is as follows;

	<b>Current Period</b>	<b>Prior Period</b>
Discount Rate	10,00%	11,00%
Inflation Rate	7,10%	6,80%
Wage growth	5,10%	4,80%

Calculated amounts as a result of actuarial conjectures are as follows

	<b>Current Period</b>	<b>Prior Period</b>
As of January 1	179.787	178.324
Charge for the year	11.591	10.916
Interest Expense	19.228	20.843
Actuarial gain/loss	16.082	2.875
Benefits paid within the period(-)	(23.430)	(33.171)
<b>Total</b>	<b>203.258</b>	<b>179.787</b>

<sup>(1)</sup> As of 31 December 2010, unused vacation provision is TRY 68.789. and severance indemnity provision for outsource firms is TRY 2.992. This amount is followed under employee benefits provision under liabilities (31 December 2009: TRY 63.058).

e) Liabilities on pension rights

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

None.

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

Based on the results of the actuarial report prepared as of 31 December 2010 and 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 as of 31 December 2010 and 31 December 2009.

**TÜRKİYE HALK BANKASI AŞ****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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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)**

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2010, the Bank's corporate tax payable is amounting to TRY 186.374 after setting off TRY 354.481 of prepaid taxes from TRY 531.855 of corporate tax liabilities.

a.2. Information on taxes payable:

	<b>Current period</b>	<b>Prior period</b>
Corporate tax payable	186.374	132.900
Income on securities tax	41.674	45.892
Property income tax	18.405	17.208
Banking and insurance transactions tax (BITT)	520	393
Foreign exchange transactions tax	111	184
Value added tax payable	8	1
Other	12.991	13.148
<b>Total</b>	<b>260.083</b>	<b>209.726</b>

a.3. Information on premiums:

	<b>Current period</b>	<b>Prior period</b>
Social insurance premiums-employee	6	6
Social insurance premiums-employer	9	8
Bank social aid pension fund premium-employee	3.235	2.643
Bank social aid pension fund premium-employer	4.507	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	700	571
<b>Total</b>	<b>8.457</b>	<b>6.906</b>

b) Explanations regarding deferred tax liability:

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

**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)**

(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:

	<b>Current period</b>	<b>Prior period</b>
Common stock	1.250.000	1.250.000
Preferred stock	-	-

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

None.

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

None.

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

None.

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

None.

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

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

**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)**

(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
Revaluation difference	175.514	(59.790)	87.936	(51.983)
Exchange rate difference	-	-	(13.759)	-
<b>Total</b>	<b>175.514</b>	<b>(59.790)</b>	<b>74.177</b>	<b>45.705</b>

i) Information on legal reserves:

	Current period	Prior period
First Legal Reserves	297.127	223.672
Second Legal Reserves	312.163	283.120
Legal reserves appropriated in accordance with the law	992	703
<b>Total</b>	<b>610.282</b>	<b>507.495</b>

j) Information on the extraordinary reserves

	Current period	Prior period
Reserves appropriated by General Assembly	2.186.397	1.013.914
Retained Earnings	47.181	47.181
Accumulated Reserves	-	-
Foreign Currency Translation Differences (-)	-	-
<b>Total</b>	<b>2.233.578</b>	<b>1.061.095</b>

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

<b>Types of irrevocable commitments</b>	<b>Current period</b>	<b>Prior period</b>
Commitments for credit card expenditure limits	4.089.791	2.793.507
Commitments for credit cards and banking services promotions	26.217	27.446
Two days forward foreign exchange buy/sell transactions	631.201	679.448
Other irrevocable commitments	892.979	3.805
Share capital commitments to associates and subsidiaries <sup>(1)</sup>	2.000	2.250
Loan granting commitments	602.623	1.040.649
Tax and fund liabilities from export commitments	34.849	11.284
Payment commitments for cheques	3.604.999	1.255.978
<b>Total</b>	<b>9.884.659</b>	<b>5.814.367</b>

(1) In the current period, the Bank has 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:

	<b>Current period</b>	<b>Prior period</b>
Bank acceptance loans	149.594	138.242
Letters of credit	3.377.338	2.243.228
Other guarantees	256.403	158.159
<b>Total</b>	<b>3.783.335</b>	<b>2.539.629</b>

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

	<b>Current period</b>	<b>Prior period</b>
Letters of tentative guarantees	490.139	273.246
Letters of certain guarantees	4.074.588	2.810.912
Letters of advance guarantees	1.217.092	1.276.929
Letters of guarantee given to customs offices	270.177	197.297
Other letters of guarantee	2.891.021	2.216.929
<b>Total</b>	<b>8.943.017</b>	<b>6.775.313</b>

**TÜRKİYE HALK BANKASI AŞ**

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

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

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

b.3. Total non-cash loans:

	<b>Current period</b>	<b>Prior period</b>
Non-cash loans for providing cash loans	8.216.093	4.648.876
Within one year or less original maturity	8.874	8.344
Within more than one year maturity	8.207.219	4.640.532
Other non-cash loans	4.510.259	4.666.066
<b>Total</b>	<b>12.726.352</b>	<b>9.314.942</b>

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

	<b>Current period</b>				<b>Prior period</b>			
	<b>TRY</b>	<b>(%)</b>	<b>FC</b>	<b>(%)</b>	<b>TRY</b>	<b>(%)</b>	<b>FC</b>	<b>(%)</b>
Agricultural	11.756	0,17	479	0,01	9.698	0,26	3.386	0,06
Farming and raising livestock	9.579	0,14	458	0,01	7.628	0,20	3.346	0,06
Forestry	169	0,00	21	0,00	594	0,02	40	0,00
Fishing	2.008	0,03	-	0,00	1.476	0,04	-	0,00
Manufacturing	3.053.776	45,26	3.365.506	56,29	1.111.669	29,86	3.161.538	56,54
Mining	17.643	0,26	123.131	2,06	12.374	0,33	18.795	0,34
Production	2.730.719	40,47	2.661.617	44,52	898.871	24,15	2.947.858	52,72
Electric, gas and water	305.414	4,53	580.758	9,71	200.424	5,38	194.885	3,49
Construction	1.463.898	21,69	1.466.694	24,53	938.941	25,22	1.230.161	22,00
Services	2.193.689	32,51	916.912	15,34	1.647.064	44,24	1.181.523	21,13
Wholesale and retail trade	1.072.765	15,90	563.397	9,43	830.517	22,31	484.851	8,67
Hotel, food and beverage services	42.413	0,63	11.427	0,19	35.642	0,96	5.947	0,11
Transportation and telecommunication	90.501	1,34	40.486	0,68	42.084	1,13	31.009	0,55
Financial Institutions	825.382	12,23	193.768	3,24	622.641	16,72	361.845	6,47
Real estate and renting services	143.696	2,13	107.399	1,80	102.730	2,76	60.728	1,09
Self-employment services	4.308	0,06	282	0,00	2.778	0,07	274	0,00
Education services	3.300	0,05	138	0,00	2.431	0,07	2.817	0,05
Health and social services	11.324	0,17	15	0,00	8.241	0,22	234.052	4,19
Other	24.694	0,37	228.948	3,83	15.593	0,42	15.369	0,27
<b>Total</b>	<b>6.747.813</b>	<b>100,00</b>	<b>5.978.539</b>	<b>100,00</b>	<b>3.722.965</b>	<b>100,00</b>	<b>5.591.977</b>	<b>100,00</b>

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

	<b>Group I</b>		<b>Group II</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
<b>Non-cash loans</b>	<b>6.714.496</b>	<b>5.964.741</b>	<b>33.317</b>	<b>13.798</b>
Letters of guarantee	5.107.194	3.788.735	33.317	13.771
Bank acceptances	-	149.594	-	-
Letters of credit	1.521.453	1.855.858	-	27
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	85.849	170.554	-	-

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

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

c) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Risk Management	
	Current period	Prior period	Current period	Prior period
Types of trading transactions				
<b>Foreign currency related derivative transactions (I)</b>	<b>3.476.585</b>	<b>6.334.837</b>	-	-
Forward foreign currency buy/sell transactions	104.596	545.861	-	-
Currency buy/sell swap	3.179.800	5.788.976	-	-
Currency futures	-	-	-	-
Currency put/call options	192.189	-	-	-
<b>Interest related derivative transactions (II)</b>	-	<b>625.290</b>	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	-	625.290	-	-
Interest rate put/call options	-	-	-	-
Interest rate buy/sell futures	-	-	-	-
<b>Other trading derivative transactions (III)</b>	<b>1.384.457</b>	<b>717.890</b>	-	-
<b>A. Total trading derivative transactions (I+II+III)</b>	<b>4.861.042</b>	<b>7.678.017</b>	-	-
Types of derivative transactions for risk management				
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
<b>B. Total derivative transactions for hedging</b>	-	-	-	-
<b>Total derivative transactions (A+B)</b>	<b>4.861.042</b>	<b>7.678.017</b>	-	-

(\*) Other trading derivatives include credit default swap purchases and sale transactions amounting TRY 228.750 and TRY 198.070 respectively and forward precious metal purchase and sale transactions TRY 483.170 and TRY 474.467 respectively.

d) Information on contingent liabilities and assets:

The Bank has provided TRY 22.493 (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  
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**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 <sup>(1)</sup>				
Short term loans	1.530.571	155.357	1.816.911	197.693
Medium and long term loans	2.066.429	381.689	1.812.043	271.938
Interest on non-performing loans	122.201	8	127.456	1
Premiums from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>3.719.201</b>	<b>537.054</b>	<b>3.756.410</b>	<b>469.632</b>

(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	66.622	-	115.994	80
Domestic banks	174	343	201	147
Overseas banks	930	3.345	2.186	7.734
Head office and branches	-	-	-	-
<b>Total</b>	<b>67.726</b>	<b>3.688</b>	<b>118.381</b>	<b>7.961</b>

c) Interest income from marketable securities:

	Current period		Prior period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	2.984	377	3.491	644
Financial Assets at Fair Value through profit or loss	-	-	-	-
Financial Assets available for sale	530.032	84.090	471.063	67.053
Investments held to maturity	1.294.766	102.170	1.748.590	151.396
<b>Total</b>	<b>1.827.782</b>	<b>186.637</b>	<b>2.223.144</b>	<b>219.093</b>

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries and associates	3.294	4.354

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**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	16.947	48.971	23.975	50.360
Central Bank of Turkey	-	-	-	-
Domestic banks	9.844	3.623	15.192	3.633
Overseas banks	7.103	45.348	8.783	46.727
Overseas head office and branches	-	-	-	-
Other institutions	287	2	32	-
<b>Total</b>	<b>17.234</b>	<b>48.973</b>	<b>24.007</b>	<b>50.360</b>

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	12.712	12.964

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		
<b>TRY</b>								
Bank deposits	2.074	82.993	8.643	78	53	-	-	93.841
Saving deposits	2.397	382.553	1.073.436	25.912	11.978	3.661	4.251	1.504.188
Public deposits	439	32.450	80.931	6.885	96	21	-	120.822
Commercial deposits	4.691	254.582	284.744	39.611	2.532	112	-	586.272
Other deposits	15	19.969	139.930	31.004	627	42	-	191.587
7 days call accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9.616</b>	<b>772.547</b>	<b>1.587.684</b>	<b>103.490</b>	<b>15.286</b>	<b>3.836</b>	<b>4.251</b>	<b>2.496.710</b>
<b>Foreign currency</b>								
Deposits	1.440	81.869	135.166	22.859	20.933	7.849	-	270.116
Bank deposits	-	5.229	-	-	-	-	-	5.229
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1.440</b>	<b>87.098</b>	<b>135.166</b>	<b>22.859</b>	<b>20.933</b>	<b>7.849</b>	<b>-</b>	<b>275.345</b>
<b>Grand total</b>	<b>11.056</b>	<b>859.645</b>	<b>1.722.850</b>	<b>126.349</b>	<b>36.219</b>	<b>11.685</b>	<b>4.251</b>	<b>2.772.055</b>

(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	411	663
Other	55.524	10.111
<b>Total</b>	<b>55.935</b>	<b>10.774</b>

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED  
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**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)**

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

	<b>Current period</b>	<b>Prior period</b>
<b>Profit</b>	<b>6.046.801</b>	<b>9.246.292</b>
Profit from the capital market operations	223.590	136.297
Profit on derivative financial instruments	945.182	695.988
Foreign exchange gains	4.878.029	8.414.007
<b>Loss (-)</b>	<b>5.932.045</b>	<b>9.230.438</b>
Loss from the capital market operations	1.929	1.234
Loss on derivative financial instruments	1.018.038	771.793
Foreign exchange losses	4.912.078	8.457.411

b) Information on derivative financial instruments:

	<b>Current period</b>	<b>Prior period</b>
<b>Profit on derivative financial instruments</b>	<b>945.182</b>	<b>695.988</b>
Effect of the change in foreign exchange on profit	944.637	695.268
Effect of the change in interest rate on profit	545	720
<b>Loss on derivative financial instruments (-)</b>	<b>1.018.038</b>	<b>771.793</b>
Effect of the change in foreign exchange on loss	961.439	686.040
Effect of the change in interest rate on loss	56.599	85.753
<b>Profit/loss on derivative financial instruments</b>	<b>(72.856)</b>	<b>(75.805)</b>

(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.

	<b>Current period</b>	<b>Prior period</b>
Adjustments for Prior Period Expenses	284.834	206.776
-Specific provision reversals for Loans under follow up	220.190	150.703
-Other prior period expense reversals income	53.500	56.073
-Prior period tax corrections	11.144	-
Receivable from the asset sale on credit terms	248.176	29.986
Rent income	6.605	5.977
Cheques	5.019	5.598
Provision for communication expenses	4.299	4.702
Provision for stamp tax	20	688
Other income	26.467	7.338
<b>Total</b>	<b>575.420</b>	<b>261.065</b>

The major part of the other income consists of the income generated from the sales of immovables and reversals of specific provision for loans under follow-up. In the current period receivable from the asset sale on credit terms consist of sales of 23 item immovables to Halk Gayrimenkul Yatırım Ortaklığı AŞ at amounting TRY 284.997. The profit from this transaction TRY 181.285 is recognized under the other operating income.

**TÜRKİYE HALK BANKASI AŞ****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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FINANCIAL STATEMENTS (continued)****IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)****(6) Impairment losses on loans and other receivables:**

	<b>Current period</b>	<b>Prior period</b>
Specific provisions on loans and receivables	316.369	434.354
Group - III loans and receivables	134.190	169.502
Group - IV loans and receivables	33.615	35.051
Group - V loans and receivables	148.564	229.801
General loan provision expenses	114.567	60.999
Provision expenses for possible losses	600	7.000
Marketable securities impairment losses	12.133	-
Financial assets at fair value through profit and loss	-	-
Financial assets available for sale	12.133	-
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	14.765	143.779
<b>Total</b>	<b>458.434</b>	<b>646.132</b>

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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:**

	<b>Current period</b>	<b>Prior period</b>
Personnel expenses	670.307	595.055
Reserve for employee termination benefits	48.656	34.634
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	303	2.388
Depreciation expenses of fixed assets	66.591	56.868
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	1.268	961
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	8.764	5.935
Amortization expenses of assets that will be disposed of	5.373	4.750
Impairment expense for property and equipment held for sale	224	200
Other operating expenses	467.529	329.028
Operational leasing expenses	58.809	41.860
Maintenance expenses	20.681	17.930
Advertisement expenses	38.148	32.875
Other expenses <sup>(1)</sup>	349.891	236.363
Loss on sales of assets	5.159	4.425
Other <sup>(2)</sup>	221.096	159.415
<b>Total</b>	<b>1.495.270</b>	<b>1.193.659</b>

(1) For the year ended period 31 December 2010, this account consists of promotion expenses related to banking activities amounting TRY 143.976 (31 December 2009: TRY 65.467 TL), insurance expenses amounting TRY 16.597 (31 December 2009: TRY 15.355), communication expenses amounting TRY 31.900 (31 December 2009: TRY 28.507) and other expenses amounting TRY 157.418 (31 December 2009: TRY 127.034).

(2) For the year ended period 31 December 2010, this account consists of taxes, duties and charges amounting TRY 75.980 (31 December 2009: TRY 33.396), Saving Deposit Insurance Fund premium expenses amounting TRY 65.318 (31 December 2009: TRY 67.306), Banking Regulation and Supervision Agency establishment share amounting TRY 9.098 (31 December 2009: TRY 10.219) Auditing and Advisory expenses amounting TRY 8.701 (31 December 2009: TRY 4.857) and other expenses amounting TRY 61.999 (31 December 2009: TRY 43.637).

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

The Bank's income before tax is due from continuing activities. TRY 3.191.014 of the income before tax consists of net interest income, TRY 525.864 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Bank is TRY 2.509.285.

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

For the year ended 31 December 2010, the Bank's tax provision amounting to TRY 498.892 consists of TRY 531.855 of current tax charge and TRY 32.963 of deferred tax charge.

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

For the year ended 31 December 2010, the Bank's net operating income after tax is TRY 2.010.393.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED  
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**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 31 December 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:

	<b>Current Period</b>	<b>Prior Period</b>
Received intelligence fees	142.314	122.127
Credit card fees and commissions	96.036	87.113
Insurance commissions	38.927	23.776
Collection of loans and payments commissions	25.857	36.221
Received fees and commissions – corporate	49.515	42.254
Received fees and commissions – consumer	48.590	40.531
Appraisal fees	32.729	28.789
Other	110.703	99.204
<b>Total</b>	<b>544.671</b>	<b>480.015</b>

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

**(1) Explanations on inflation adjustments for equity items:**

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

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

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED  
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**VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT**

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

For the year ended 31 December 2010, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 76.658 decrease (31 December 2009: TRY 38.410, decrease).

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

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

None.

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

	<b>Current period</b>	<b>Prior period</b>
Cash	3.415.715	3.009.299
Cash in TRY and foreign currency	256.710	211.596
Central Bank and others <sup>(1)</sup>	3.159.005	2.797.703
Cash equivalents	1.136.030	2.119.334
Banks - maturity less than 3 months	1.136.030	2.119.334
<b>Total cash and cash equivalents</b>	<b>4.551.745</b>	<b>5.128.633</b>
Restricted Legal Requirements	(836.066)	(831.738)
Legal provision re-discounts	(19.351)	(49.781)
Bank re-discounts	(75)	(1.355)
<b>Cash and Cash Equivalents</b>	<b>3.696.253</b>	<b>4.245.759</b>

(1) Others items include precious metals.

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

	<b>Current period</b>	<b>Prior period</b>
Cash	4.649.560	3.415.715
Cash in TRY and foreign currency	379.280	256.710
Central Bank and others <sup>(1)</sup>	4.270.280	3.159.005
Cash equivalents	1.109.419	1.136.030
Banks - maturity less than 3 months	989.394	1.136.030
Money market placements	120.025	-
<b>Total cash and cash equivalents</b>	<b>5.758.979</b>	<b>4.551.745</b>
Restricted Legal Requirements	(1.317.067)	(836.066)
Legal Provision re-discounts	(3.498)	(19.351)
Money market placement discount	(25)	-
Bank re-discounts	(53)	(75)
<b>Cash and Cash Equivalents</b>	<b>4.438.336</b>	<b>3.696.253</b>

(1) Other items include precious metals.

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**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	75.704	36.366	-	-	-	-
Interest and commissions income	3.160	134	-	-	-	-

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	3.085	1.269	-	-	-	-

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	284.026	115.585	-	-	-	-
Interest expense on deposits	12.712	12.964	-	-	-	-

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 YEAR ENDED 31 DECEMBER 2010

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

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

(2) Disclosures for risk group:

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

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

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:

	<b>Amount</b>	<b>% compared to the amounts in the financial statements</b>
Cash loans	75.704	0,17%
Non-cash loans	36.366	0,29%
Deposits	284.026	0,52%
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 4.145 as of 31 December 2010 (31 December 2009: TRY 3.824).

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS (continued)****VIII. EXPLANATIONS ON THE BANK'S DOMESTIC BRANCHES,  
AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES**

- (1) Explanations on the Bank's domestic branches, agencies/branches abroad and off-shore branches

	<b>Quantity</b>	<b>Number of employees</b>	<b>Country</b>		
<b>Domestic Branches</b>	705	13.399			
<b>Agencies Abroad</b>	4	8	Köln/GERMANY		
		5	Mannheim/GERMANY		
		4	Dortmund/GERMANY		
		2	Tahran/IRAN		
<b>Overseas Branches</b>	3	14	Lefkoşa/TRNC	144.267	50.000
		8	Gazimagosa/TRNC	20.091	-
		7	Girne/TRNC	9.966	-
<b>Off-shore Branches</b>	1	3	Manama/BAHRAIN	4.421.725	-

- (2) Explanations on branch and agency openings or closings of the Bank:

The Bank opened 40 domestic branches during the year.

**TÜRKİYE HALK BANKASI AŞ****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS (continued)****IX. SUBSEQUENT EVENTS****Changes in required reserves ratio**

Published in the Official Gazette No. 27788 dated 17.12.2010 and No. 2010/13 on the Amendment of the Communiqué on the Required Provisions Scale obligation dated 07/01/2011, to be effective with the Turkish lira liabilities required reserve ratio for deposits / participation were differentiated according to the maturity structure of funds.

## a) Turkish lira required reserve ratio

<b>TL</b>	<b>Required Reserve Ratio (%)</b>
Demand deposits, notice deposits, private current accounts	8
Deposits/participation accounts up to 1-month maturity	8
Deposits/participation accounts up to 3 month maturity	7
Deposits/participation accounts up to 6 month maturity	7
Deposits/participation accounts up to 1-year maturity	6
Deposits/participation accounts with 1-year and longer maturity and cumulative deposits/participation accounts	5
Special funds	Ratios correspond to maturities
Other than deposits/participation accounts	8

## b) FX required reserve ratio is 11%

Published in the Official Gazette No. 27825 dated 24.01.2011 and 2011 / 2 Required Provisions of the Amendment to the Communiqué on the Scale to be valid obligation dated 04/02/2011, the Turkish lira demand required reserve ratios, and special notice deposits current accounts, term deposits up to 1 month / sharing accounts, time deposits up to 3 months / participate in special fund accounts and deposit pools / other liabilities to non-participation fund was set.

The ratios are below:

<b>TL</b>	<b>Required Reserve Ratio (%)</b>
Demand deposits, notice deposits, private current accounts	12
Deposits/participation accounts up to 1-month maturity	10
Deposits/participation accounts up to 3 month maturity	9
Deposits/participation accounts up to 6 month maturity	7
Deposits/participation accounts up to 1-year maturity	6
Deposits/participation accounts with 1-year and longer maturity and cumulative deposits/participation accounts	5
Special funds	Ratios correspond to maturities
Other than deposits/participation accounts	9

**TÜRKİYE HALK BANKASI AŞ**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**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  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**SECTION VII: INDEPENDENT AUDITORS' REPORT**

**I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT**

The unconsolidated financial statements as of and for the year ended 31 December 2010 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 11 February 2011 is presented in the introduction of this report.

**II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS**

None.