

*(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 2011**
*(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

16 February 2012

*This report contains "Independent Auditors'
Report" comprising 2 pages and;
"Unconsolidated Financial Statements and
Related Disclosures and Footnotes" comprising
98 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 2011**

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 2011 and the related unconsolidated statements of income, cash flows, changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Management's responsibility for the Financial Statements:

The Board of Directors of the Bank is responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the unconsolidated financial statements that are free from material misstatement, whether due to error or fraud; and for selecting and applying appropriate accounting policies in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette numbered 26333 on 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the other regulations, communiqués, circulars and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency.

Auditors' Responsibility:

Our responsibility 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 numbered 26333 on 1 November 2006 and the International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An 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 internal control into consideration and assessing the appropriateness of the applied accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The accompanying unconsolidated financial statements as of 31 December 2011 include a general reserve amounting to TRY 194.000 thousands, TRY 7.600 thousands of which had been recognized as expense in the prior periods and TRY 186.400 thousands of which was charged to the income statement as expense in the current period, provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

In our opinion, except for the effect of the matter described in the fourth paragraph above on the unconsolidated financial statements, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ as of 31 December 2011 and the result of its operations and cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the existing regulations described in Article 37 of the Banking Act No: 5411 and the other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Agency.

Istanbul
16 February 2012

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 2011

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, 2011 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, 16 February 2012

Hasan Cebeci	Süleyman Aslan	Emin Süha Çayköylü	Salim Alkan	Mustafa Savaş	Yusuf Duran Ocak
<i>Chairman of the Board of Directors</i>	<i>Member of the Board of Directors, Chief Executive Officer</i>	<i>Member of the Board of Directors, Member of the Audit Committee</i>	<i>Member of the Board of Directors, Member of the Audit Committee</i>	<i>Financial Management and Planning Vice Chief Executive Officer</i>	<i>Financial Accounting and Reporting Department Head</i>

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

Name/Title : Nevin Buhan/Manager / & Gönül Özdemir / Assistant Manager
Tel No : 0312 289 30 15 - 0312 289 30 13
Fax No : 0312 289 30 50

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION ONE

General Information about the Bank

	Page No
I. Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including The Changes of These Articles	3
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	3
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	4
IV. Information about the persons and institutions that have qualified shares attributable to the Bank	6
V. Summary on the Bank's Functions and Lines of Activity	6

SECTION TWO

Unconsolidated Financial Statements

I. Balance Sheet (Statement of Financial Position)	9
II. Statement of Off-Balance Sheet Items	11
III. Statement of Income	12
IV. Statement of Income and Expense Items Accounted under Shareholders' Equity	13
V. Statement of Changes in Shareholders' Equity	14
VI. Statement of Cash Flows	15
VII. Statement of Profit Distribution Table	16

SECTION THREE

Explanations on Accounting Policies

I. Basis of Presentation	17
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	17
III. Explanations on Forward and Option Contracts and Derivative Instruments	18
IV. Interest Income and Expenses	18
V. Fees and Commission Income and Expenses	18
VI. Explanations and Disclosures on Financial Assets	18
VII. Explanations on Impairment of Financial Assets	21
VIII. Offsetting Financial Assets and Liabilities	23
IX. Explanations on Sales and Repurchase Agreements (Repos) and Transactions on Securities Loaned	23
X. Explanations on Assets Held For Sale and Discontinued Operations	23
XI. Explanations on Goodwill and Other Intangible Assets	24
XII. Explanations on Property, Plant and Equipment	24
XIII. Explanations on Leasing Transactions	25
XIV. Explanations on Provisions and Contingent Liabilities	25
XV. Explanations on Employee Benefit Liabilities	25
XVI. Explanations on Taxation	26
XVII. Additional Explanations on Borrowings	27
XVIII. Explanations on Shares and Share Issue	28
XIX. Explanations on Bill Guarantees and Acceptances	28
XX. Explanations on Government Incentives	28
XXI. Explanations on Segment Reporting	28
XXII. Explanations on Other Matters	28

SECTION FOUR

Information on Financial Structure

I. Explanations Related to the Capital Adequacy Ratio	29
II. Explanations Related to the Credit Risk	32
III. Explanations Related to the Market Risk	37
IV. Explanations Related to the Operational Risk	39
V. Explanations Related to the Currency Risk	39
VI. Explanations Related to the Interest Rate Risk	41
VII. Explanations Related to the Liquidity Risk	46
VIII. Explanations Related to Business Segmentation	49
IX. Explanations on Presentation of Financial Assets and Liabilities at Fair Value	52
X. Explanations Related to Transactions Made on Behalf of Others and Transactions Based on Trust	53

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION FIVE

Explanations and Notes to the Unconsolidated Financial Statements

I.	Explanations and Notes Related to the Assets	54
II.	Explanations and Notes Related to the Liabilities	74
III.	Explanations and Notes Related to the Off-Balance Sheet Items	83
IV.	Explanations and Notes Related to the Income Statement	86
V.	Explanations and Notes Related to the Statement of Changes in Shareholders' Equity	91
VI.	Explanations and Notes Related to the Cash Flow Statement	92
VII.	Explanation Related to the Risk Group of the Bank	93
VIII.	Explanation On the Bank's Domestic Branches, Agencies/Branches Abroad and Off-Shore Branches	95
IX.	Explanations Related to the Subsequent Events	96

SECTION SIX

Other Explanations and Notes

I.	Other Explanations on the Bank's operations	97
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SECTION SEVEN

Independent Auditors' Report

I.	Explanations on the Independent Auditors' Report	98
II.	Explanations and Notes Prepared by the Independent Auditors	98

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

As of 31 December 2011 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	31 December 2011	%	31 December 2010	%
Prime Ministry				
Privatization Administration ⁽¹⁾	937.276	74,98	937.276	74,98
Public shares	312.263	24,98	312.261	24,98
Other shareholders	461	0,04	463	0,04
Total	1.250.000	100,00	1.250.000	100,00

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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	13.4.2005	Ankara Eco. and Com. Science (ECS) Academy - Economy&Finance	31
Mehmet Emin ÖZCAN	Vice Chairman of the Board of Directors	24.5.2010	Ankara University, Faculty of Political Sciences – Department of Economics and Finance.	28
Süleyman ASLAN	Member of the Board of Directors, Chief Executive Officer	15.7.2011	METU Faculty of Economic and Administrative Sciences- International Relations Department.	19
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.3.2003	Doctor's Degree: Washington International University- Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU – Faculty of Engineering - Mechanical Engineering.	28
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.4.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree: Marmara Uni. Banking and Insurance Ins. – International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	21
İbrahim Hakkı TUNCAY	Member of the Board of Directors	9.4.2008	METU Business Administration.	31
Dr. Ahmet YARIZ	Member of the Board of Directors	9.4.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department. Bachelor Degree: Istanbul Uni. - Business Administration.	20
Salim ALKAN	Member of the Board of Directors	24.5.2010	Ankara Uni. Faculty of Political Science-Business Administration.	39
Sabahattin BİRDAL	Member of the Board of Directors	27.10.2010	Istanbul Uni. Faculty of Economics Business Administration-Finance	26
Faruk ÖZÇELİK	Member of the Audit Committee	24.5.2010	Master's Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	1
Yusuf DAĞCAN	Member of the Audit Committee	28.3.2003	Eskişehir Economics and Trade Academy- Economy&Finance.	32
Yakup DEMİRCİ	Executive Vice President	11.6.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	22
Mustafa SAVAŞ	Executive Vice President	12.8.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	20
Erol GÖNCÜ	Executive Vice President	09.3.2005 - 13.6.2005 By proxy 14.6.2005 Principal	METU Faculty of Arts and Sciences-Mathematics Department.	22
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.6.2005	Doctor's Degree: Marmara University, Banking and Insurance Ins. -Banking Department. Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	20
Selahattin SÜLEYMANOĞLU	Executive Vice President	1.7.2007	Master Degree: Selcuk University Social Sciences Ins.- International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	21
Mehmet Akif AYDEMİR	Executive Vice President	4.3.2010	Ankara University, Faculty of Political Sciences –Economics.	25
Taner AKSEL	Executive Vice President	26.3.2010	Anadolu University, Faculty of Economic and Administrative Sciences -Economics.	25
Ufuk Hacer DENİZCİ YÜCE	Executive Vice President	12.10.2010	Istanbul Technical University Business Administration Faculty-Business Engineering.	22
Mürsel ERTAŞ	Executive Vice President	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences-Foreign Trade & Exchange.	25
İsmail Hakkı İMAMOĞLU	Executive Vice President	28.3.2011	Ankara Eco. Com. Science (ECS) Academy – Faculty of Management Sciences – Department of Social Politics.	27
Atalay TARDUŞ	Executive Vice President	4.8.2011	METU Faculty of Economic and Administrative Sciences- Department of Economics.	19
Mehmet Hakan ATİLLA	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.	16
Murat UYSAL	Executive Vice President	11.11.2011	Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department Bachelor Degree: Istanbul Uni. - Faculty of Economic and Administrative Sciences- Department of Economics	13

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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 2011 are listed with titles and dates of assignment.

Name	Title	Assignment Date
İsmail Hakkı İMAMOĞLU	Executive Vice President	28 March 2011
Süleyman ASLAN	Member of the Board of Directors and Chief Executive Officer	15 July 2011
Atalay TARDUŞ	Executive Vice President	4 August 2011
Mehmet Hakan ATILLA	Executive Vice President	11 November 2011
Murat UYSAL	Executive Vice President	11 November 2011

- b) The professionals from the Bank's top management who have left their position in 2011 are listed with titles and dates of leaving.

Name	Title	Assignment Date
Hüseyin AYDIN	Member of the Board of Directors and Chief Executive Officer	15 July 2011
Süleyman ASLAN	Executive Vice President	15 July 2011
Osman ARSLAN	Executive Vice President	1 July 2011
Yunus ESMER	Executive Vice President	21 July 2011
Bilgehan KURU	Executive Vice President	20 July 2011

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 was executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on 11 August 2006, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Bank corresponding to 24.98% was completed in the first week of May 2007 and Halkbank shares were traded on İstanbul Stock Exchange ("ISE") as of 10 May 2007 with the base price of TRY full 8,00.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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. Pamukbank started its private banking operations as an incorporated company in accordance with the decision of the Council of Ministers numbered 4/4573 and dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 and dated 19 June 2002 including 3rd and 4th Sub-articles in Article 14 of the Banking Law No: 4389, the shareholders rights excluding dividends, management and supervision of Pamukbank were transferred to the Saving Deposit Insurance Fund as of 18 June 2002.

e) The Bank's service activities and operating areas: The Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

As of 31 December 2011, the Bank operates with a total of 771 branches consisting of 766 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 16 satellite branches and 3 financial services branches in Germany. The Bank has also 1 representative office in Iran.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

As per the additional Article 1 of “Accounting and Recording Rules” of the Turkish Banking Law No. 5411 published on the Official Gazette no.28103 dated 2 November 2011 and became effective,

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

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

Additional paragraph for convenience translation to English

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

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

a) The Bank’s strategy on financial instruments:

Due to its historical mission, the Bank focuses on granting loans to Small and Medium Size Enterprises (SMEs) and craftsmen. 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.

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

II EXPLANATIONS ON THE STRATEGY OF USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS (continued)

b) The Bank's explanations on foreign currency transactions (continued):

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.

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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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)

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 2011 and 31 December 2010.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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 2011

(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.

6. Associates and subsidiaries:

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

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

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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%. In accordance with the communiqué “The change in the regulation of identifying the properties and determining the methods and principles to allocate provisions for loans and other receivables” published on 28 May 2011 No: 27947 Official Gazette, banks are able to change the terms of the payment plans of their loans and other receivables monitored under standard and other receivables group given that those loans and receivables qualify for the prerequisites. However if the changes made extend the initial payment plan, a general provision allocated accordingly with the related loans and other receivables given that it is no less than the 5 fold of the predetermined ratio, for loans and other receivables followed under close monitoring provision cannot fall below 2,5 fold of the designated ratio.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

In accordance with the communiqué “The change in the regulation of identifying the properties and determining the methods and principles to allocate provisions for loans and other receivables” published on 18 June 2011 No: 27968 Official Gazette, the Bank applies general provision ratios as 4% for all consumer loans in first group and 8% for all consumer loans in second group respectively except for real estate and automobile loans in both groups.

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 2011

(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:

	Estimated useful lives (Year)	Depreciation rate
Buildings	50	2%
Safe-deposit boxes	50	2%
Other movable properties	2-25	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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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 2011

(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 2011 and 31 December 2010, no technical deficit has been reported. Besides, no technical deficit for T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported.

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 2010 has been paid in April 2010, accrued advance tax as of 31 December 2011 will be paid in February 2012.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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 and issues marketable securities when needed. These borrowing activities are recognized at fair value including the acquisition costs at the transaction date and they are valued at amortized costs by using the internal rate of return method.

Interest rate and liquidity risks are reduced by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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 2011, the Bank’s unconsolidated capital adequacy ratio calculated based on the essentials of the related communiqué is 14,30% (31 December 2010: 15,94%).

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% cooperative loans due to having “suretyship” collateral type.

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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%
Credit risk base amount							
Balance sheet items (Net)	25.681.894	-	2.134.556	19.822.149	31.339.079	518.985	2.139.230
Cash	481.801	-	15	-	-	-	-
Matured marketable securities	-	-	-	-	-	-	-
Balances at the Central Bank of Turkey	2.825.305	-	-	-	-	-	-
Domestic, foreign banks, head office and overseas branches balances	-	-	1.469.445	-	5.336	-	-
Money market placements	-	-	-	-	-	-	-
Receivables from reverse repos transactions	-	-	-	-	-	-	-
Reserve deposits	3.965.249	-	-	-	-	-	-
Loans	4.218.351	-	490.150	19.592.745	28.273.260	518.985	2.139.230
Non-performing loans (Net)	-	-	-	-	266.958	-	-
Finance lease receivables	-	-	-	-	-	-	-
Financial assets available-for-sale	-	-	-	-	-	-	-
Investments held to maturity	13.272.252	-	-	-	-	-	-
Receivables from the asset sale on credit terms	-	-	-	-	47.999	-	-
Miscellaneous receivables	55.825	-	10.379	-	170.946	-	-
Interest and Income accruals	754.079	-	5.965	229.404	449.884	-	-
Subsidiaries, associates and jointly controlled entities (joint ventures) (Net)	-	-	-	-	918.657	-	-
Property and equipment	-	-	-	-	994.765	-	-
Other assets	109.032	-	158.602	-	211.274	-	-
Off-balance sheet items	223.379	-	447.271	892.298	10.066.204	-	-
Non-cash loans and commitments	223.379	-	357.468	892.298	10.061.768	-	-
Derivative instruments	-	-	89.803	-	4.436	-	-
Non-risk weighted accounts	-	-	-	-	-	-	-
Total risk-weighted assets	25.905.273	-	2.581.827	20.714.447	41.405.283	518.985	2.139.230

2. Capital adequacy ratio summary:

	Current period	Prior period
Credit risk base amount (CRBA)	57.335.809	39.764.632
Market risk base amount (MRBA)	1.953.163	1.550.350
Operational risk base amount (ORBA)	6.119.332	5.120.983
Shareholders' Equity	9.352.673	7.399.784
Shareholders' Equity / (CRBA+MRBA+ORBA)*100	14,30	15,94

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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)

3. Information on equity items:

	Current period	Prior period
CORE CAPITAL		
Paid-in capital	1.250.000	1.250.000
<i>Nominal capital</i>	1.250.000	1.250.000
<i>Capital commitments (-)</i>	-	-
Adjustment to paid-in capital	1.220.451	1.220.451
Share premium	-	-
Share repeal	-	-
Legal reserves	749.652	610.282
<i>First legal reserve (Turkish Commercial Code 466/1)</i>	395.998	297.127
<i>Second legal reserve (Turkish Commercial Code 466/2)</i>	352.151	312.163
<i>Other legal reserve per special legislation</i>	1.503	992
Status reserves	-	-
Extraordinary reserves	3.637.115	2.233.578
<i>Reserves allocated by the General Assembly</i>	3.589.934	2.186.397
<i>Retained earnings⁽¹⁾</i>	47.181	47.181
<i>Accumulated loss</i>	-	-
<i>Foreign currency share capital exchange difference</i>	-	-
Adjustment to legal, status and extraordinary reserves	-	-
Profit	2.045.134	1.970.569
<i>Net current period profit</i>	2.045.134	1.970.569
<i>Prior period profit</i>	-	-
Provisions for possible losses up to 25% of core capital	194.000	7.600
Profit on sale of associates, subsidiaries and buildings	-	-
Primary subordinated loans up to 15% of core capital	-	-
Loss that is not covered with reserves (-)	-	-
<i>Net current period loss</i>	-	-
<i>Prior period loss</i>	-	-
Leasehold improvements (-)	70.079	66.169
Prepaid expenses (-)	-	262.019
Intangible assets (-)	27.570	17.665
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-
Total Core Capital	8.998.703	6.946.627
SUPPLEMENTARY CAPITAL		
General reserves	656.783	390.121
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) ⁽²⁾	4.422	44.076
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	(266.778)	52.076
<i>Associates and subsidiaries</i>	-	-
<i>Financial assets available for sale</i>	(266.778)	52.076
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal, status and extraordinary reserves)	-	-
Total Supplementary Capital	394.427	486.273
TIER III CAPITAL	-	-
CAPITAL	9.393.130	7.432.900
DEDUCTIONS FROM THE CAPITAL	40.457	33.116
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	8.819	6.581
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	28.350	26.535
Other	3.288	-
TOTAL SHAREHOLDERS' EQUITY	9.352.673	7.399.784

⁽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 previous period.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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 2011, the receivables of the Group from its top 100 cash loan customers is 21,35 % of its total cash loans.

As of 31 December 2011, receivables of the Bank from its top 100 non-cash loan is 57,78 % of its total non-cash loans.

As of 31 December 2011, share of cash and non-cash receivables of the Bank from its top 100 customers is 17,40 % of its total balance sheet and off-balance sheet assets.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

As of 31 December 2011, 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 656.783 (31 December 2010: TRY 390.121).

Credit risk by types of borrowers and geographical concentrations:

	Loans to real person and legal entities ⁽⁴⁾		Loans to banks and other financial institutions ⁽⁴⁾		Marketable Securities ⁽¹⁾		Other Loans ⁽²⁾	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Loans according to borrowers								
Private Sector	38.014.676	28.466.360	406.269	2.074.764	12.760	12.760	746.044	660.862
Public Sector	1.775.449	1.630.707	-	-	22.373.124	19.268.347	386.611	174.796
Banks	-	-	89.299	60.927	9.300	-	1.474.781	989.341
Retail	14.950.316	11.326.183	-	-	-	-	-	-
Share Certificates	-	-	-	-	-	-	-	-
Total	54.740.441	41.423.250	495.568	2.135.691	22.395.184	19.281.107	2.607.436	1.824.999
Information according to geographical concentration								
Domestic	54.329.646	41.237.747	495.568	2.095.185	22.374.926	19.270.321	1.559.145	1.542.104
EU countries	218.113	66.885	-	-	8.636	8.636	870.367	231.805
OECD Countries ⁽³⁾	187	-	-	-	-	-	12.058	6.172
Offshore banking regions	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	38.731	13.471
Other Countries	192.495	118.618	-	40.506	11.622	2.150	127.135	31.447
Total	54.740.441	41.423.250	495.568	2.135.691	22.395.184	19.281.107	2.607.436	1.824.999

(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 857.047 are not included to the table above. (31 December 2010: TRY 891.177)

(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 713.437 (31 December 2010: TRY 444.323) are not included in the table above.

Information according to geographical concentration:

	Assets ⁽²⁾	Liabilities ⁽³⁾	Non-cash Loans	Equity Investments ⁽²⁾	Net Profit/Loss
Current Period					
Domestic	88.885.828	71.811.261	17.714.520	755.212	2.045.134
EU countries	1.013.764	2.978.574	62.284	83.352	-
OECD Countries ⁽¹⁾	12.245	18.660	5.021	-	-
Offshore Banking Regions	-	-	-	-	-
USA, Canada	38.731	2.146.634	35.906	-	-
Other Countries	232.856	5.528.535	28.726	101.672	-
Associates, Subsidiaries and Entities under Common control (Joint Ventures)	-	-	-	-	-
Undistributed Assets /Liabilities ⁽⁴⁾	-	-	-	-	-
Total	90.183.424	82.483.664	17.846.457	940.236	2.045.134
Prior Period					
Domestic	71.753.904	57.974.576	12.603.623	668.791	2.010.393
EU countries	223.974	1.717.185	73.790	83.352	-
OECD Countries ⁽¹⁾	6.172	17.836	2.219	-	-
Offshore Banking Regions	-	-	-	-	-
USA, Canada	13.471	1.469.957	24.450	-	-
Other Countries	192.496	4.318.151	22.270	225	-
Associates, Subsidiaries and Entities under Common control (Joint Ventures)	-	-	-	-	-
Undistributed Assets /Liabilities ⁽⁴⁾	-	-	-	-	-
Total	72.190.017	65.497.705	12.726.352	752.368	2.010.393

(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
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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	663.254	1,73	50.324	0,29	698.812	2,19	38.141	0,32
<i>Farming and raising livestock</i>	652.065	1,70	45.893	0,26	686.288	2,15	30.651	0,25
<i>Forestry</i>	1.937	0,01	-	-	2.807	0,01	-	-
<i>Fishing</i>	9.252	0,02	4.431	0,03	9.717	0,03	7.490	0,06
Manufacturing	7.272.225	18,96	8.549.172	48,60	6.001.460	18,79	5.942.927	49,24
<i>Mining</i>	135.350	0,35	120.614	0,69	92.322	0,29	86.915	0,72
<i>Production</i>	7.073.992	18,44	7.829.204	44,51	5.848.346	18,31	5.175.926	42,88
<i>Electric, gas and water</i>	62.883	0,16	599.354	3,41	60.792	0,19	680.086	5,63
Construction	1.361.351	3,55	271.453	1,54	1.274.501	3,99	158.718	1,32
Services	12.623.861	32,91	7.155.066	40,68	12.112.598	37,93	4.763.990	39,47
<i>Wholesale and retail trade</i>	7.425.809	19,36	1.686.053	9,59	6.288.656	19,69	929.340	7,70
<i>Hotel, food and beverage services</i>	433.579	1,13	1.095.893	6,23	348.260	1,09	920.453	7,63
<i>Transportation and telecommunication</i>	1.982.637	5,17	650.051	3,70	1.334.864	4,18	737.703	6,11
<i>Financial institutions</i>	286.651	0,75	519.813	2,96	1.776.151	5,56	698.219	5,79
<i>Real estate and renting services</i>	1.897.038	4,95	2.798.926	15,91	1.859.528	5,82	1.230.487	10,20
<i>Self-employment services</i>	289.200	0,75	-	-	200.614	0,63	-	-
<i>Education services</i>	91.063	0,24	34.331	0,20	95.348	0,30	34.260	0,28
<i>Health and social services</i>	217.884	0,57	369.999	2,10	209.177	0,66	213.528	1,77
Other ⁽¹⁾	16.439.289	42,85	1.563.451	8,89	11.846.421	37,10	1.165.696	9,66
Total	38.359.980	100,00	17.589.466	100,00	31.933.792	100,00	12.069.472	100,00

⁽¹⁾ Accruals are included in other line.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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.

Gross Maximum Exposure	Current Period	Prior Period
Loans	56.216.404	44.296.487
Held to maturity Investments	13.997.928	12.719.179
Financial Assets Available for Sale	9.220.070	7.398.053
Due from banks	1.475.000	989.394
Financial Assets at Fair Value through profit or loss	128.199	89.359
Money Market Receivables	-	120.025
Total	81.037.601	65.612.497
Contingent Liabilities	17.846.457	12.726.352
Commitments	11.256.067	9.887.878
Total	29.102.524	22.614.230
Total Credit Risk Exposure	110.140.125	88.226.727

Credit quality per class of financial assets as of 31 December 2011 is as follows:

	Neither past due nor impaired	Past due and individually not impaired ⁽³⁾	Past due and individually impaired ⁽²⁾	Total
Receivables from banks	1.475.000	-	-	1.475.000
Financial assets at fair value through profit or loss	128.199	-	-	128.199
Loans ⁽¹⁾	54.424.405	239.480	266.958	54.930.843
<i>Corporate Lending</i>	21.621.168	3.178	26.416	21.650.762
<i>SME Lending</i>	16.079.234	119.002	195.681	16.393.917
<i>Consumer Lending</i>	14.792.354	117.300	44.541	14.954.195
<i>Other</i>	1.931.649	-	320	1.931.969
Financial assets available for sale	9.220.070	-	-	9.220.070
Investments held to maturity	13.997.928	-	-	13.997.928

⁽¹⁾ Loans for which the risk does not belong to the Bank amounting TRY 1.285.561 are not included the table above.

⁽²⁾ Specific provision amounting TRY 1.401.737 is made for overdue and impaired assets amounting TRY 1.668.695.

⁽³⁾ The above amounts include only the overdue installments of SME, corporate loans and individual loans. The principles of these loans amounting TRY 27.100 (corporate loans); TRY 970.591 (SME) and TRY 428.688 (individual loans) respectively.

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

	Neither past due nor impaired	Past due and individually not impaired ⁽³⁾	Past due and individually impaired ⁽²⁾	Total
Receivables from banks	989.394	-	-	989.394
Financial assets at fair value through profit or loss	89.359	-	-	89.359
Loans ⁽¹⁾	42.671.630	185.393	293.223	43.150.246
<i>Corporate Lending</i>	16.498.322	1.768	74.520	16.574.610
<i>SME Lending</i>	12.683.185	158.555	188.111	13.029.851
<i>Consumer Lending</i>	11.384.327	25.070	30.592	11.439.989
<i>Other</i>	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 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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 Valuation Grade	Total
Risk rating group 1	AAA	45.465	High		
Risk rating group 2	AA	4.934.935	Risk rating group 1	1	971.876
Risk rating group 3	A	5.182.522	Risk rating group 2	2	1.530.896
Risk rating group 4	BBB	7.230.852	Standard		
Risk rating group 5	BB	5.929.544	Risk rating group 3	3	1.425.641
Risk rating group 6	B	6.396.875	Risk rating group 4	4	1.833.638
Risk rating group 7	CCC	1.579.474	Risk rating group 5	5	3.367.646
Risk rating group 8	CC	205.072	Below the standard		
Risk rating group 9	C	10.563	Risk rating group 6	6	2.674.589
			Risk rating group 7	7	2.852.401
Total		31.515.302	Total		14.656.687

- (1) Loans for which the risk does not belong to the Bank amounting TRY 1.285.561 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

Entrepreneur Loans Decision Module (“GKKM”) is the rating module which is used for assessment of loan applications of companies which are classified by the Bank as a small and medium sized enterprises (SME) Customers within the SME in GKKM are evaluated by both qualitative and quantitative characteristics of firm, the size of endorsement and requested amount of loan before bank creates score card forms for each customers Score card which categorize firms according to their risk, includes 1 to 7 rating group and 1 has the lowest risk. Guarantees for companies that can be assessed by GKKM, converted into cash during the time it takes to prevent probable loss of value and the conversion process is divided into two main groups according to the criteria. The conversion of cash collateral to compensate for any losses in a margin, "Liquid Collateral Value" is referred to as the facility where the customer the amount of collateral to be determined by risk group, and the collateral value of the liquid.

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

	Current Period	Prior Period
Loans ^{(1), (2)}		
Corporate Loans	72.027	64.731
SME Loans	42.917	77.407
Consumer Loans	22.260	16.149
Other	201	186
Total	137.405	158.473

- (1) Accruals amounting TRY 1.775 are not included to the table above (31 December 2010: TRY 1.616)
(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 2011

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

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 641.037 followed under loans and other receivables under close monitoring section is below: (31 December 2010 : TRY 906.886).

Collateral Types	Net Value of Collateral Current Period⁽¹⁾	Net Value of Collateral Prior Period
Real estate mortgage	428.717	640.047
Salary pledge, vehicle pledge and pledge of commercial undertaking	53.484	51.711
Financial collaterals (cash, securities pledge, etc.)	33	283
Cheque /bills	5.090	12.447
Suretyship	92.888	145.568
Other	60.825	56.830
Total	641.037	906.886

(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 amounting to TRY 8.280 (31 December 2011: TRY 9.253) are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 1.668.695 followed under non performing loans section is below: (31 December 2010: TRY 1.757.753)

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Cash	2.045	12.877
Mortgage	494.886	578.297
Pledge	27.138	51.662
Cheque,bills	8.723	4.411
Suretyship	786.225	715.001
Bond	3	7
Other	349.675	395.498
Total	1.668.695	1.757.753

(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) Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

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
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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:

	Amount
(I) Capital requirement to be employed for general market risk - Standard method	139.257
(II) Capital requirement to be employed for specific risk - Standard method	1.778
(III) Capital requirement to be employed for currency risk - Standard method	14.989
(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	229
(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)	156.253
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	1.953.163

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

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	124.632	148.678	111.264	83.271	102.999	65.899
Common stock risk	2.109	2.320	2.042	1.774	2.210	1.678
Currency Risk	17.345	38.424	9.342	8.820	29.225	336
Commodity Risk	-	-	-	-	-	-
Clearance Risk	-	-	-	-	-	-
Option Risk	195	1.234	32	260	1.429	-
Total Value Subject to Risk	144.281	190.656	122.680	94.125	135.863	67.913

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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 6.119.332 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 2011 and the previous five working days in full TRY are as follows:

	23.12.2011	26.12.2011	27.12.2011	28.12.2011	29.12.2011	30.12.2011
USD	1,8750000	1,8700000	1,8750000	1,8850000	1,8850000	1,8600000
CHF	1,9956000	1,9941000	2,0030000	1,9986000	1,9975000	1,9800000
GBP	2,9301000	2,9182000	2,9333000	2,9141000	2,9040000	2,8837000
JPY	0,0239533	0,0239630	0,0240517	0,0241691	0,0242111	0,0240712
EURO	2,4447000	2,4422000	2,4506000	2,4428000	2,4366000	2,4135000

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 31 December 2011 are as follows:

	Monthly average
USD	1,8479545
CHF	1,9777455
GBP	2,8785364
JPY	0,0237103
EURO	2,4307045

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

V. EXPLANATIONS RELATED TO THE CURRENCY RISK (continued)

Information related to currency risk:

Current period	EURO	USD	JPY	OTHER	TOTAL
Assets					
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	3.959.468	46.376	81	755.254	4.761.179
Banks and financial institutions	1.315.483	108.554	6.108	33.521	1.463.666
Financial assets at fair value through profit and loss ⁽³⁾	3.263	69.328	-	65	72.656
Money market placements	-	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	724.545	880.327	-	-	1.604.872
Loans ⁽²⁾	7.255.384	10.369.815	-	19.782	17.644.981
Subsidiaries, associates and entities under common control	-	-	-	-	-
Held-to-maturity investments	963.095	1.038.428	-	-	2.001.523
Derivative financial assets held for risk management	-	-	-	-	-
Tangible assets	-	-	-	6	6
Intangible assets	-	-	-	-	-
Other assets ⁽³⁾	24.053	28.175	-	24	52.252
Total assets	14.245.291	12.541.003	6.189	808.652	27.601.135
Liabilities					
Bank deposits	2.769.699	638.580	-	178.524	3.586.803
Foreign currency deposits	9.060.217	7.158.489	8.657	2.183.668	18.411.031
Money market balances	139.070	708.860	-	-	847.930
Funds provided from other financial institutions	3.852.691	2.058.727	-	726	5.912.144
Bonds issued	-	-	-	-	-
Sundry creditors	18.404	55.851	7	21	74.283
Derivative financial liabilities held for risk management	-	-	-	-	-
Other liabilities ⁽³⁾	57.416	174.576	47	3.187	235.226
Total liabilities	15.897.497	10.795.083	8.711	2.366.126	29.067.417
Net balance sheet position	(1.652.206)	1.745.920	(2.522)	(1.557.474)	(1.466.282)
Net off-balance sheet position	1.350.977	(1.793.208)	1.785	1.561.998	1.121.552
Financial derivative assets ⁽⁴⁾	1.483.014	744.174	82.278	1.634.596	3.944.062
Financial derivative liabilities ⁽⁴⁾	132.037	2.537.382	80.493	72.598	2.822.510
Non-cash loans ⁽¹⁾	2.804.096	6.050.101	45.396	121.757	9.021.350
Prior period					
Total assets	8.417.582	9.904.367	3.914	111.829	18.437.692
Total liabilities	9.571.129	9.370.932	2.588	588.135	19.532.784
Net balance sheet position	(1.153.547)	533.435	1.326	(476.306)	(1.095.092)
Net off-balance sheet position	924.144	(623.219)	-	485.200	786.125
Financial derivative assets	987.958	702.391	-	561.481	2.251.830
Financial derivative liabilities	63.814	1.325.610	-	76.281	1.465.705
Non-cash loans ⁽¹⁾	1.973.961	3.899.018	29.407	76.153	5.978.539

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

⁽²⁾ Includes TRY 55.515 of foreign currency indexed loans and their accruals. (31 December 2010: 59.608 TL)

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 31.800), prepaid expenses (TRY 35) in assets; and derivative financial instruments foreign currency expense accruals (TRY 19.443) and shareholders' equity negative (TRY 343.524) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include credit default swaps amounting TRY 279.000 and forward precious metal purchase transactions amounted to TRY 1.500.223. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 7.849.

⁽⁵⁾ Demirhalkbank NV (TRY 74.716), an associate operates in foreign currency, Macar Halkbank (TRY 8.636) International Garagum Bank (TRY 225), and a foreign currency subsidiary Halk Banka AD Skopje (TRY 101.447) followed as available for sale items in foreign currency, are presented in financials with their historical costs since they are non-monetary financial items.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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	(4.729)	(8.978)
EURO	10% increase	(30.123)	(22.940)
Other	10% increase	379	1.022

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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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:

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	9.371	-	-	-	-	7.262.999	7.272.370
Banks and financial institutions	1.288.851	72.593	-	-	-	113.556	1.475.000
Financial assets at fair value through profit and loss	8.457	39.659	3.058	71.439	5.586	-	128.199
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	1.405.522	1.118.738	1.165.700	3.880.702	1.636.648	12.760	9.220.070
Loans	24.709.925	6.730.675	10.788.011	10.959.578	1.803.423	957.834	55.949.446
Held-to-maturity investments	3.422.441	3.669.329	2.602.180	2.967.603	1.336.375	-	13.997.928
Other assets ^{(1), (2)}	96.581	1.836	8.208	27.257	9.133	2.937.632	3.080.647
Total assets	30.941.148	11.632.830	14.567.157	17.906.579	4.791.165	11.284.781	91.123.660
Liabilities							
Bank deposits	3.707.469	64.098	37.641	130.671	-	3.040.575	6.980.454
Other deposits	31.963.953	13.216.381	3.860.121	32.229	-	10.193.796	59.266.480
Money market balances	4.234.296	332.118	338.118	-	-	-	4.904.532
Sundry creditors	21.111	-	-	-	-	1.107.409	1.128.520
Bonds issued	495.615	-	-	-	-	-	495.615
Funds provided from other financial institutions ⁽⁴⁾	2.028.627	2.421.369	1.527.829	182.321	130.295	786	6.291.227
Other liabilities ⁽³⁾	1.461.551	348.600	42.563	-	-	10.204.118	12.056.832
Total liabilities	43.912.622	16.382.566	5.806.272	345.221	130.295	24.546.684	91.123.660
Balance sheet long position	-	-	8.760.885	17.561.358	4.660.870	-	30.983.113
Balance sheet short position	(12.971.474)	(4.749.736)	-	-	-	(13.261.903)	(30.983.113)
Off-balance sheet long position	-	7.951	281.562	815	-	-	290.328
Off-balance sheet short position	-	(7.951)	(141.532)	(815)	(59.100)	-	(209.398)
Total position	(12.971.474)	(4.749.736)	8.900.915	17.561.358	4.601.770	(13.261.903)	80.930

(1) TRY 72.164 of deferred tax assets is disclosed under the non interest bearing column in other assets.

(2) TRY 266.958 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	7.770	-	-	-	-	4.641.790	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
Total assets	20.559.118	11.427.426	12.282.469	16.308.385	3.937.926	8.427.061	72.942.385
Liabilities							
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
Bonds 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
Total liabilities	37.806.504	12.822.730	3.578.839	95.807	115.650	18.522.855	72.942.385
Balance sheet long position	-	-	8.703.630	16.212.578	3.822.276	-	28.738.484
Balance sheet short position	(17.247.386)	(1.395.304)	-	-	-	(10.095.794)	(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)
Total position	(17.211.973)	(1.201.967)	8.703.630	16.014.508	3.822.276	(10.095.794)	30.680

(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.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

2. Average interest rates applied to financial instruments:

Current period	EURO	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,5	-	-	5
Due from other banks and financial institutions ⁽¹⁾	0,82	0,25	-	1,45
Financial assets at fair value through profit and loss	-	4,60	-	9,83
Money market placements	-	-	-	-
Available-for-sale financial assets	4,90	4,97	-	8,72
Loans ⁽²⁾	4,55	3,82	-	12,46
Held-to-maturity investments	6,38	7,02	-	11,09
Liabilities				
Bank deposits	1,29	0,99	-	10,84
Other deposits ⁽⁴⁾	3,75	3,77	-	9,44
Money market borrowings	2,11	1,59	-	9,16
Sundry creditors ⁽³⁾	-	-	-	4,50
Bonds issued	-	-	-	8,82
Funds provided from other financial institutions	2,35	1,60	-	6,90
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,5	-	-	5
Due from other banks and financial institutions ⁽¹⁾	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 ⁽²⁾	3,61	3,03	3,50	11,69
Held-to-maturity investments	6,33	6,85	-	13,62
Liabilities				
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	-	-	-	4,50
Bonds issued	-	-	-	-
Funds provided from other financial institutions ⁽⁴⁾	1,68	1,18	-	6,77

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

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

⁽³⁾ 75% of the declared maximum deposit interest rate with a maturity of twelve months as of 31 December 2011.

⁽⁴⁾ Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 December 2011.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

Interest rate sensitivity:

Bank; in terms of the scope of sensitivity analysis for trading accounts and banking accounts; used to apply standard method of shock earlier, however, in the current period reporting methods described below are used in order to make more accurate risk analysis.

As of the balance sheet date, any variations in the TRY and foreign currency interest rates which affects the Bank's trading accounts hence profit and loss, is measured by value at risk analysis. Parametric and historical simulation methods are carried out by using value at risk analysis. As of December 31, 2011 the effect of changes in the risk factors affecting trading accounts – considering 10 day retention time, and the 99% confidence interval – amounted to TRY 117 331 (31 December 2010: TRY 97 867).

The potential impact of interest rate shocks that may occur on the banking accounts is calculated through analysis of change in the economic value. In this context, TRY and foreign currency yield curves are shifted upward in parallel and are applied to shock 200 basis points. As of 31 December 2011 loss that might occur in exchange for the banking accounts in result of economic shocks, amounted to TRY 699 117. The main reason for that is change in fair value of fixed rate loans (31 December 2010: TRY 818 070).

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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	1.187.159	1.758.631	2.813.389	1.468.609	44.311	271	-	7.272.370
Banks and financial institutions	113.556	1.288.851	72.593	-	-	-	-	1.475.000
Financial assets at fair value through profit and loss	-	8.446	35.019	3.058	76.090	5.586	-	128.199
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	282.040	193.566	463.493	5.066.991	3.201.220	12.760	9.220.070
Loans ⁽²⁾	279.619	4.197.571	4.704.799	18.342.599	24.896.154	3.528.704	-	55.949.446
Held-to-maturity investments	-	147.153	803.965	1.106.406	9.895.320	2.045.084	-	13.997.928
Other assets ⁽³⁾	297.942	10.468	34.978	8.739	79.697	9.133	2.639.690	3.080.647
Total assets	1.878.276	7.693.160	8.658.309	21.392.904	40.058.563	8.789.998	2.652.450	91.123.660
Liabilities								
Bank deposits	3.040.575	3.707.469	64.098	37.641	130.671	-	-	6.980.454
Other deposits	10.193.796	31.960.662	13.209.246	3.774.197	126.066	2.513	-	59.266.480
Funds provided from other financial institutions ⁽⁴⁾	797	96.816	250.379	2.948.746	1.199.615	1.794.874	-	6.291.227
Money market balances	-	4.234.296	332.118	338.118	-	-	-	4.904.532
Bonds issued	-	495.615	-	-	-	-	-	495.615
Sundry creditors	1.107.409	21.111	-	-	-	-	-	1.128.520
Other liabilities ⁽¹⁾	1.598.056	638.110	467.618	293.482	212.145	207.425	8.639.996	12.056.832
Total liabilities	15.940.633	41.154.079	14.323.459	7.392.184	1.668.497	2.004.812	8.639.996	91.123.660
Liquidity gap	(14.062.357)	(33.460.919)	(5.665.150)	14.000.720	38.390.066	6.785.186	(5.987.546)	-
Previous period								
Total assets	2.021.819	9.844.178	5.843.923	13.698.679	32.213.636	6.681.766	2.638.384	72.942.385
Total liabilities	11.505.063	35.796.954	11.250.507	4.342.346	1.064.092	1.538.743	7.444.680	72.942.385
Liquidity gap	(9.483.244)	(25.952.776)	(5.406.584)	9.356.333	31.149.544	5.143.023	(4.806.296)	-

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

(2) TRY 266.958 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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
Liabilities							
Deposits	49.018.994	13.449.613	3.940.195	263.650	2.515	(428.033)	66.246.934
Funds provided from other financial institutions	116.227	242.101	3.039.070	1.447.852	1.973.045	(527.068)	6.291.227
Money market borrowings	4.259.706	333.153	344.220	-	-	(32.547)	4.904.532
Securities issued	498.675	-	-	-	-	(3.060)	495.615
Funds	616.898	75.101	253.089	227.475	224.475	(51.804)	1.345.234
Sundry Creditors	521.687	49.772	183.988	373.067	6	-	1.128.520
Total	55.032.187	14.149.740	7.760.562	2.312.044	2.200.041	(1.042.512)	80.412.062

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
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
Total	45.770.811	11.357.030	4.461.836	1.264.298	1.717.140	(771.992)	63.799.123

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 2011 and 2010 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	154,91	154,98	104,30	106,78	168,36	194,30	113,40	119,53
Maximum	214,63	206,10	129,89	121,41	218,68	248,76	139,41	130,76
Minimum	119,96	136,93	81,85	100,23	118,89	172,05	92,27	108,27

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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:

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	465.213	162.649	70.521	-	-	698.383
Forward Contracts – Sell	466.418	1.703.426	71.104	-	-	2.240.948
Swaps – Buy	1.670.280	153.225	-	93.000	-	1.916.505
Swaps – Sell	1.683.159	153.119	-	93.000	-	1.895.778
Credit Default Swap – Buy	-	186.000	-	93.000	-	279.000
Credit Default Swap – Sell	-	138.970	-	59.100	-	198.070
Forward Precious Metal - Buy	-	1.500.223	-	-	-	1.500.223
Forward Precious Metal - Sell	-	7.849	-	-	-	7.849
Money Buy Options	36.785	10.663	21.932	-	-	69.380
Money Sell Options	36.811	10.638	21.931	-	-	69.380
Total	4.358.666	4.026.762	185.488	304.600	-	8.875.516

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	339.864	21.192	7.391	-	-	368.447
Forward Contracts – Sell	338.793	21.153	7.404	-	-	367.350
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
Total	3.279.758	1.135.905	514.010	562.570	-	5.492.243

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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 2011 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Intagrated	Treasury / Investment ⁽¹⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	906.902	766.928	7.573.218	6.000.806	(7.969.194)	7.278.660
<i>Interest on loans</i>	478.406	598.862	3.863.407	305.226	-	5.245.901
<i>Interest income on marketable securities</i>	-	-	-	2.018.505	-	2.018.505
<i>Interest received from banks</i>	-	-	-	9.229	-	9.229
<i>Other interest income⁽²⁾</i>	428.496	168.066	3.709.811	3.667.846	(7.969.194)	5.025
Interest expense	673.738	540.020	5.458.666	5.102.187	(7.969.194)	3.805.417
<i>Interest on deposits</i>	295.061	113.428	2.539.616	224.087	-	3.172.192
<i>Interest on borrowings</i>	2.612	11.229	5.651	107.023	-	126.515
<i>Interest on money market borrowings</i>	-	-	-	453.091	-	453.091
<i>Interest on marketable bonds issued</i>	-	-	-	17.310	-	17.310
<i>Other interest expense⁽²⁾</i>	376.065	415.363	2.913.399	4.300.676	(7.969.194)	36.309
Net interest income	233.164	226.908	2.114.552	898.619	-	3.473.243
Net fees and commissions income	71.346	97.301	484.841	74.679	-	728.167
Net trading profit / (loss)	-	-	-	207.539	-	207.539
Dividend income	-	-	-	48.531	-	48.531
Other income	4.861	29.863	326.791	232.936	-	594.451
Loans and other receivables' impairment loss	3.433	45.545	168.136	472.870	-	689.984
Other expenses	14.508	50.787	850.320	809.636	-	1.725.251
Income before taxes	291.430	257.740	1.907.728	179.798	-	2.636.696
Income tax provision	-	-	-	(591.562)	-	(591.562)
Net profit for the period	291.430	257.740	1.907.728	(411.764)	-	2.045.134
SEGMENT ASSETS						
Marketable securities	-	-	-	23.252.231	-	23.252.231
Derivative financial assets held for trading	-	-	-	93.966	-	93.966
Banks and money market receivables	-	-	-	1.475.000	-	1.475.000
Associates and subsidiaries (net)	-	-	-	927.476	-	927.476
Loans	7.267.113	8.298.222	35.063.374	5.587.695	-	56.216.404
Other assets ⁽¹⁾	671	160.081	933.226	8.064.605	-	9.158.583
TOTAL ASSETS	7.267.784	8.458.303	35.996.600	39.400.973	-	91.123.660
SEGMENT LIABILITIES						
Deposits	7.143.940	2.813.885	46.615.466	9.673.643	-	66.246.934
Derivative financial liabilities held for trading	-	-	-	65.358	-	65.358
Money market balances	-	-	-	4.904.532	-	4.904.532
Borrowing funding loans	35.746	204.493	159.670	5.891.318	-	6.291.227
Bonds issued	-	-	-	495.615	-	495.615
Other liabilities	25.354	47.019	2.126.270	845.340	-	3.043.983
Provisions and tax payable	6.812	13.866	80.975	1.334.362	-	1.436.015
Shareholders' equity	-	-	-	8.639.996	-	8.639.996
TOTAL LIABILITIES	7.211.852	3.079.263	48.982.381	31.850.164	-	91.123.660
OFF BALANCE SHEET ITEMS						
Guarantees and suretyships	9.672.659	3.959.359	4.160.754	53.685	-	17.846.457
Commitments	23.890	213.890	5.328.820	65.674.431	-	71.241.031
Derivative financial instruments	-	-	-	8.198.431	-	8.198.431

⁽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 1.011.022 (net) and deferred tax assets amounting TRY 72.164 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

Prior Period	Corporate	Commercial	SME/ Intagrated	Treasury / Investment ⁽¹⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	772.010	492.956	6.074.668	5.177.666	(6.166.685)	6.350.615
<i>Interest on loans</i>	433.012	349.072	3.191.646	282.525	-	4.256.255
<i>Interest income on marketable securities</i>	-	-	-	2.014.419	-	2.014.419
<i>Interest received from banks</i>	-	-	-	71.414	-	71.414
<i>Other interest income⁽²⁾</i>	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
<i>Interest on deposits</i>	268.369	100.696	2.078.216	324.774	-	2.772.055
<i>Interest on borrowings</i>	820	6.104	6.152	53.131	-	66.207
<i>Interest on money market borrowings</i>	-	-	-	271.819	-	271.819
<i>Interest on marketable bonds issued</i>	-	-	-	-	-	-
<i>Other interest expense⁽²⁾</i>	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
SEGMENT ASSETS						
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
TOTAL ASSETS	7.015.241	5.858.411	28.214.424	31.854.309	-	72.942.385
SEGMENT LIABILITIES						
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
Bonds issued	-	-	-	-	-	-
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
TOTAL LIABILITIES	7.256.397	2.768.067	40.942.573	21.975.348	-	72.942.385
OFF BALANCE SHEET ITEMS						
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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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
Financial Assets	88.030.253	69.956.074	85.745.919	70.188.174
Cash and Balances with the Central Bank of Turkey	7.272.370	4.649.560	7.272.370	4.649.560
Financial assets fair value changes reflected to income statement	128.199	89.359	128.199	89.359
Banks	1.475.000	989.394	1.475.000	989.346
Money market placements	-	120.025	-	120.014
Available for sale financial assets ⁽¹⁾	9.207.310	7.385.293	9.207.310	7.385.293
Held to maturity investments	13.997.928	12.719.179	13.721.824	12.972.240
Loans ⁽²⁾	55.949.446	44.003.264	53.941.216	43.982.362
Financial Liabilities	79.134.004	62.543.608	78.685.712	62.586.012
Deposits	66.246.934	54.782.014	66.349.901	54.841.282
Derivative financial liabilities held for trading	65.358	39.151	65.358	39.151
Funds provided from other financial institutions	6.291.227	3.824.387	5.858.089	3.807.566
Money market borrowings	4.904.532	3.155.055	4.904.532	3.155.055
Securities issued	495.615	-	495.615	-
Miscellaneous payables	1.128.520	742.435	1.010.399	742.392
Leasing payables	1.818	566	1.818	566

⁽¹⁾ As of 31 December 2011 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 2010: TRY 12.760).

⁽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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	32.136	93.966	2.097	128.199
<i>Debt securities</i>	32.136	-	-	32.136
<i>Derivative financial assets held for trading purpose</i>	-	93.966	-	93.966
<i>Bonds</i>	-	-	-	-
<i>Other Securities</i>	-	-	2.097	2.097
Available-for-sale financial assets ⁽¹⁾	8.793.295	414.015	-	9.207.310
<i>Debt securities</i>	8.793.295	414.015	-	9.207.310
Total Financial Assets	8.825.431	507.981	2.097	9.335.509
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	65.358	-	65.358
Total Financial Liabilities	-	65.358	-	65.358

⁽¹⁾ As of 31 December 2011 share certificates amounting to TRY 12.760 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
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 ⁽¹⁾	7.337.229	48.064	-	7.385.293
<i>Debt securities</i>	7.337.229	48.064	-	7.385.293
Total Financial Assets	7.390.356	82.371	1.925	7.474.652
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	39.151	-	39.151
Total Financial Liabilities	-	39.151	-	39.151

⁽¹⁾ As of 31 December 2010 share certificates amounting to TRY 12.760 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	386.367	95.434	316.631	62.649
Central Bank of Turkey	2.124.824	4.665.730	2.466.013	1.804.255
Other	-	15	-	12
Total	2.511.191	4.761.179	2.782.644	1.866.916

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	2.120.213	705.092	2.458.657	491.046
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits ⁽²⁾	4.611	3.960.638	7.356	1.313.209
Total	2.124.824	4.665.730	2.466.013	1.804.255

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

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

The banks operating in Turkey keep reserve deposits for Turkish currency liabilities in TRY specified rates between 5% and 11% according to their maturities (31 December 2010: 6%), foreign currency liabilities in USD or EUR at the rates between 6% and 11% according to their maturities (31 December 2010: 11%), respectively as per the Communique no.2011/11 and 2011/13 "Reserve Deposits" of the Central Bank of Turkey.

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

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

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

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

None.

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

None.

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	4.957	-	10.049
Swap transactions	-	88.970	-	23.537
Futures transactions	-	-	-	-
Options	37	2	3	718
Other	-	-	-	-
Total	37	93.929	3	34.304

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	24	602.661	59.030	722.132
Foreign banks	11.310	861.005	21.028	187.204
Branches and offices abroad	-	-	-	-
Total	11.334	1.463.666	80.058	909.336

b) Information on foreign banks:

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	795.651	157.089	-	-
USA and Canada	38.731	13.471	-	-
OECD Ülkeleri ⁽¹⁾	12.058	6.172	-	-
Offshore Banking Regions	-	-	-	-
Other	25.875	31.500	-	-
Total	872.315	208.232	-	-

(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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds	118.586	96.235	-	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	118.586	96.235	-	-

b) Information on financial assets available for sale portfolio:

	Current period	Prior period
Debt securities	9.317.482	7.388.061
<i>Quoted on a stock exchange</i>	9.317.482	7.388.061
<i>Not quoted</i>	-	-
Share certificates	25.095	25.095
<i>Quoted on a stock exchange</i>	-	-
<i>Not quoted</i>	25.095	25.095
Impairment provision(-) ⁽¹⁾	122.507	15.103
Total	9.220.070	7.398.053

⁽¹⁾ Increase in impairment provision recognized in current period is due to valuation differences of financial assets of which are cost valued above market rates .

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	117.787	-	97.620	-
Total	117.787	-	97.620	-

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

(5) Information on loans: (continued)

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

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Restructured or rescheduled ⁽³⁾	Loans and other receivables	Restructured or rescheduled ⁽³⁾
Cash loans				
Non-specialized loans	42.954.138	77.638	508.607	22.198
Discount notes	32.690	-	-	-
Export loans	2.761.038	-	1.635	-
Import loans	-	-	-	-
Loans given to financial sector	495.568	-	-	-
Overseas loans	409.801	-	973	21
Consumer loans ⁽¹⁾	13.837.854	72	140.773	19.812
Credit cards ⁽²⁾	928.077	17	21.352	2.359
Precious metals loans	-	-	-	-
Other	24.489.110	77.549	343.874	6
Specialized lending	11.525.627	37.569	110.232	-
Other receivables	-	-	-	-
Accruals	703.669	1.488	7.993	287
Total	55.183.434	116.695	626.832	22.485

⁽¹⁾ Includes TRY 88.966 of personnel loans.

⁽²⁾ Includes TRY 28.821 of personnel credit cards.

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

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

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Up to one year	One year and over	Up to one year	One year and over
Number of changes made in the initial payment term	4.036	2.765	306	594

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

(5) Information on loans: (continued)

c) Loans according to their maturity structure:

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Restructured or rescheduled ⁽¹⁾	Loans and other receivables	Restructured or rescheduled ⁽¹⁾
Cash loans				
Short-term loans and other receivables	15.504.848	601	141.854	585
<i>Non-specialized loans</i>	14.811.104	519	136.067	578
<i>Specialized loans</i>	496.035	74	3.978	-
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	197.709	8	1.809	7
Medium and long-term loans and other receivables	39.678.586	116.094	484.978	21.900
<i>Non-specialized loans</i>	28.143.034	77.119	372.540	21.620
<i>Specialized loans</i>	11.029.592	37.495	106.254	-
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	505.960	1.480	6.184	280
Total	55.183.434	116.695	626.832	22.485

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	207.019	13.452.419	13.659.438
<i>Real estate loans</i>	4.025	5.379.089	5.383.114
<i>Automobile loans</i>	864	50.258	51.122
<i>Consumer loans</i>	202.130	8.023.072	8.225.202
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	268	268
<i>Real estate loans</i>	-	268	268
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	845.979	2.107	848.086
<i>Installment</i>	238.887	-	238.887
<i>Non-installment</i>	607.092	2.107	609.199
Individual credit cards-FC	-	-	-
<i>Installment</i>	-	-	-
<i>Non-installment</i>	-	-	-
Personnel loans-TRY	5.935	83.031	88.966
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	5.935	83.031	88.966
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	28.807	14	28.821
<i>Installment</i>	8.210	-	8.210
<i>Non-installment</i>	20.597	14	20.611
Personnel credit cards-FC	-	-	-
<i>Installment</i>	-	-	-
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY (Retail customer)	249.839	-	249.839
Overdraft accounts-FC (Retail customer)	-	-	-
Total	1.337.579	13.537.839	14.875.418

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	30.389	589.685	620.074
<i>Business residential loans</i>	10.547	367.344	377.891
<i>Automobile loans</i>	19.842	222.341	242.183
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Corporate credit cards-TRY	74.898	-	74.898
<i>Installment</i>	13.583	-	13.583
<i>Non-installment</i>	61.315	-	61.315
Corporate credit cards-FC	-	-	-
<i>Installment</i>	-	-	-
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY (Commercial customer)	248.814	-	248.814
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	354.101	589.685	943.786

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

f) Loan according to type of borrowers:

	Current period	Prior period
Public	1.798.381	1.647.341
Private	54.151.065	42.355.923
Total	55.949.446	44.003.264

g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	55.533.345	43.746.012
Foreign loans	416.101	257.252
Total	55.949.446	44.003.264

h) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	144.642	75.704
Indirect loans granted to subsidiaries and associates	-	-
Total	144.642	75.704

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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)

i) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectibility	89.188	127.289
Loans and receivables with doubtful collectibility	22.057	75.681
Uncollectible loans and receivables	1.290.492	1.261.560
Total	1.401.737	1.464.530

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period	36.628	7.817	129.380
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	36.628	7.817	129.380
Prior period	44.297	20.564	286.518
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	44.297	20.564	286.518

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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)

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

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible
	receivables	receivables	loans and
	with limited	with doubtful	receivables
	collectibility	collectibility	
Prior period end balance	195.025	106.512	1.456.216
Additions (+)	254.493	39.547	87.790
Transfers from other categories of loans under follow-up (+)	-	47.936	285.560
Transfers to other categories of loans under follow-up (-)	203.692	129.804	-
Collections (-)	101.667	33.583	335.638
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	144.159	30.608	1.493.928
Specific provision (-)	89.188	22.057	1.290.492
Net balance on balance sheet	54.971	8.551	203.436

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

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period (Net)	54.971	8.551	203.436
Loans to granted real persons and legal entities (Gross)	144.021	30.350	1.452.789
Specific provisions (-)	89.050	21.799	1.249.353
Loans to granted real persons and legal entities (Net)	54.971	8.551	203.436
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	138	258	41.139
Specific provisions (-)	138	258	41.139
Other loans and receivables (Net)	-	-	-
Prior period (Net)	67.736	30.831	194.656
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)	-	-	-

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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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:

Current Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	244	1.483	1.451	3.178
SME Loans	79.147	26.178	13.677	119.002
Consumer Loans	12.901	4.792	2.236	19.929
Credit cards	79.797	13.358	4.216	97.371
Total	172.089	45.811	21.580	239.480

Prior Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
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
Total	176.182	63.846	28.179	268.207

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills	-	-	-	-
Government bonds and similar securities	2.620.979	417.083	2.272.031	86.107
Other	-	-	-	-
Total	2.620.979	417.083	2.272.031	86.107

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Treasury bills, government bonds and similar securities	4.004.244	895.666	2.537.984	722.386
Other	-	-	-	-
Total	4.004.244	895.666	2.537.984	722.386

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

	Current period	Prior period
Government bonds	13.997.928	12.719.179
Treasury bills	-	-
Other public sector debt securities	-	-
Total	13.997.928	12.719.179

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	13.997.928	12.719.179
Quoted on a stock exchange	11.595.218	10.330.213
Not quoted	2.402.710	2.388.966
Impairment provision (-)	-	-
Total	13.997.928	12.719.179

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

	Current period	Prior period
Beginning balance	12.719.179	16.556.802
Foreign currency differences on monetary assets	328.614	(14.112)
Purchases during the year ⁽¹⁾	1.944.289	3.112.796
Disposals through sales and redemptions ⁽²⁾	(994.154)	(6.936.307)
Impairment provision (-) / provision reversal (+)	-	-
Balance at the of the period	13.997.928	12.719.179

⁽¹⁾ Interest income accrual amounting TRY 725.676 have been included in purchases row (31 December 2010: TRY 500.718).

⁽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 2011, the Bank reclassified TRY 734.142 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

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

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

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

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of Treasury of Republic of Turkey ⁽²⁾	6.592.294	-	7.038.990	-	5.048.183	-	5.322.236	-
Obtained with the transfer	2.340.938	-	2.402.709	-	2.340.938	-	2.388.965	-
Reclassified from other securities portfolios ⁽¹⁾	2.424.517	1.229.627	2.554.706	1.289.865	2.989.881	1.203.581	3.096.506	1.254.814
Other	-	684.876	-	711.658	-	635.878	-	656.658
Total	11.357.749	1.914.503	11.996.405	2.001.523	10.379.002	1.839.459	10.807.707	1.911.472

⁽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 2011. The additions for the period and financial assets 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. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	32,26
3. Fintek AŞ	Ankara	24,00	29,76
4. Bileşim Alternatif Dağ. Kan. AŞ	İstanbul	24,00	24,00
5. Kredi Kayıt Bürosu AŞ	İstanbul	18,18	18,18
6. Bankalararası Kart Merkezi AŞ	İstanbul	18,95	18,95
7. Kredi Garanti Fonu AŞ	Ankara	1,67	1,67

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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
1.	4.113.816	450.260	33.475	126.528	5.264	14.891	3.381	-
2.	44.420	44.184	161	1.838	-	2.138	744	-
3.	12.299	4.455	88	112	33	229	144	-
4.	21.980	12.306	2.731	413	-	2.121	886	-
5.	34.017	23.852	2.053	1.278	4	8.204	5.964	-
6.	21.526	17.174	6.363	410	15	1.309	1.014	-
7.	142.235	135.886	3.038	2.147	-	2.782	3.270	-

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

(2) The associates that are presented in (a), the financial data of Bankalararası Kart Merkezi AŞ is obtained from 30 September 2011 reviewed financial statements and remaining associates are obtained from 30 September 2011 unaudited financial statements.

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	143.527	239.795
Movements during the period	(47.422)	(96.268)
Purchases ⁽¹⁾	1.000	944
Bonus shares obtained profit from current year's share ⁽¹⁾	1.238	5.317
Dividends from current year income	-	-
Sales	-	-
Transfers	(49.660)	-
Revaluation decrease (-) / increase ⁽²⁾	-	(116.336)
Provision for impairment (-) / reversals (+) ⁽²⁾	-	13.807
Balance at the end of the period	96.105	143.527
Capital commitments ⁽³⁾	1.000	2.000
Share percentage at the end of the period (%)	0.00	0.00

(1) Current period additions are the increase of non-paid-up shares of Bankalararası Kart Merkezi AŞ. The balance of purchases is the capital increase of Kredi Garanti Fonu.

(2) 52,24% of paid-in-capital of Halk Finansal Kiralama AŞ amounting to TRY 36.960 was purchased by the Bank with a payment of TRY 62.663 on 27 May 2011. In the current period, Halk Finansal Kiralama AŞ is classified as a subsidiary of the Bank since the share of the Bank on Halk Finansal Kiralama AŞ has been increased after the purchase transaction.

(3) TRY 1.000 is the capital commitment to Kredi Garanti Fonu AŞ.

d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	74.716	74.716
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	49.660
Financing companies	-	-
Other financial investments	20.337	18.099

e) Associates quoted to a stock exchange: None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

(8) Information on subsidiaries (Net):

a) Information on subsidiaries:

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value ⁽³⁾
1.	347.326	50.015	2.079	9.853	89	8.669	8.516	-
2.	195.844	45.529	3.454	5.909	1.607	(8.259)	(4.329)	-
3.	263.866	78.448	1.854	14.454	7.659	25.644	21.223	-
4.	536.657	506.285	497.945	1.190	1	27.456	-	-
5.	876.355	113.500	783	15.394	-	5.648	10.860	-
6.	4.927	4.840	38	102	1	(160)	-	-
7.	365.497	86.169	20.328	5.786	456	(172)	(865)	-

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

⁽²⁾ The information is presented from financial statements as of 30 September 2011 prepared for consolidation purposes.

c) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period	596.081	81.133
Movements during the period	235.290	514.948
Purchases ⁽¹⁾	166.910	476.250
Bonus shares obtained profit from current year's share ⁽²⁾	-	38.698
Dividends from current year income	-	-
Sales	-	-
Transfer ⁽²⁾	49.660	-
Revaluation increase	-	-
Reversal of Provision for impairment (-) ⁽³⁾	18.720	-
Balance at the end of the period	831.371	596.081
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ Additions in the current period includes purchases of 98,12% share of Halk Banka AD, Skopje amounting to TRY 101.447 and 52,24% share of Halk Finansal Kiralama AŞ amounting to TRY 62.663. Also, Halk Portföy Yönetim AŞ has been established in the current period. Additions includes purchases of 55,99% share of Halk Portföy yönetimi AŞ amounting to TRY 2.800.

⁽²⁾ Balance is classified from subsidiaries related to Halk Finansal Kiralama AŞ in the current period.

⁽³⁾ Balance is the reversal of provision for impairment of Halk Finansal Kiralama AŞ in the current period.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

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

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

	Current period	Prior period
Banks	101.447	-
Insurance companies	77.460	77.460
Factoring companies	-	-
Leasing companies	131.043	-
Financing companies	-	-
Other financial subsidiaries	521.421	518.621

e) Subsidiaries quoted in the stock exchange:

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Immovables	661.377	22.051	(34.077)	(15.162)	634.189
Tangible assets purchased through financial lease	45.895	2.846	(8.267)	-	40.474
Office machines	177.635	107.969	(91.330)	-	194.274
Fixed assets obtained due to non-performing loans	308.856	333.416	(198.727)	(87.378)	356.167
Lease hold improvements costs	100.608	29.019	(9.798)	-	119.829
Other	208.739	15.764	(6.029)	-	218.474
Total Cost	1.503.110	511.065	(348.228)	(102.540)	1.563.407
Accumulated depreciation:					
Immovables	185.735	12.864	(5.144)	(4.741)	188.714
Tangible assets purchased through financial lease	42.154	3.273	(8.098)	-	37.329
Office machines	105.265	23.940	(38.538)	-	90.667
Fixed assets obtained due to non-performing loans	11.949	3.924	(11.039)	1.509	6.343
Lease hold improvements costs	34.440	21.519	(6.209)	-	49.750
Other	155.602	16.318	(4.537)	-	167.383
Total accumulated depreciation	535.145	81.838	(73.565)	(3.232)	540.186
Provision for impairment (-)					
Immovables	8.457	24	(1.008)	(290)	7.183
Tangible assets purchased through financial lease	-	-	-	-	-
Office machines	-	-	-	-	-
Fixed assets obtained due to non-performing loans	14.140	4.326	(13.450)	-	5.016
Other	-	-	-	-	-
Total provision for impairment (-)	22.597	4.350	(14.458)	(290)	12.199
Net Book Value	945.368	424.877	(260.205)	(99.018)	1.011.022

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

FINANCIAL STATEMENTS (continued)

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

(12) Information on tangible assets(continued):

Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
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	(18.525)	-	100.608
Other	225.053	24.959	(41.273)	-	208.739
Total Cost	1.769.116	324.544	(486.538)	(104.012)	1.503.110
Accumulated depreciation:					
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	(9.769)	-	34.439
Other	175.081	14.225	(33.704)	-	155.602
Total accumulated depreciation	613.952	71.964	(146.639)	(4.132)	535.145
Provision for impairment (-)					
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	-	-	-	-	-
Total provision for impairment (-)	16.202	9.067	(3.251)	579	22.597
Net Book Value	1.138.962	243.513	(336.648)	(100.459)	945.368

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

FINANCIAL STATEMENTS (continued)

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

(13) Information on intangible assets:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	20.627	12.388	(2.071)	-	30.944
Total Cost	20.627	12.388	(2.071)	-	30.944
Accumulated Depreciation:					
Other intangible assets	2.962	1.727	(1.315)	-	3.374
Total Accumulated Depreciation	2.962	1.727	(1.315)	-	3.374
Net Book Value	17.665	10.661	(756)	-	27.570
<hr/>					
Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	13.342	10.537	(3.146)	(106)	20.627
Total Cost	13.342	10.537	(3.146)	(106)	20.627
Accumulated Depreciation:					
Other intangible assets	2.383	1.268	(689)	-	2.962
Total Accumulated Depreciation	2.383	1.268	(689)	-	2.962
Net Book Value	10.959	9.269	(2.457)	(106)	17.665

(14) Information on investment property:

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

(15) Information on deferred tax assets:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	76.851	78.798
Revaluation of Financial Assets	(4.513)	131.574
Other	(174)	11.099
Deferred Tax (Asset) /Liability:	72.164	221.471
Deferred tax accounted in shareholders' equity	(32.737)	42.961
Available for sale financial assets IRR-fair value difference	(32.737)	42.961

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

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

	Current period	Prior period
Cost	84.009	98.131
Accumulated Depreciation (-) ⁽¹⁾	(1.837)	-
Net Book Value	82.172	98.131
Opening Balance	98.131	84.091
Acquisitions (Transfers) (Net)	102.540	105.564
Disposals (Net)	(116.712)	(92.652)
Impairment Charge/Cancellation	50	1.128
Amortization Charge ⁽¹⁾	(1.837)	-
Net Book Value	82.172	98.131

⁽¹⁾ The amount of accumulated depreciation belongs to asset held for sale in current period.

(17) Information on other assets:

	Current period	Prior period
Prepaid expenses	195.854	262.019
Clearing House account	158.602	174.190
Receivables from credit card payments	155.732	71.971
Receivables from asset sale on credit terms	47.999	40.467
Advances given	22.585	2.148
Guarantees given for derivative financial instruments	10.379	15.875
Other	102.134	91.415
Total	693.285	658.085

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	2.134.100	-	487.067	18.873.956	2.058.919	317.385	852.893	90.331	24.814.651
Foreign currency deposits	1.967.562	-	2.768.560	7.020.355	2.135.441	765.194	1.676.911	10.818	16.344.841
<i>Residents in Turkey</i>	1.877.351	-	1.718.473	6.534.438	1.306.222	463.508	1.182.384	10.813	13.093.189
<i>Residents abroad</i>	90.211	-	1.050.087	485.917	829.219	301.686	494.527	5	3.251.652
Public sector deposits	1.732.329	-	728.399	2.569.662	540.507	32.252	652	-	5.603.801
Commercial inst. deposits	1.957.764	-	2.393.350	3.507.912	403.463	62.920	41.787	-	8.367.196
Other inst. deposits	335.851	-	32.901	992.193	432.832	256.614	19.410	-	2.069.801
Precious metals	2.066.190	-	-	-	-	-	-	-	2.066.190
Interbank deposits	3.040.575	-	3.012.839	740.105	31.037	25.230	130.668	-	6.980.454
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	4.502	-	2.816.026	37.006	30.030	4.139	-	-	2.891.703
<i>Foreign banks</i>	2.826.223	-	196.813	703.099	1.007	21.091	130.668	-	3.878.901
<i>Participation banks</i>	209.850	-	-	-	-	-	-	-	209.850
Total	13.234.371	-	9.423.116	33.704.183	5.602.199	1.459.595	2.722.321	101.149	66.246.934

a.2. Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over	Cumulative deposits	Total
Saving deposits	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
<i>Residents in Turkey</i>	1.690.803	-	3.029.742	4.876.940	923.253	1.081.347	232.511	10.271	11.844.867
<i>Residents abroad</i>	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
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	12.870	-	1.747.843	53.014	20.000	1.000	-	-	1.834.727
<i>Foreign banks</i>	1.161.415	-	132.039	93.352	1.000	-	-	-	1.387.806
<i>Participation banks</i>	1.295	-	-	-	-	-	-	-	1.295
Total	8.679.505	-	12.726.424	28.684.965	2.452.749	1.730.522	429.783	78.066	54.782.014

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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)

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current period	Prior period	Current period	Prior period
Saving deposits	12.713.126	11.452.490	12.046.510	10.655.063
Foreign currency saving deposits	3.663.365	2.419.516	5.963.493	4.002.148
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	66.115	53.080	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

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

	Current period	Prior period
Foreign branches' saving deposits and other accounts	151.869	152.388
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	3.734	2.141
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
FOR THE YEAR ENDED 31 DECEMBER 2011

(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)

(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	-	45.829	-	601
Swap transactions	-	19.443	-	37.673
Future transactions	-	-	-	-
Options	44	42	7	870
Other	-	-	-	-
Total	44	65.314	7	39.144

(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	221.380	216.162	126.442	128.796
Foreign banks, institutions and funds	157.703	5.695.982	75.287	3.493.862
Total	379.083	5.912.144	201.729	3.622.658

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	182.627	2.829.244	126.442	1.833.822
Medium and long-term	196.456	3.082.900	75.287	1.788.836
Total	379.083	5.912.144	201.729	3.622.658

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

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

Main liability of the Bank is deposit, which is composed of 37% of saving deposits and 25% 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 51% of banks deposits and 31% of other deposits consist of foreign currency deposits.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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	3.947.963	-	2.527.844	-
<i>Financial inst. and organizations</i>	3.891.146	-	2.423.650	-
<i>Other institutions and organizations</i>	26.422	-	70.940	-
<i>Real persons</i>	30.395	-	33.254	-
From overseas transactions	101.445	842.706	69	611.411
<i>Financial inst. and organizations</i>	101.257	842.706	-	611.411
<i>Other institutions and organizations</i>	-	-	-	-
<i>Real persons</i>	188	-	69	-
Accruals	7.194	5.224	12.986	2.745
Total	4.056.602	847.930	2.540.899	614.156

- (4) Marketable securities issued:

	Current period		Prior period	
	TRY	TRY	TP	YP
Bonds	495.615	-	-	-
Securities	-	-	-	-
Total	495.615	-	-	-

As of 1 August 2011, the Bank's bonds amounting to TRY 500.000 with maturity of 179 days are issued by the Bank.

- (5) Explanations to the funds:

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

- a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	2.719	1.342.515	75.832	1.219.400

- (6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 568.411 and does not exceed 10% of the balance sheet total (31 December 2010: TRY 533.643).

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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)

(7) 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	-	-	-	-
Between 1-4 years ⁽¹⁾	2.754	1.818	831	566
More than 4 years	-	-	-	-
Total	2.754	1.818	831	566

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

c) Explanations regarding operational leases:

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

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior Period
General provisions	656.783	390.121
Provisions for first group loans and receivables	596.273	339.845
Provisions for second group loans and receivables	7.145	9.553
Provisions for non cash loans	53.365	40.723

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 2011, the Bank's specific provisions for unindemnified non-cash loans balance is TRY 41.419 (31 December 2010: TRY 46.665). The Bank provides 50% of provision for these non cash loans. TRY 2.525 (31 December 2010: TRY 2.538) 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 2011

(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)

(9) Explanations on provisions: (continued)

d) Information on other provisions:

Total other provision balance amounting to TRY 277.156 (31 December 2010: TRY 191.522) consists of TRY 41.419 (31 December 2010: TRY 46.665) for specific provisions for unindemnified non cash loans, TRY 21.437 (31 December 2010: TRY 22.493) for legal cases filed against the Bank, TRY 194.000 (31 December 2010: TRY 7.600) provision for prudence in consideration for any changes that may arise in the economy and the market, TRY 20.300 (31 December 2010: TRY 18.310) of other provisions. As per 31 December 2011 there are no provisions recognized for close monitoring loans and no provision for restructured from Group I loans 31 December 2010 amounts are TRY 27.064 and TRY 69.390, respectively.

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 2011 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;

	Current Period⁽¹⁾	Prior Period
Discount Rate	Variable	10,00%
Inflation Rate	Variable	5,10%
Wage growth	2%	2%

⁽¹⁾ The variable discount rate according to year are used. The discount rate is used as 11.55% in 2012, as 9,2% at the end of following 30 years after 2012 and then it remains the stable for the next years. The inflation rate is used as 8,75% in 2012 and later it decreases to 4,5% by degrees at the end of following 30 years and then the constant rates are used.

Calculated amounts as a result of actuarial conjectures are as follows

	Current Period	Prior Period
As of January 1	203.258	179.787
Charge for the year	14.725	11.591
Interest Expense	19.756	19.228
Actuarial gain/loss	12.962	16.082
Payment/The limitation of benefits/ Loss (Gain) because of discharge	8.776	-
Benefits paid within the period(-)	(33.547)	(23.430)
Total	225.930	203.258

As of 31 December 2011, unused vacation provision is TRY 87.110. and severance indemnity provision for outsource firms is TRY 4.974. This amount is followed under employee benefits provision under liabilities (31 December 2010: TRY 68.789 TL for unused vacation provision; TRY 2.992 for severance indemnity provision for outsource firms).

Actuarial gains and losses are recognized and accounted in current period.

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:

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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)

(9) Explanations on provisions: (continued)

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

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2011, the Bank's corporate tax payable is amounting to TRY 86.320 after setting off TRY 280.124 of prepaid taxes from TRY 366.444 of corporate tax liabilities of which TRY 800 is the Cyprus branches tax provision.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	86.320	186.374
Income on securities tax	50.386	41.674
Property income tax	25.179	18.405
Banking and insurance transactions tax (BITT)	507	520
Foreign exchange transactions tax	196	111
Value added tax payable	2	8
Other	12.740	12.991
Total	175.330	260.083

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	10	6
Social insurance premiums-employer	13	9
Bank social aid pension fund premium-employee	3.386	3.235
Bank social aid pension fund premium-employer	4.609	4.507
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	-	-
Unemployment insurance-employer	-	-
Other	714	700
Total	8.732	8.457

b) Explanations regarding deferred tax liability:

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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)

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

None.

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

None.

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

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

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

None.

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

None.

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

None.

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

None.

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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)

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

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	-	-	-	-
Revaluation difference	76.746	(343.524)	175.514	(59.790)
Exchange rate difference	-	-	-	-
Total	76.746	(343.524)	175.514	(59.790)

i) Information on legal reserves:

	Current period	Prior period
First Legal Reserves	395.998	297.127
Second Legal Reserves	352.151	312.163
Legal reserves appropriated in accordance with the law	1.503	992
Total	749.652	610.282

j) Information on the extraordinary reserves

	Current period	Prior period
Reserves appropriated by General Assembly	3.589.934	2.186.397
Retained Earnings	47.181	47.181
Accumulated Reserves	-	-
Foreign Currency Translation Differences (-)	-	-
Total	3.637.115	2.233.578

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current period	Prior period
Commitments for credit card expenditure limits	4.614.215	4.089.791
Payment commitments for cheques	3.976.513	3.604.999
Other irrevocable commitments	1.058.973	892.979
Loan granting commitments	890.035	602.623
Two days forward foreign exchange buy/sell transactions	677.085	631.201
Commitments for credit cards and banking services promotions	26.857	26.217
Tax and fund liabilities from export commitments	11.389	34.849
Share capital commitments to associates and subsidiaries ⁽¹⁾	1.000	2.000
Total	11.256.067	9.884.659

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

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

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

	Current period	Prior period
Bank acceptance loans	4.080.511	3.377.338
Letters of credit	627.992	149.594
Other guarantees	423.056	256.403
Total	5.131.559	3.783.335

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

	Current period	Prior period
Letters of certain guarantees	5.993.331	4.074.588
Letters of advance guarantees	1.660.373	1.217.092
Letters of tentative guarantees	948.430	490.139
Letters of guarantee given to customs offices	324.948	270.177
Other letters of guarantee	3.787.816	2.891.021
Total	12.714.898	8.943.017

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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:

	Current period	Prior period
Non-cash loans for providing cash loans	160.706	145.357
<i>Within one year or less original maturity</i>	674	110
<i>Within more than one year maturity</i>	160.032	145.247
Other non-cash loans	17.685.751	12.580.995
Total	17.846.457	12.726.352

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

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	9.191	0,10	14.280	0,16	11.756	0,17	479	0,01
<i>Farming and raising livestock</i>	8.840	0,10	14.280	0,16	9.579	0,14	458	0,01
<i>Forestry</i>	110	-	-	-	169	-	21	-
<i>Fishing</i>	241	-	-	-	2.008	0,03	-	-
Manufacturing	2.899.659	32,86	4.911.296	54,44	3.053.776	45,26	3.365.506	56,29
<i>Mining</i>	33.649	0,38	173.010	1,92	17.643	0,26	123.131	2,06
<i>Production</i>	2.592.261	29,38	4.454.421	49,37	2.730.719	40,47	2.661.617	44,52
<i>Electric, gas and water</i>	273.749	3,10	283.865	3,15	305.414	4,53	580.758	9,71
Construction	2.447.520	27,73	2.088.187	23,15	1.463.898	21,69	1.466.694	24,53
Services	3.426.793	38,83	1.802.737	19,98	2.193.689	32,51	916.912	15,34
<i>Wholesale and retail trade</i>	1.393.864	15,80	824.833	9,14	1.072.765	15,90	563.397	9,43
<i>Hotel, food and beverage services</i>	56.007	0,63	10.480	0,11	42.413	0,63	11.427	0,19
<i>Transportation and telecommunication</i>	106.658	1,21	56.650	0,63	90.501	1,34	40.486	0,68
<i>Financial Institutions</i>	1.606.045	18,20	358.091	3,97	825.382	12,23	193.768	3,24
<i>Real estate and renting services</i>	239.586	2,71	546.387	6,06	143.696	2,13	107.399	1,80
<i>Self-employment services</i>	5.339	0,06	344	-	4.308	0,06	282	-
<i>Education services</i>	2.842	0,03	5.357	0,06	3.300	0,05	138	-
<i>Health and social services</i>	16.452	0,19	595	0,01	11.324	0,17	15	-
Other	41.944	0,48	204.850	2,27	24.694	0,37	228.948	3,83
Total	8.825.107	100,00	9.021.350	100,00	6.747.813	100,00	5.978.539	100,00

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

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	8.796.385	9.015.378	28.722	5.972
Letters of guarantee	7.596.429	5.083.775	28.722	5.972
Bank acceptances	5.620	622.372	-	-
Letters of credit	988.711	3.091.800	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	205.625	217.431	-	-

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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)

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				
Foreign currency related derivative transactions (I)	6.213.289	3.476.585	-	-
Forward foreign currency buy/sell transactions	2.262.246	104.596	-	-
Currency buy/sell swap	3.812.283	3.179.800	-	-
Currency futures	-	-	-	-
Currency put/call options	138.760	192.189	-	-
Interest related derivative transactions (II)	-	-	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	-	-	-	-
Interest rate put/call options	-	-	-	-
Interest rate buy/sell futures	-	-	-	-
Other trading derivative transactions (III)⁽¹⁾	1.985.142	1.384.457	-	-
A. Total trading derivative transactions (I+II+III)	8.198.431	4.861.042	-	-
Types of derivative transactions for risk management				
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B. Total derivative transactions for hedging	-	-	-	-
Total derivative transactions (A+B)	8.198.431	4.861.042	-	-

⁽¹⁾ Other trading derivatives include credit default swap purchases and sale transactions amounting TRY 279.000 and TRY 198.070 respectively and forward precious metal purchase and sale transactions amounting TRY 1.500.223, TRY 7.849 respectively.

d) Information on contingent liabilities and assets:

The Bank has provided TRY 21.437 (31 December 2010: TRY 22.493) of provision for the disputed legal cases filed by various persons and institutions.

e) Services supplied on behalf of others:

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans ⁽¹⁾				
Short term loans	1.623.275	192.604	1.530.571	155.357
Medium and long term loans	2.670.376	627.530	2.066.429	381.689
Interest on non-performing loans	132.115	1	122.201	8
Premiums from resource utilization support fund	-	-	-	-
Total	4.425.766	820.135	3.719.201	537.054

⁽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	-
Domestic banks	53	737	174	343
Overseas banks	751	7.688	930	3.345
Head office and branches	-	-	-	-
Total	804	8.425	67.726	3.688

d) Interest income from marketable securities:

	Current period		Prior period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	4.703	549	2.984	377
Financial Assets at Fair Value through profit or loss	-	-	-	-
Financial Assets available for sale	653.163	69.605	530.032	84.090
Investments held to maturity	1.173.705	116.780	1.294.766	102.170
Total	1.831.571	186.934	1.827.782	186.637

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries and associates	5.749	3.294

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

(2) Information on interest expenses:

a) Information on interest expense on borrowings:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	15.631	101.950	16.947	48.971
Central Bank of Turkey	-	-	-	-
Domestic banks	15.631	5.466	9.844	3.623
Overseas banks	-	96.484	7.103	45.348
Overseas head office and branches	-	-	-	-
Other institutions	8.934	-	287	2
Total	24.565	101.950	17.234	48.973

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	28.193	12.712

c) Information on interest expenses to bonds issued:

Interest expenses to marketable securities is TRY 17.310. (31 December 2010: None.)

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits						Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
TRY								
Bank deposits	83	139.916	6.841	949	178	-	-	147.967
Saving deposits	82	83.777	1.552.052	96.564	16.271	34.981	5.936	1.789.663
Public deposits	182	21.258	178.523	12.302	2.319	44	-	214.628
Commercial deposits	153	151.866	287.666	43.086	4.643	1.531	-	488.945
Other deposits	-	14.550	78.534	20.277	13.514	649	-	127.524
7 days call accounts	-	-	-	-	-	-	-	-
Total	500	411.367	2.103.616	173.178	36.925	37.205	5.936	2.768.727
Foreign currency								
Deposits	182	68.742	207.685	50.283	16.992	49.080	-	392.964
Bank deposits	-	10.501	-	-	-	-	-	10.501
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
Total	182	79.243	207.685	50.283	16.992	49.080	-	403.465
Grand total	682	490.610	2.311.301	223.461	53.917	86.285	5.936	3.172.192

(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	620	411
Other	47.911	55.524
Total	48.531	55.935

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

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

	Current period	Prior period
Profit	6.953.400	6.046.801
Profit from the capital market operations	104.991	223.590
Profit on derivative financial instruments	1.677.612	945.182
Foreign exchange gains	5.170.797	4.878.029
Loss (-)	6.745.861	5.932.045
Loss from the capital market operations	8.943	1.929
Loss on derivative financial instruments	1.521.514	1.018.038
Foreign exchange losses	5.215.404	4.912.078

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	1.677.612	945.182
Effect of the change in foreign exchange on profit	1.615.952	944.637
Effect of the change in interest rate on profit	61.660	545
Loss on derivative financial instruments (-)	1.521.514	1.018.038
Effect of the change in foreign exchange on loss	1.491.881	961.439
Effect of the change in interest rate on loss	29.633	56.599
Profit/loss on derivative financial instruments	156.098	(72.856)

(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.

	Current period	Prior period
Adjustments for Prior Period Expenses	436.493	284.834
-Specific provision reversals for Loans under follow up	284.483	219.416
-Other prior period expense reversals income	152.010	65.418
Receivable from the asset sale on credit terms	117.078	248.176
Rent income	6.276	6.605
Cheques	5.619	5.019
Provision for communication expenses	7.579	4.299
Provision for stamp tax	14	20
Other income	21.392	26.467
Total	594.451	575.420

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	211.056	316.369
<i>Group - III loans and receivables</i>	107.771	134.190
<i>Group - IV loans and receivables</i>	20.637	33.615
<i>Group - V loans and receivables</i>	82.648	148.564
General loan provision expenses	266.662	114.567
Provision expenses for possible losses	186.400	600
Marketable securities impairment losses	-	12.133
<i>Financial assets at fair value through profit and loss</i>	-	-
<i>Financial assets available for sale</i>	-	12.133
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Jointly controlled entities (joint ventures)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Other	25.866	14.765
Total	689.984	458.434

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	731.842	670.307
Reserve for employee termination benefits	58.201	48.656
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	24	303
Depreciation expenses of fixed assets	77.914	66.591
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	1.727	1.268
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	4.326	8.764
Amortization expenses of assets that will be disposed of	3.924	5.373
Impairment expense for property and equipment held for sale	-	224
Other operating expenses	592.951	467.529
<i>Operational leasing expenses</i>	84.621	58.809
<i>Maintenance expenses</i>	16.161	20.681
<i>Advertisement expenses</i>	54.869	38.148
<i>Other expenses⁽¹⁾</i>	437.300	349.891
Loss on sales of assets	2.100	5.159
Other ⁽²⁾	252.242	221.096
Total	1.725.251	1.495.270

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

The Bank's income before tax is due from continuing activities. TRY 3.473.243 of the income before tax consists of net interest income, TRY 728.167 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Bank is TRY 2.636.696.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

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

For the year ended 31 December 2011, the Bank's tax provision amounting to TRY 591.562 consists of TRY 366.556 of current tax charge of which TRY 912 is tax charge of Cyprus branches; and TRY 225.006 of deferred tax charge.

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

For the year ended 31 December 2011, the Bank's net operating income after tax is TRY 2.045.134.

(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 2011 and 31 December 2011.
- b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.
- c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

(1) Explanations on inflation adjustments for equity items:

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

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

The “net increase/(decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 2.232.230 thousands for the year 2011. The “others” item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TRY 2.374.183 thousands for the year 2011. For the year ended 31 December 2011, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 865.256 increase (31 December 2010: TRY 76.658, increase).

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

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

None.

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

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

⁽¹⁾ Others items include precious metals.

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

	Current period	Prior period
Cash	7.272.370	4.649.560
<i>Cash in TRY and foreign currency</i>	481.801	379.280
<i>Central Bank and others⁽¹⁾</i>	6.790.569	4.270.280
Cash equivalents	1.475.000	1.109.419
<i>Banks - maturity less than 3 months</i>	1.475.000	989.394
<i>Money market placements</i>	-	120.025
Total cash and cash equivalents	8.747.370	5.758.979
Restricted Legal Requirements	(3.965.249)	(1.317.067)
Legal Provision re-discounts	-	(3.498)
Money market placement discounts	-	(25)
Bank re-discounts	(219)	(53)
Cash and Cash Equivalents	4.781.902	4.438.336

⁽¹⁾ Other items include precious metals.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK

(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	75.704	36.366	-	-	-	-
Closing balance	144.642	84.051	-	-	-	-
Interest and commissions income	5.581	168	-	-	-	-

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	58.611	22.311	-	-	-	-
Closing balance	75.704	36.366	-	-	-	-
Interest and commissions income	3.160	134	-	-	-	-

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	284.026	115.585	-	-	-	-
Closing Balance	306.082	284.026	-	-	-	-
Interest expense on deposits	28.193	12.712	-	-	-	-

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 2011

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

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

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

(2) Disclosures for risk group:

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

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

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

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

	Amount	% compared to the amounts in the financial statements
Cash loans	144.642	0,26%
Non-cash loans	84.051	0,47%
Deposits	306.082	0,46%
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 5.253 as of 31 December 2011 (31 December 2010: TRY 4.145).

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

I. 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

	Quantity	Number of employees	Country		
Domestic Branches	766	13.609			
Agencies Abroad	1	2	Tahran/IRAN		
				Total Assets	Legal Capital
Overseas Branches	4	17	Lefkoşa/TRNC	154.120	50.000
		6	Gazimagosa/TRNC	20.617	-
		6	Girne/TRNC	19.063	-
		2	Paşaköy/ TRNC	59	-
Off-shore Branches	1	3	Manama/BAHRAIN	6.306.939	-

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

The Bank opened 61 domestic branches during the year.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

II. SUBSEQUENT EVENTS

Related to domestic bank bill or bond issuance:

Along with the domestic bank bill or bond issuance of up to nominal value TRY 3.000.000; second stage of domestic bank bill or bond issuance is authorized by Capital Markets Board (CMB) at 17 January 2012 and is registrated in Ankara Commercial Registry at 18 January 2012. Second stage bond issuance amounted to TRY 750.000, with a maturity of 175 days. Claims and registration are carried out by the Bank and Halk Yatırım Menkul Değerler AŞ at 23-24-25 January 2012.

Establishment of Halk Faktoring Anonim Şirketi

It is agreed on Bank's board of directors committee to establish a financial services company titled "Halk Faktoring Anonim Şirketi". The company will have a total paid-in capital of TRY 20.000, with the Bank to invest TRY 19.000 for a 95% and Halk Yatırım Menkul Değerler AŞ, Halk Finansal Kiralama AŞ, Halk Sigorta AŞ each to invest equally TRY 250 for 1,25% shares.

Halk Hayat ve Emeklilik AŞ's having licence on engaging private pension plan activities:

It has been approved with the T.C.Prime Ministry Undersecretariat of treasury numbered B.02.1 HZN.0.10.06.01.273.05 that Bank's subsidiary Halk Hayat ve Emeklilik AŞ could operate in private pension plan activities.

Explanations regarding the acquisition and assignation of Ziraat Banka AD, Skopje shares with Halk Banka AD, Skopje assignation

The Bank and T.C. Ziraat Bankası AŞ has agreed on acquisition and assignation of the all shares, assets, liabilities and branches of Ziraat Banka AD, Skopje; which operates in Macedonia. Transfer processes will be governed by Central Bank, and other governors in Macedonia. The process is expected to be completed before the end of 2012.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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 2011

(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 2011 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 16 February 2012 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.