

Türkiye Halk Bankası Anonim Şirketi

**Unconsolidated Financial Statements
As of and For the Three-month Period Ended 31 March 2012**
*(Convenience Translation of Unconsolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*
With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

8 May 2012

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

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

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors of Türkiye Halk Bankası AŞ;

We have reviewed the unconsolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") as of 31 March 2012 and the related unconsolidated income statement, statement of cash flows and statement of changes in shareholders' equity for the three-month period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility as independent auditors is to issue a review report on these financial statements based on our review.

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

The accompanying unconsolidated financial statements as of 31 March 2012 include a general reserve amounting to TRY 194.000 thousands of which had been recognized as expense in the prior periods, provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

Based on our review, except for the effect of the matter described in the third paragraph above on the financial statements, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ as of 31 March 2012 and the result of its operations and cash flows for the three-month period then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 of the ("Turkish") Banking Law No. 5411 and other regulations, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

İstanbul,
8 May 2012

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Partner

TÜRKİYE HALK BANKASI AŞ
THE UNCONSOLIDATED FINANCIAL REPORT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012

1. The Bank's Headquarter Address:
Söğütözü Mahallesi 2. Cadde No:63 Ankara
 2. The Bank's Contact Phone and Facsimile:
Phone : 0312 289 20 00
Facsimile : 0312 289 30 48
 3. The Bank's Website and E-mail Address:
Website: www.halkbank.com.tr
- The unconsolidated three-month financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:
 - **Section One** : GENERAL INFORMATION ABOUT THE BANK
 - **Section Two** : UNCONSOLIDATED FINANCIAL STATEMENTS
 - **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES OF THE BANK
 - **Section Four** : INFORMATION ON FINANCIAL STRUCTURE
 - **Section Five** : EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
 - **Section Six** : OTHER EXPLANATIONS AND NOTES
 - **Section Seven** : INDEPENDENT AUDITORS' REVIEW REPORT

Unless otherwise indicated, these three-month unconsolidated financial statements and explanatory footnotes and disclosures as of 31 March 2012 are prepared in thousand Turkish Lira and they have been independently reviewed and presented below in accordance with the Communiqué on "Banks' Accounting Practice and Maintaining Documents", Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Ankara, 8 May 2012

Hasan Cebeci	Süleyman Aslan	Sabahattin Birdal	Hikmet Aydın Simit	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 / Manager
Tel No : 0312 289 30 15 - 0312 289 30 13
Fax No : 0312 289 30 50

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TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

As of 31 March 2012 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	31 March 2012	%	31 December 2011	%
Prime Ministry Privatization Administration ⁽¹⁾	937.276	74,98	937.276	74,98
Public shares	312.263	24,98	312.263	24,98
Other shareholders	461	0,04	461	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
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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan CEBECİ	Chairman of the Board of Directors	13.4.2005	Ankara Eco. and Com. Science (ECS) Academy - Economy&Finance	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	14.6.2005	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 THREE-MONTH PERIOD ENDED 31 MARCH 2012

(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 2012 are listed with titles and dates of assignment.

Name	Title	Assignment Date
Hikmet Aydın SİMİT	Member of the Board of Directors	18 April 2012
Ahmet KAHRAMAN	Member of the Board of Directors	18 April 2012
Ali ARSLAN	Member of the Audit Committee	18 April 2012

- b) The professionals from the Bank's top management who have left their position in 2012 are listed with titles and dates of leaving.

Name	Title	Assignment Date
İbrahim Hakkı TUNCAY	Member of the Board of Directors	18 April 2012
Salim ALKAN	Member of the Board of Directors	18 April 2012
Yusuf DAĞCAN	Member of the Audit Committee	18 April 2012

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012

(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 subsequently by Law No: 5572 dated 10 January 2007 the related term was amended to "10 years". As a result of this amendment, the privatization period of the Bank was extended. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended by the half of that "10 years" period by the Decree numbered 2010/964 and dated 6 November 2010.

c.1 When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Bank shares were decided to be sold before 25 May 2008 using the block sale method. By the Privatization High Council's decree numbered 2006/4258 and dated 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 THREE-MONTH PERIOD ENDED 31 MARCH 2012

(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 March 2012, the Bank operates with a total of 784 branches consisting of 779 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 17 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 THREE-MONTH PERIOD ENDED 31 MARCH 2012

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

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

28103 published in Official Gazette dated 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.

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 using exchange rates at the dates of the transactions.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

IV. INTEREST INCOME AND EXPENSES

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

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

V. FEES AND COMMISSION INCOME AND EXPENSES

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

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

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

Fair value is the amount for which an asset could be exchanged or a liability could be settled, between knowledgeable willing parties in an 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 THREE-MONTH PERIOD ENDED 31 MARCH 2012

(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 March 2012 and 31 December 2011.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

3. Investments held to maturity

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

4. Financial assets available for sale

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

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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

5. Loans and receivables (continued)

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

As of 1 January 2012, the Bank changed the accounting policy which is related to the Turkish Lira denominated subsidiaries and began to record related subsidiaries with their fair values. Fair values of the subsidiaries are determined with the valuation reports that are prepared by the independent valuation company, valuation differences are added to the subsidiaries values and correspondingly recorded in the “Marketable securities revaluation fund” under the shareholders’ equity.

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

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

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.

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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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Leasehold improvements are depreciated over the lower of the periods of the respective leases and useful lives, on a straight-line basis. In any case useful life 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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIII. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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

XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

XV. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XV. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES (continued)

In accordance with the principles set out by the Council of Ministers' decision, numbered 2006/11345 published in the Official Gazette numbered 26377 and dated 15 December 2006 regarding the determination of procedures and principles for the application of transfer requirements and based on the technical balance sheet report prepared using a 10,24% of technical interest rate, for Türkiye Halk Bankası AŞ Employee Pension Fund TRY 9.251 of technical provision has been allocated as of 31 December 2006 and kept in financial statements as of 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, no technical deficit has been reported. Besides as of 31 December 2011, 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 2011 has been paid in February 2012, accrued advance tax as of 31 March 2012 will be paid in May 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.

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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.

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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

The Bank changed accounting policy and began to record Turkish Lira denominated subsidiaries with their fair values in the current period. The amendment is not implemented retroactively due to the fair values of the Turkish Lira denominated subsidiaries not based on an observable price or information and the cumulative effect of these change are not calculated retroactively. Effect of the change in accounting policy related to the amount as follows:

	Subsidiaries	Marketable securities revaluation fund
Cost	729.924	-
Effect of change in related accounting policys	554.245	554.245
Financial assets at fair value	1.284.169	554.245

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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 March 2012, the Bank’s unconsolidated capital adequacy ratio calculated based on the essentials of the related communiqué is 14,49% (31 December 2011: %14,30).

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.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

1. Information on the unconsolidated capital adequacy ratio:

	Risk weights						
	%0	%10	%20	%50	%100	%150	%200
Credit risk base amount							
Balance sheet items (Net)	26.626.332	-	1.772.344	20.405.995	32.049.074	670.368	3.019.494
Cash	456.545	-	16	-	-	-	-
Matured marketable securities	-	-	-	-	-	-	-
Balances at the Central Bank of Turkey	2.678.873	-	-	-	-	-	-
Domestic, foreign banks, head office and overseas branches balances	-	-	1.087.394	-	36.218	-	-
Money market placements	-	-	-	-	-	-	-
Receivables from reverse repos transactions	-	-	-	-	-	-	-
Reserve deposits	4.588.540	-	-	-	-	-	-
Loans	4.080.237	-	472.692	20.173.814	28.297.453	670.368	3.019.494
Non-performing loans (Net)	-	-	-	-	265.439	-	-
Finance lease receivables	-	-	-	-	-	-	-
Financial assets available-for-sale	-	-	-	-	-	-	-
Investments held to maturity	13.899.654	-	-	-	-	-	-
Receivables from the asset sale on credit terms	-	-	-	-	54.419	-	-
Miscellaneous receivables	47.785	-	47.230	-	160.800	-	-
Interest and Income accruals	687.316	-	5.672	232.181	465.830	-	-
Subsidiaries, associates and jointly controlled entities (joint ventures) (Net)	-	-	-	-	1.472.902	-	-
Property and equipment	-	-	-	-	992.310	-	-
Other assets	187.382	-	159.340	-	303.703	-	-
Off-balance sheet items	199.783	-	611.007	913.305	11.123.210	-	-
Non-cash loans and commitments	199.783	-	435.428	913.305	11.118.411	-	-
Derivative instruments	-	-	175.579	-	4.799	-	-
Non-risk weighted accounts	-	-	-	-	-	-	-
Total risk-weighted assets	26.826.115	-	2.383.351	21.319.300	43.172.284	670.368	3.019.494

2. Capital adequacy ratio summary:

	Current period	Prior period
Credit risk base amount (CRBA)	61.353.144	57.335.809
Market risk base amount (MRBA)	2.499.813	1.953.163
Operational risk base amount (ORBA)	7.527.281	6.119.332
Shareholders' Equity	10.346.281	9.352.673
Shareholders' Equity / (CRBA+MRBA+ORBA)*100	14,49	14,30

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

3. Information on equity items:

	Current period	Prior period
CORE CAPITAL		
Paid-in capital	1.250.000	1.250.000
<i>Nominal capital</i>	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	749.652
<i>First legal reserve (Turkish Commercial Code 466/1)</i>	395.998	395.998
<i>Second legal reserve (Turkish Commercial Code 466/2)</i>	352.151	352.151
<i>Other legal reserve per special legislation</i>	1.503	1.503
Status reserves	-	-
Extraordinary reserves	3.637.115	3.637.115
<i>Reserves allocated by the General Assembly</i>	3.589.934	3.589.934
<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	2.589.308	2.045.134
<i>Net current period profit</i>	544.174	2.045.134
<i>Prior period profit</i>	2.045.134	-
Provisions for possible losses up to 25% of core capital	194.000	194.000
Profit on sale of associates, subsidiaries and buildings	-	-
Primary subordinated loans up to 15% of core capital	-	-
Loss that is not covered with reserves (-)	-	-
<i>Net current period loss</i>	-	-
<i>Prior period loss</i>	-	-
Leasehold improvements (-)	67.683	70.079
Prepaid expenses (-)	-	-
Intangible assets (-)	30.174	27.570
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-
Total Core Capital	9.542.669	8.998.703
SUPPLEMENTARY CAPITAL		
General reserves	715.756	656.783
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	4.422
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	120.343	(266.778)
<i>Associates and subsidiaries</i>	249.410	-
<i>Financial assets available for sale</i>	(129.067)	(266.778)
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal, status and extraordinary reserves)	-	-
Total Supplementary Capital	840.521	394.427
TIER III CAPITAL		
CAPITAL	10.383.190	9.393.130
DEDUCTIONS FROM THE CAPITAL	36.909	40.457
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	5.813	8.819
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	28.758	28.350
Other	2.338	3.288
TOTAL SHAREHOLDERS' EQUITY	10.346.281	9.352.673

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

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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 March 2012, the receivables of the Group from its top 100 cash loan customers is 20,40 % of its total cash loans.

As of 31 March 2012, receivables of the Bank from its top 100 non-cash loan is 57,38 % of its total non-cash loans.

As of 31 March 2012, share of cash and non-cash receivables of the Bank from its top 100 customers is 17,08 % of its total balance sheet and off-balance sheet assets.

As of 31 March 2012, 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 715.756 (31 December 2011: TRY 656.783).

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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.

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	160.550
(II) Capital requirement to be employed for specific risk - Standard method	1.972
(III) Capital requirement to be employed for currency risk - Standard method	37.330
(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	133
(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)	199.985
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	2.499.813

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK

In the calculation of the Bank's operational risk, "Basic Indicator Method" is used. The amount subject to operational risk is calculated in accordance with Section 4 of the Communiqué on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 26333 on 1 November 2006 and this section is named as "Calculation of Operational Risk Base Amount" which came into effect as of 1 June 2007. The calculation is performed parallel to the practice within the country, by multiplying 15% of the Bank's last three years' average gross revenue with 12,5. Amount subject to operational risk is TRY 7.527.281 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 March 2012 and the previous five working days in full TRY are as follows:

	26.03.2012	27.03.2012	28.03.2012	29.03.2012	30.03.2012	31.03.2012
USD	1,7700000	1,7700000	1,7650000	1,7650000	1,7600000	1,7600000
CHF	1,9550000	1,9559000	1,9422000	1,9400000	1,9481000	1,9481000
GBP	2,8170000	2,8247000	2,7929000	2,7993000	2,8126000	2,8126000
JPY	0,0213319	0,0212498	0,0212498	0,0214307	0,0213518	0,0213518
EURO	2,3599000	2,3621000	2,3452000	2,3409000	2,3485000	2,3485000

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 31 March 2012 are as follows:

	Monthly average
USD	1,7711364
CHF	1,9366500
GBP	2,7978045
JPY	0,0214530
EURO	2,3389409

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

V. EXPLANATIONS RELATED TO THE CURRENCY RISK (continued)

Information related to currency risk:

Current period	EURO	USD	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	4.592.944	38.969	82	908.870	5.540.865
Banks and financial institutions	946.177	88.663	7.702	55.604	1.098.146
Financial assets at fair value through profit and loss ⁽³⁾	2.800	52.584	-	89	55.473
Money market placements	-	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	737.908	880.344	-	-	1.618.252
Loans ⁽²⁾	6.789.120	10.319.379	-	39.774	17.148.273
Subsidiaries, associates and entities under common control ⁽⁵⁾	-	-	-	-	-
Held-to-maturity investments	921.862	1.520.758	-	-	2.442.620
Derivative financial assets held for risk management	-	-	-	-	-
Tangible assets	-	-	-	6	6
Intangible assets	-	-	-	-	-
Other assets ⁽³⁾	26.593	52.534	-	26	79.153
Total assets	14.017.404	12.953.231	7.784	1.004.369	27.982.788
Liabilities					
Bank deposits	5.011.106	603.214	427	179.936	5.794.683
Foreign currency deposits	10.829.039	7.574.309	7.472	2.240.230	20.651.050
Money market balances	136.105	185.363	-	-	321.468
Funds provided from other financial institutions	3.884.058	2.024.360	-	715	5.909.133
Bonds issued	-	-	-	-	-
Sundry creditors	15.391	32.846	6	27	48.270
Derivative financial liabilities held for risk management	-	-	-	-	-
Other liabilities ⁽³⁾	52.728	242.409	50	6.817	302.004
Total liabilities	19.928.427	10.662.501	7.955	2.427.725	33.026.608
Net balance sheet position	(5.911.023)	2.290.730	(171)	(1.423.356)	(5.043.820)
Net off-balance sheet position	5.723.600	(2.526.784)	(39)	1.423.382	4.620.159
Financial derivative assets ⁽⁴⁾	5.896.387	949.792	89.283	1.807.861	8.743.323
Financial derivative liabilities ⁽⁴⁾	172.787	3.476.576	89.322	384.479	4.123.164
Non-cash loans ⁽¹⁾	3.217.436	5.971.843	40.433	170.669	9.400.381
Prior period					
Total assets	14.245.291	12.541.003	6.189	808.652	27.601.135
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	1.483.014	744.174	82.278	1.634.596	3.944.062
Financial derivative liabilities	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

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

(2) Includes TRY 51.756 of foreign currency indexed loans and their accruals. (31 December 2011: 55.515 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 24.486), prepaid expenses (TRY 1) in assets; and derivative financial instruments foreign currency expense accruals (TRY 72.839) and shareholders' equity negative (TRY 61.062) in liabilities are not taken into consideration in the currency risk measurement.

(4) Financial derivative assets include credit default swaps amounting TRY 88.000 and forward precious metal purchase transactions amounted to TRY 1.688.092. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 297.104.

(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.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VI. EXPLANATIONS RELATED TO THE INTEREST RATE RISK

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

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

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

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

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	10.399	-	-	-	-	7.713.641	7.724.040
Banks and financial institutions	1.019.232	-	-	-	-	104.625	1.123.857
Financial assets at fair value through profit and loss	26.412	4.150	6.847	58.686	713	-	96.808
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	672.104	880.150	2.361.241	3.910.686	1.890.167	15.765	9.730.113
Loans	26.833.423	4.993.314	12.186.655	10.960.860	1.795.991	677.864	57.448.107
Held-to-maturity investments	4.482.592	1.567.680	3.898.673	2.991.456	1.618.222	-	14.558.623
Other assets ^{(1),(2)}	71.273	2.176	10.768	31.055	8.709	3.699.949	3.823.930
Total assets	33.115.435	7.447.470	18.464.184	17.952.743	5.313.802	12.211.844	94.505.478
Liabilities							
Bank deposits	2.449.448	130.295	304.425	124.392	-	4.470.085	7.478.645
Other deposits	38.635.243	10.263.692	4.290.283	33.356	-	9.856.300	63.078.874
Money market balances	1.534.229	223.974	205.862	-	-	-	1.964.065
Sundry creditors	397.625	6.999	665.618	-	-	104.661	1.174.903
Bonds issued	-	-	713.241	-	-	-	713.241
Funds provided from other financial institutions ⁽⁴⁾	920.424	679.290	4.302.060	245.597	129.755	7.767	6.284.893
Other liabilities ⁽³⁾	1.463.579	435.798	438.877	-	-	11.472.603	13.810.857
Total liabilities	45.400.548	11.740.048	10.920.366	403.345	129.755	25.911.416	94.505.478
Balance sheet long position	-	-	7.543.818	17.549.398	5.184.047	-	30.277.263
Balance sheet short position	(12.285.113)	(4.292.578)	-	-	-	(13.699.572)	(30.277.263)
Off-balance sheet long position	6.376	90.341	6.189	-	-	-	102.906
Off-balance sheet short position	(6.376)	(2.341)	(6.189)	(59.100)	-	-	(74.006)
Total position	(12.285.113)	(4.204.578)	7.543.818	17.490.298	5.184.047	(13.699.572)	28.900

⁽¹⁾ TRY 149.791 of deferred tax assets is disclosed under the non interest bearing column in other assets.

⁽²⁾ TRY 265.439 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VI. EXPLANATIONS RELATED TO 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	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.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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

2. Average interest rates applied to financial instruments:

Current period	EURO	USD	YEN	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⁾	0,27	0,25	-	11,30
Financial assets at fair value through profit and loss	-	4,05	-	9,43
Money market placements	-	-	-	-
Available-for-sale financial assets	4,81	5,84	-	9,42
Loans ⁽²⁾	4,58	4,09	-	12,74
Held-to-maturity investments	6,38	6,47	-	10,98
Liabilities				
Bank deposits	0,52	0,94	-	7,06
Other deposits ⁽⁴⁾	3,65	3,63	-	9,44
Money market borrowings	2,30	1,81	-	7,88
Sundry creditors ⁽³⁾	-	-	-	4,50
Bonds issued	-	-	-	10,94
Funds provided from other financial institutions	1,99	1,78	-	6,90
Prior Period				
	EURO	USD	YEN	TL
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	-	-
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	3,75	3,77	-	9,44
Money market borrowings	2,11	1,59	-	9,16
Sundry creditors	-	-	-	4,50
Bonds issued	-	-	-	8,82
Funds provided from other financial institutions ⁽⁴⁾	2,35	1,60	-	6,90

⁽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 three months as of 31 March 2012.

⁽⁴⁾ Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 March 2012.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK (continued)

Presentation of assets and liabilities according to their remaining maturities:

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	1.338.667	2.621.114	2.180.407	1.556.283	27.282	287	-	7.724.040
Banks and financial institutions	104.625	1.019.232	-	-	-	-	-	1.123.857
Financial assets at fair value through profit and loss	-	26.401	4.150	6.600	58.697	960	-	96.808
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	74.751	62.241	885.165	5.180.636	3.511.555	15.765	9.730.113
Loans ⁽²⁾	339.946	4.213.347	4.877.072	19.289.799	25.419.516	3.308.427	-	57.448.107
Held-to-maturity investments	-	207.141	156.762	1.539.001	9.987.897	2.667.822	-	14.558.623
Other assets ⁽³⁾	345.725	26.636	5.078	12.940	70.618	8.709	3.354.224	3.823.930
Total assets	2.128.963	8.188.622	7.285.710	23.289.788	40.744.646	9.497.760	3.369.989	94.505.478
Liabilities								
Bank deposits	4.470.085	2.449.448	130.295	304.425	124.392	-	-	7.478.645
Other deposits	9.856.300	38.631.633	10.239.640	4.215.356	133.414	2.531	-	63.078.874
Funds provided from other financial institutions ⁽⁴⁾	2.104	313.715	321.534	2.573.942	1.465.962	1.607.636	-	6.284.893
Money market balances	-	1.534.229	223.974	205.862	-	-	-	1.964.065
Bonds issued	-	-	-	713.241	-	-	-	713.241
Sundry creditors	104.661	424.325	53.577	192.473	399.861	6	-	1.174.903
Other liabilities ⁽¹⁾	1.692.754	295.204	450.104	1.090.300	200.687	205.682	9.876.126	13.810.857
Total liabilities	16.125.904	43.648.554	11.419.124	9.295.599	2.324.316	1.815.855	9.876.126	94.505.478
Liquidity gap	(13.996.941)	(35.459.932)	(4.133.414)	13.994.189	38.420.330	7.681.905	(6.506.137)	-
Previous period								
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
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)	-

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

⁽²⁾ TRY 265.439 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION

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

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

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

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

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

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

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

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

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 March 2012 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Intagrated	Treasury / Investment⁽¹⁾	Elimination⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	277.990	242.477	2.375.768	1.825.789	(2.552.447)	2.169.577
<i>Interest on loans</i>	138.166	190.613	1.149.239	85.768	-	1.563.786
<i>Interest income on marketable securities</i>	-	-	-	603.298	-	603.298
<i>Interest received from banks</i>	-	-	-	1.818	-	1.818
<i>Other interest income⁽²⁾</i>	139.824	51.864	1.226.529	1.134.905	(2.552.447)	675
Interest expense	201.079	177.387	1.706.698	1.605.152	(2.552.447)	1.137.869
<i>Interest on deposits</i>	85.652	35.305	808.924	55.963	-	985.844
<i>Interest on borrowings</i>	588	2.393	2.142	31.513	-	36.636
<i>Interest on money market borrowings</i>	-	-	-	84.243	-	84.243
<i>Interest on marketable bonds issued</i>	-	-	-	16.750	-	16.750
<i>Other interest expense⁽²⁾</i>	114.839	139.689	895.632	1.416.683	(2.552.447)	14.396
Net interest income	76.911	65.090	669.070	220.637	-	1.031.708
Net fees and commissions income	23.088	31.306	79.510	26.709	-	160.613
Net trading profit / (loss)	-	-	-	13.537	-	13.537
Dividend income	-	-	-	-	-	-
Other income	200	9.825	61.972	27.168	-	99.165
Loans and other receivables' impairment loss	7	2.667	69.410	72.648	-	144.732
Other expenses	3.663	13.782	220.011	227.854	-	465.310
Income before taxes	96.529	89.772	521.131	(12.451)	-	694.981
Income tax provision	-	-	-	(150.807)	-	(150.807)
Net profit for the period	96.529	89.772	521.131	(163.258)	-	544.174
SEGMENT ASSETS						
Marketable securities	-	-	-	24.315.563	-	24.315.563
Derivative financial assets held for trading	-	-	-	69.981	-	69.981
Banks and money market receivables	-	-	-	1.123.857	-	1.123.857
Associates and subsidiaries (net)	-	-	-	1.478.715	-	1.478.715
Loans	7.344.849	8.419.752	36.541.641	5.407.304	-	57.713.546
Other assets ⁽¹⁾	265	165.051	939.456	8.699.044	-	9.803.816
TOTAL ASSETS	7.345.114	8.584.803	37.481.097	41.094.464	-	94.505.478
SEGMENT LIABILITIES						
Deposits	7.523.885	2.729.359	47.557.088	12.747.187	-	70.557.519
Derivative financial liabilities held for trading	-	-	-	159.623	-	159.623
Money market balances	-	-	-	1.964.065	-	1.964.065
Borrowing funding loans	15.788	203.519	172.331	5.893.255	-	6.284.893
Bonds issued	-	-	-	713.241	-	713.241
Other liabilities	37.918	60.818	2.280.733	849.687	-	3.229.156
Provisions and tax payable	8.032	12.891	83.257	1.616.675	-	1.720.855
Shareholders' equity	-	-	-	9.876.126	-	9.876.126
TOTAL LIABILITIES	7.585.623	3.006.587	50.093.409	33.819.859	-	94.505.478
OFF BALANCE SHEET ITEMS						
Guarantees and suretyships	10.462.567	4.380.841	4.309.723	54.637	-	19.207.768
Commitments	28.161	259.673	6.029.751	60.786.212	-	67.103.797
Derivative financial instruments	-	-	-	17.880.888	-	17.880.888

⁽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 1.068.089 (net) and deferred tax assets amounting TRY 149.791 in other assets are presented under the Treasury / Investment column.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

Prior Period	Corporate	Commercial	SME/ Intagrated	Treasury / Investment⁽¹⁾	Elimination⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	215.656	153.359	1.624.401	1.264.390	(1.708.128)	1.549.678
<i>Interest on loans</i>	117.798	114.011	831.931	63.478	-	1.127.218
<i>Interest income on marketable securities</i>	-	-	-	421.066	-	421.066
<i>Interest received from banks</i>	-	-	-	987	-	987
<i>Other interest income⁽²⁾</i>	97.858	39.348	792.470	778.859	(1.708.128)	407
Interest expense	169.078	104.820	1.172.614	1.077.225	(1.708.128)	815.609
<i>Interest on deposits</i>	73.688	27.072	554.459	52.768	-	707.987
<i>Interest on borrowings</i>	324	2.219	1.086	19.852	-	23.481
<i>Interest on money market borrowings</i>	-	-	-	74.801	-	74.801
<i>Interest on marketable bonds issued</i>	-	-	-	-	-	-
<i>Other interest expense⁽²⁾</i>	95.066	75.529	617.069	929.804	(1.708.128)	9.340
Net interest income	46.578	48.539	451.787	187.165	-	734.069
Net fees and commissions income	14.516	14.129	110.520	18.776	-	157.941
Net trading profit / (loss)	-	-	-	98.412	-	98.412
Dividend income	-	-	-	43.003	-	43.003
Other income	357	8.802	82.060	28.284	-	119.503
Loans and other receivables' impairment loss	32	3.173	48.925	34.076	-	86.206
Other expenses	3.602	13.020	208.627	188.272	-	413.521
Income before taxes	57.817	55.277	386.815	153.292	-	653.201
Income tax provision	-	-	-	(128.487)	-	(128.487)
Net profit for the period	57.817	55.277	386.815	24.805	-	524.714
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 TRY1 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.

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

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

The Bank does not engage in transaction based on trust.

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	380.013	76.532	386.367	95.434
Central Bank of Turkey	1.803.162	5.464.317	2.124.824	4.665.730
Other	-	16	-	15
Total	2.183.175	5.540.865	2.511.191	4.761.179

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	1.796.875	881.998	2.120.213	705.092
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits ⁽²⁾	6.287	4.582.319	4.611	3.960.638
Total	1.803.162	5.464.317	2.124.824	4.665.730

⁽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 2011: between 5% and 11% according to their maturities), foreign currency liabilities in USD or EUR at the rates between 6% and 11% according to their maturities (31 December 2011: between 6% and 11% according to their maturities), 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	-	23.059	-	4.957
Swap transactions	-	46.399	-	88.970
Futures transactions	-	-	-	-
Options	-	523	37	2
Other	-	-	-	-
Total	-	69.981	37	93.929

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

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

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	4.033	153.846	24	602.661
Foreign banks	21.678	944.300	11.310	861.005
Branches and offices abroad	-	-	-	-
Total	25.711	1.098.146	11.334	1.463.666

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	-	85.175	-	-
Total	-	85.175	-	-

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds	120.205	98.957	118.586	96.235
Total	120.205	98.957	118.586	96.235

b) Information on financial assets available for sale portfolio:

	Current period		Prior period	
	TRY	FC	TRY	FC
Debt securities	9.740.781		9.317.482	
<i>Quoted on a stock exchange</i>	9.740.781		9.317.482	
<i>Not quoted</i>	-		-	
Share certificates	28.124		25.095	
<i>Quoted on a stock exchange</i>	-		-	
<i>Not quoted</i>	28.124		25.095	
Impairment provision(-) ⁽¹⁾	38.792		122.507	
Total	9.730.113		9.220.070	

⁽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 .

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

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

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	119.328	-	117.787	-
Total	119.328	-	117.787	-

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

Cash loans	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Restructured or rescheduled ⁽³⁾	Loans and other receivables	Restructured or rescheduled ⁽³⁾
Non-specialized loans	44.001.206	74.001	668.967	22.361
<i>Discount notes</i>	42.126	-	837	-
<i>Export loans</i>	2.424.373	-	5.275	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	350.517	-	-	-
<i>Overseas loans</i>	376.610	-	808	10
<i>Consumer loans⁽¹⁾</i>	14.186.821	76	155.437	20.225
<i>Credit cards⁽²⁾</i>	1.010.129	17	24.520	2.113
<i>Precious metals loans</i>	-	-	-	-
<i>Other</i>	25.610.630	73.908	482.090	13
Specialized lending	11.785.118	34.726	130.017	-
Other receivables	-	-	-	-
Accruals	719.712	1.403	10.308	288
Total	56.506.036	110.130	809.292	22.649

⁽¹⁾ Includes TRY 91.357 of personnel loans.

⁽²⁾ Includes TRY 27.971 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	7.897	539	1.235	35

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	191.997	13.780.946	13.972.943
<i>Real estate loans</i>	4.671	5.488.716	5.493.387
<i>Automobile loans</i>	1.318	49.625	50.943
<i>Consumer loans</i>	186.008	8.242.605	8.428.613
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	246	246
<i>Real estate loans</i>	-	246	246
<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	920.637	1.918	922.555
<i>Installment</i>	255.730	-	255.730
<i>Non-installment</i>	664.907	1.918	666.825
Individual credit cards-FC	-	-	-
<i>Installment</i>	-	-	-
<i>Non-installment</i>	-	-	-
Personnel loans-TRY	5.306	86.051	91.357
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	5.306	86.051	91.357
<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	27.953	12	27.965
<i>Installment</i>	8.619	-	8.619
<i>Non-installment</i>	19.334	12	19.346
Personnel credit cards-FC	6	-	6
<i>Installment</i>	-	-	-
<i>Non-installment</i>	6	-	6
Overdraft accounts-TRY (Retail customer)	298.013	-	298.013
Overdraft accounts-FC (Retail customer)	-	-	-
Total	1.443.912	13.869.173	15.313.085

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	24.480	574.099	598.579
<i>Business residential loans</i>	6.803	355.153	361.956
<i>Automobile loans</i>	17.677	218.946	236.623
<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	86.253	-	86.253
<i>Installment</i>	18.338	-	18.338
<i>Non-installment</i>	67.915	-	67.915
Corporate credit cards-FC	-	-	-
<i>Installment</i>	-	-	-
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY (Commercial customer)	295.583	-	295.583
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	406.316	574.099	980.415

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

e) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	57.064.901	55.533.345
Foreign loans	383.206	416.101
Total	57.448.107	55.949.446

f) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	158.743	144.642
Indirect loans granted to subsidiaries and associates	-	-
Total	158.743	144.642

g) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectibility	106.657	89.188
Loans and receivables with doubtful collectibility	26.413	22.057
Uncollectible loans and receivables	1.283.059	1.290.492
Total	1.416.129	1.401.737

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

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

(5) Information on loans: (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period	32.815	6.014	121.733
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	32.815	6.014	121.733
Prior 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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Prior period end balance	144.159	30.608	1.493.928
Additions (+)	90.827	2.276	18.144
Transfers from other categories of loans under follow-up (+)	-	22.870	27.381
Transfers to other categories of loans under follow-up (-)	37.600	12.651	-
Collections (-)	28.458	4.800	65.116
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	168.928	38.303	1.474.337
Specific provision (-)	106.657	26.413	1.283.059
Net balance on balance sheet	62.271	11.890	191.278

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

None.

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

(5) Information on loans: (continued)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period (Net)	62.271	11.890	191.278
Loans to granted real persons and legal entities (Gross)	168.808	38.045	1.432.646
Specific provisions (-)	106.537	26.155	1.241.368
Loans to granted real persons and legal entities (Net)	62.271	11.890	191.278
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	120	258	41.691
Specific provisions (-)	120	258	41.691
Other loans and receivables (Net)	-	-	-
Prior 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)	-	-	-

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

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

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

j) Explanations on write-off policy:

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

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

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills	-	-	-	-
Government bonds and similar securities	2.454.612	397.343	2.620.979	417.083
Other	-	-	-	-
Total	2.454.612	397.343	2.620.979	417.083

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	1.520.734	278.397	4.004.244	895.666
Other	-	-	-	-
Total	1.520.734	278.397	4.004.244	895.666

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

	Current period	Prior period
Government bonds	14.558.623	13.997.928
Treasury bills	-	-
Other public sector debt securities	-	-
Total	14.558.623	13.997.928

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	14.558.623	13.997.928
Quoted on a stock exchange	12.014.167	11.595.218
Not quoted	2.544.456	2.402.710
Impairment provision (-)	-	-
Total	14.558.623	13.997.928

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

	Current period	Prior period
Beginning balance	13.997.928	12.719.179
Foreign currency differences on monetary assets	(78.622)	328.614
Purchases during the year ⁽¹⁾	1.297.816	1.944.289
Disposals through sales and redemptions ⁽²⁾	(658.499)	(994.154)
Impairment provision (-) / provision reversal (+)	-	-
Balance at the of the period	14.558.623	13.997.928

⁽¹⁾ Interest income accrual amounting TRY 658.969 have been included in purchases row (31 December 2011: TRY 725.676).

⁽²⁾ In accordance with the tainting rules defined in paragraph 9 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 March 2012, the Bank reclassified TRY 123.459 of financial assets from held to maturity investments portfolio to available for sale portfolio. Related amount was presented in "Disposals Through Sales and Redemptions" row.

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

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

(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

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. 4.113.406	476.551	28.476	27.759	(7.506)	11.504	12.201	-
2. 45.082	44.861	122	728	-	393	183	-
3. 10.716	4.781	75	243	118	555	345	-
4. 22.331	11.731	3.712	908	-	1.547	4.571	-
5. 40.326	34.266	3.101	2.526	-	18.566	14.132	-
6. 25.225	18.484	10.344	1.116	-	2.619	1.465	-

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

(2) The financial data of Demirhalkbank NV ve Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ. are obtained from 31 March 2012 unaudited financial statements, Bankalararası Kart Merkezi AŞ and Kredi Kayıt Bürosu AŞ AŞ. are obtained from 31 December 2011 audited financial statements and remaining associates are obtained from 31 December 2011 unaudited financial statements.

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	96.105	143.527
Movements during the period	(3.006)	(47.422)
<i>Purchases</i>	-	1.000
<i>Bonus shares obtained profit from current year's share</i>	-	1.238
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfers⁽¹⁾</i>	(3.006)	(49.660)
<i>Revaluation decrease (-) / increase</i>	-	-
<i>Provision for impairment (-) / reversals (+)</i>	-	-
Balance at the end of the period	93.099	96.105
Capital commitments	-	1.000
Share percentage at the end of the period (%)	0,00	0,00

(1) Current period, Kredi Garanti Fonu AŞ is classified as financial assets available for sale.

d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	74.716	74.716
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	17.331	20.337

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

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

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

e) Associates quoted to a stock exchange: None.

(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	Makedonya	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	
1.	137.935	53.728	2.360	3.476	9	1.986	3.147	75.755
2.	234.032	47.262	3.984	2.786	1.157	1.733	(10.419)	137.337
3.	304.606	103.725	2.586	7.575	5.112	13.654	8.812	405.920
4.	672.771	512.210	628.644	435	2	2.959	3.364	486.221
5.	984.838	124.247	4.075	18.798	-	4.226	3.855	175.983
6.	4.971	4.856	81	130	2	95	-	2.953
7.	374.473	82.788	20.456	6.051	655	5	-	-

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

⁽²⁾ The information is presented from financial statements as of 31 March 2012 prepared for consolidation purposes.

c) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period	831.371	596.081
Movements during the period	554.245	235.290
Purchases	-	166.910
Bonus shares obtained profit from current year's share	-	-
Dividends from current year income	-	-
Sales	-	-
Transfer	-	49.660
Revaluation increase	554.245	-
Reversal of Provision for impairment (-)	-	18.720
Balance at the end of the period	1.385.616	831.371
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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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	101.447
Insurance companies	543.257	77.460
Factoring companies	-	-
Leasing companies	175.983	131.043
Financing companies	-	-
Other financial subsidiaries	564.929	521.421

e) Subsidiaries quoted in the stock exchange:

None.

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

None.

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

None.

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

None.

(12) Information on tangible assets:

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

(13) Information on intangible assets:

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

(14) Information on investment property:

None.

(15) Information on deferred tax assets:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	82.226	76.851
Revaluation of Financial Assets	67.090	(4.513)
Other	475	(174)
Deferred Tax (Asset) /Liability:	149.791	72.164
Deferred tax accounted in shareholders' equity	(17.594)	32.737
Available for sale financial assets IRR-fair value difference	(17.594)	32.737

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

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

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

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

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

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 811.060 and does not exceed 10% of the balance sheet total (31 December 2011: TRY 693.285).

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

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	2.034.688	-	390.250	18.579.571	2.413.544	382.796	895.118	97.479	24.793.446
Foreign currency deposits	2.027.768	-	4.341.714	6.596.751	2.961.005	874.480	1.718.144	10.775	18.530.637
<i>Residents in Turkey</i>	1.821.762	-	1.839.524	6.392.543	1.912.376	572.444	1.226.287	10.767	13.775.703
<i>Residents abroad</i>	206.006	-	2.502.190	204.208	1.048.629	302.036	491.857	8	4.754.934
Public sector deposits	1.897.757	-	359.894	3.030.629	193.433	249.234	26.761	-	5.757.708
Commercial inst. deposits	1.494.600	-	1.777.929	3.974.142	788.415	241.691	43.489	-	8.320.266
Other inst. deposits	281.074	-	1.317.654	1.296.563	334.012	306.746	20.355	-	3.556.404
Precious metals	2.120.413	-	-	-	-	-	-	-	2.120.413
Interbank deposits	4.470.085	-	1.960.687	481.485	152.868	273.880	139.640	-	7.478.645
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	6.752	-	651.381	36.006	95.738	8.290	-	-	798.167
<i>Foreign banks</i>	4.419.160	-	1.309.306	445.479	57.130	265.590	139.640	-	6.636.305
<i>Participation banks</i>	44.173	-	-	-	-	-	-	-	44.173
Total	14.326.385	-	10.148.128	33.959.141	6.843.277	2.328.827	2.843.507	108.254	70.557.519

a.2. Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	2.134.100	-	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

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current period	Prior period	Current period	Prior period
Saving deposits	12.630.000	12.713.126	12.105.992	12.046.510
Foreign currency saving deposits	3.746.851	3.663.365	6.004.341	5.963.493
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	69.327	66.115	-	-
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	141.820	151.869
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	3.902	3.734
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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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	-	86.258	-	45.829
Swap transactions	-	72.839	-	19.443
Future transactions	-	-	-	-
Options	13	513	44	42
Other	-	-	-	-
Total	13	159.610	44	65.314

(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	215.013	212.759	221.380	216.162
Foreign banks, institutions and funds	160.747	5.696.374	157.703	5.695.982
Total	375.760	5.909.133	379.083	5.912.144

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	178.952	2.907.202	182.627	2.829.244
Medium and long-term	196.808	3.001.931	196.456	3.082.900
Total	375.760	5.909.133	379.083	5.912.144

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 35% of saving deposits and 26% 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 77% of banks deposits and 33% of other deposits consist of foreign currency deposits.

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

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

- (4) Marketable securities issued:

	Current period		Prior period	
	TRY	TRY	TP	YP
Bonds	713.241	-	495.615	-
Securities	-	-	-	-
Total	713.241	-	495.615	-

As of 27 January 2012, the Bank' s bonds amounting to TRY 750.000 with maturity of 175 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
	64.018	1.316.146	2.719	1.342.515

- (6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 672.416 and does not exceed 10% of the balance sheet total (31 December 2011: TRY 568.411).

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

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

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

- b) Explanation on finance lease payables:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years ⁽¹⁾	2.480	1.673	2.754	1.818
More than 4 years	-	-	-	-
Total	2.480	1.673	2.754	1.818

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

- c) Explanations regarding operational leases:

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

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

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

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior Period
General provisions	715.756	656.783
Provisions for first group loans and receivables	645.293	596.273
Provisions for second group loans and receivables	12.661	7.145
Provisions for non cash loans	57.802	53.365

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

None.

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

As of 31 March 2012, the Bank's specific provisions for unindemnified non-cash loans balance is TRY 45.993 (31 December 2011: TRY 41.419). The Bank provides 50% of provision for these non cash loans. TRY 2.524 (31 December 2011: TRY 2.525) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

d) Information on other provisions:

Total other provision balance amounting to TRY 288.269 (31 December 2011: TRY 277.156) consists of TRY 45.993 (31 December 2011: TRY 41.419) for specific provisions for unindemnified non cash loans, TRY 21.437 (31 December 2011: TRY 21.437) for legal cases filed against the Bank, TRY 194.000 (31 December 2011: TRY 194.000) provision for prudence in consideration for any changes that may arise in the economy and the market, TRY 26.839 (31 December 2011: TRY 20.300) of other provisions.

e) Liabilities on pension rights

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

None.

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

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

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

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

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 March 2012, the Bank's corporate tax payable is amounting to TRY 645.791 after setting off TRY 366.596 of prepaid taxes from TRY 279.195 of corporate tax liabilities of which TRY 1.281 is the Cyprus branches tax provision.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	279.195	86.320
Income on securities tax	52.978	50.386
Property income tax	27.056	25.179
Banking and insurance transactions tax (BITT)	735	507
Foreign exchange transactions tax	99	196
Value added tax payable	2	2
Other	9.818	12.740
Total	369.883	175.330

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	12	10
Social insurance premiums-employer	15	13
Bank social aid pension fund premium-employee	4.146	3.386
Bank social aid pension fund premium-employer	5.531	4.609
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	-	-
Unemployment insurance-employer	-	-
Other	756	714
Total	10.460	8.732

b) Explanations regarding deferred tax liability:

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

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

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

(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.

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)	554.245	-	-	-
Revaluation difference	(68.005)	(61.062)	76.746	(343.524)
Exchange rate difference	-	-	-	-
Total	486.240	(61.062)	76.746	(343.524)

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current period	Prior period
Commitments for credit card expenditure limits	4.897.975	4.614.215
Payment commitments for cheques	4.668.086	3.976.513
Other irrevocable commitments	1.082.366	1.058.973
Loan granting commitments	915.354	890.035
Two days forward foreign exchange buy/sell transactions	405.610	677.085
Commitments for credit cards and banking services promotions	27.154	26.857
Tax and fund liabilities from export commitments	12.168	11.389
Share capital commitments to associates and subsidiaries ⁽¹⁾	1.000	1.000
Total	12.009.713	11.256.067

⁽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	4.907.550	4.080.511
Letters of credit	878.819	627.992
Other guarantees	448.889	423.056
Total	6.235.258	5.131.559

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

	Current period	Prior period
Letters of certain guarantees	5.799.098	5.993.331
Letters of advance guarantees	1.591.102	1.660.373
Letters of tentative guarantees	1.021.941	948.430
Letters of guarantee given to customs offices	327.194	324.948
Other letters of guarantee	4.233.175	3.787.816
Total	12.972.510	12.714.898

b.3. Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	332.807	160.706
<i>Within one year or less original maturity</i>	1.045	674
<i>Within more than one year maturity</i>	331.762	160.032
Other non-cash loans	18.874.961	17.685.751
Total	19.207.768	17.846.457

c) Information on contingent liabilities and assets:

The Bank has provided TRY 21.437 (31 December 2011: TRY 21.437) of provision for the disputed legal cases filed by various persons and institutions.

d) Services supplied on behalf of others:

None.

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

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	483.954	49.819	372.521	40.826
Medium and long term loans	822.949	188.287	565.942	119.096
Interest on non-performing loans	18.777	-	28.832	1
Premiums from resource utilization support fund	-	-	-	-
Total	1.325.680	238.106	967.295	159.923

⁽¹⁾ Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	13	188	26	177
Overseas banks	252	1.365	250	534
Head office and branches	-	-	-	-
Total	265	1.553	276	711

c) Interest income on marketable securities:

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

ç) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries and associates	3.499	1.274

(2) Information on interest expenses:

a) Kullanılan kredilere verilen faizlere ilişkin bilgiler:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	4.243	29.673	2.996	19.232
<i>Central Bank of Turkey</i>	-	-	-	-
<i>Domestic banks</i>	4.243	1.500	2.996	1.042
<i>Overseas banks</i>	-	28.173	-	18.190
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	2.720	-	1.253	-
Total	6.963	29.673	4.249	19.232

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	6.053	5.376

c) Information on interest expenses to marketable securities issued:

Interest expenses to marketable securities is TRY 16.750. (31 March 2011: None.)

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

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits						More than 1 year	Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year				
TRY									
Bank deposits	27	33.168	492	47	150	-	-	33.884	
Saving deposits	1	6.777	463.516	53.526	7.802	19.669	1.839	553.130	
Public deposits	88	8.692	56.909	6.859	2.247	366	-	75.161	
Commercial deposits	1	41.444	88.243	13.602	2.504	916	-	146.710	
Other deposits	-	4.445	27.038	7.270	6.359	487	-	45.599	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	117	94.526	636.198	81.304	19.062	21.438	1.839	854.484	
Foreign currency									
Deposits	49	19.961	68.367	18.406	5.896	13.738	-	126.417	
Bank deposits	-	4.943	-	-	-	-	-	4.943	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	-	-	-	-	-	-	-	
Total	49	24.904	68.367	18.406	5.896	13.738	-	131.360	
Grand total	166	119.430	704.565	99.710	24.958	35.176	1.839	985.844	

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

	Current period	Prior period
Profit	2.009.644	1.151.137
Profit from the capital market operations	29.946	40.878
Profit on derivative financial instruments	542.874	263.069
Foreign exchange gains	1.436.824	847.190
Loss (-)	1.996.107	1.052.725
Loss from the capital market operations	2.434	1.970
Loss on derivative financial instruments	578.026	242.703
Foreign exchange losses	1.415.647	808.052

(4) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	61.550	93.876
-Specific provision reversals for Loans under follow up	57.456	71.605
-Other prior period expense reversals income	4.094	22.271
Receivable from the asset sale on credit terms	26.641	14.951
Rent income	1.968	1.574
Cheques	1.243	1.237
Provision for communication expenses	1.977	1.601
Other income	5.786	6.264
Total	99.165	119.503

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

(5) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	70.583	51.221
<i>Group - III loans and receivables</i>	46.262	26.785
<i>Group - IV loans and receivables</i>	2.189	2.980
<i>Group - V loans and receivables</i>	22.132	21.456
General loan provision expenses	58.973	28.486
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	-
<i>Financial assets at fair value through profit and loss</i>	-	-
<i>Financial assets available for sale</i>	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Jointly controlled entities (joint ventures)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Other	15.176	6.499
Total	144.732	86.206

(6) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	200.205	185.303
Reserve for employee termination benefits	15.754	14.760
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	21.181	18.582
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	554	400
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	1.928	130
Amortization expenses of assets that will be disposed of	933	1.084
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	149.444	127.330
<i>Operational leasing expenses</i>	22.989	19.264
<i>Maintenance expenses</i>	3.139	4.227
<i>Advertisement expenses</i>	11.684	7.471
<i>Other expenses</i>	111.632	96.368
Loss on sales of assets	80	797
Other	75.231	65.135
Total	465.310	413.521

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

The Bank's income before tax is due from continuing activities. TRY 1.031.708 of the income before tax consists of net interest income, TRY 160.613 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Bank is TRY 694.981.

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

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

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

For the three-month period ended 31 March 2012, the Bank's tax provision amounting to TRY 150.807 consists of TRY 279.350 of current tax charge of which TRY 484 is tax charge of Cyprus branches; and TRY 128.543 of deferred tax charge.

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

For the three-month period ended 31 March 2012, the Bank's net operating income after tax is TRY 544.174.

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

- a) Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Bank's performance for the period between 1 January 2012 and 31 March 2012.
- b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.
- c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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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.

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

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

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

For the 31 March 2012, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 355.936 decrease (31 March 2011: TRY 57.476, 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	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 discounters	-	(25)
Bank re-discounts	(219)	(53)
Cash and Cash Equivalents	4.781.902	4.438.336

⁽¹⁾ Others items include cheques received.

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

	Current period	Prior period
Cash	7.724.040	5.952.517
<i>Cash in TRY and foreign currency</i>	456.545	313.505
<i>Central Bank and others⁽¹⁾</i>	7.267.495	5.639.012
Cash equivalents	1.123.857	887.808
<i>Banks - maturity less than 3 months</i>	1.123.857	887.808
<i>Money market placements</i>	8.847.897	6.840.325
Total cash and cash equivalents	(4.588.540)	(1.392.962)
Restricted Legal Requirements	(66)	(50)
Legal Provision re-discounts	(245)	(270)
Money market placement discounters	4.259.046	5.447.043

⁽¹⁾ Others items include cheques received.

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

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK

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

- a) Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Cash	Non-Cash	Cash
Loans and other receivables						
Beginning balance	144.642	84.051	-	-	-	-
Closing balance	158.743	297.082	-	-	-	-
Interest and commissions income	3.499	151	-	-	-	-

- 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	Cash	Non-Cash	Cash
Loans and other receivables						
Beginning balance	75.704	36.366	-	-	-	-
Closing balance	144.642	84.051	-	-	-	-
Interest and commissions income	1.274	43	-	-	-	-

- 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	Current period	Prior period	Current period
Deposits						
Beginning balance	306.082	284.026	-	-	-	-
Closing Balance	233.965	306.082	-	-	-	-
Interest expense on deposits	6.053	5.376	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Current period	Prior period	Current period
Financial assets at fair value through profit and loss						
Beginning balance	62.206	-	-	-	-	-
Closing Balance	98.920	62.206	-	-	-	-
Total profit/loss	821	-	-	-	-	-

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

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

(2) Disclosures for risk group:

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

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

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

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

	Amount	% compared to the amounts in the financial statements
Cash loans	158.743	%0,28
Non-cash loans	297.082	%1,55
Deposits	233.965	%0,33
Forward and option contracts	-	-
Banks and financial institutions	-	-

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

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

d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 1.513 as of 31 March 2012 (31 March 2011: TRY 1.262).

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED
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VIII. SUBSEQUENT EVENTS

Explanations regarding the dividends declaration:

Calculation of the first legal reserves amounting to TRY 102.257 from the related year profit amounting to TRY 2.045.134, the first dividend amounting to TRY 62.500 by 5% of paid-in capital, the Bank Board of Directors and staff of dividends amounting to TRY 80.000, the second dividend and second legal reserve respectively amounting to TRY 244.270 and amounting to TRY 32.427, allocation of the remaining profit amounting to TRY 1.523.680 as extraordinary reserves and distribution of the all dividend payments that will be made on 23 May 2012 are decided in the Bank's Annual General Meeting for the year 2011 activities dated on April 18th 2012.

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SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

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SECTION VII: INDEPENDENT AUDITORS' REPORT

II. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements as of and for the three-month period ended 31 March 2012 were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Review Report dated 8 May 2012 is presented in the introduction of this report.

III. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.