



2010 ANNUAL REPORT

 **HALKBANK**

> Productive Turkey's Bank

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WE ARE GROWING STEADILY...

Halkbank, which has consistently considered the growth of the real economy as its fundamental objective and in parallel with its mission to be “productive Turkey’s Bank”, has shown, especially in the last five years, a stable and strong performance in terms of all banking indicators.

Halkbank increased its assets by 112%, loans by 280%, deposits by 102%, equity by 97% and its net profit by 133% in the last five years - all without compromising on productivity.

Continuing its tradition of strong and steady growth, Halkbank increased its assets by 112% over the last five years.

²⁰⁰⁶
34,425

²⁰⁰⁷
40,234

²⁰⁰⁸
51,096



TOTAL ASSETS (TL MILLION)

2010

72,942

2009

60,650



With its continued support for “productive Turkey” under all circumstances, Halkbank increased its loans by 280% in the last five years.



LOANS (TL MILLION)

2010

44,296

2009

32,458



Always considering client trust its most valuable asset, Halkbank increased its deposits by 102% during the last five years.



TOTAL DEPOSITS (TL MILLION)

2010

54,782

2009

43,950



With strength drawn from its 72 year history, Halkbank increased its shareholders' equity by 97% in the last five years.

²⁰⁰⁶
3,780

²⁰⁰⁷
4,383

²⁰⁰⁸
4,289



SHAREHOLDERS' EQUITY (TL MILLION)

2010

7,445

2009

5,760



Since its establishment, the Bank's fundamental objective has been to generate added value. Halkbank increased its net profit by 133% in the last five years.

2006
863

2007
1,131

NET PROFIT (TL MILLION)

2010

2,010

2009

1,631

2008

1,018



With 72 years of uninterrupted support for the country's growth, Halkbank sustains its mission to be "Productive Turkey's Bank" while standing behind its motto - "SMEs are not a hobby, they are our business." Halkbank maintains steady growth through strength drawn from its clients.

CORPORATE PROFILE

Operating in line with its mission to be "Productive Turkey's Bank" since 1938, Halkbank once again reinforced its motto that "SMEs are not a hobby, they are our business" during 2010.

Halkbank was established to support tradesmen and artisans, among the most important elements for social equilibrium and public peace and to accelerate durable economic development. The Bank's vision is to be the region's leading SME bank, fulfilling all the requirements of universal banking while asserting a strong presence in retail services. Halkbank reinforces this strong position and its stable growth through the trust of its clients.

Halkbank has always been a business partner that;

- produces solutions for the financing and non-financing needs of tradesmen, artisans and SMEs,
- offers services to its clients with its dynamic structure in corporate and commercial banking as well,
- offers new products that cater to the changing needs of its clients, with diverse term options and advantageous interest rates,
- develops pioneering and innovative practices in retail loans,
- has a strong and respected position in both domestic and international markets.

With a newly designed organizational structure and a dynamic technological infrastructure, Halkbank has grown into becoming an indispensable part of the sector and continues to be a major brand in "productive Turkey".

CAPITAL STRUCTURE

The paid-in capital of Türkiye Halk Bankası A.Ş. is TL 1.250.000.000. 99.999996207% of which originally was held by the Undersecretariat of Treasury of the Prime Ministry of the Republic of Turkey. Based on the decision of the Privatization Administration dated February 5, 2007 and numbered 2007/08, the decision of the Capitals Market Board of Turkey dated April 26, 2007, numbered 16/471 and the resolution of the Bank's General Assembly dated April 19, 2007 24.98 % of the shares were listed on May 10, 2007

The Bank's controlling shareholder is the Privatization Administration, with a share percentage of 75.02604% (Ziya Gökalp Cad. No:80 Kurtuluş/Ankara). The members of the Board of Directors, the Chairman of the Board of Directors and the General Manager do not hold shares in the Bank.

Name of Shareholder	Number of Shareholders*	Paid in Capital (TL)	Percentage of Share (%)
1-Privatisation Administration **	1	937,825,500	75.02604000
2-Banks	4	14,105	0.00112840
3-Cooperatives	143	17,244	0.00137952
4-Municipalities	980	186,854	0.01494832
5-Special Provincial Administrations	67	93,891	0.00751128
6-Chambers of Commerce	12	2,086	0.00016688
7-Individuals and Companies	13,529	149,394	0.01195152
8-Publicly Held**	1	311,710,926	24.93687408
Total	14,737	1,250,000,000	100.00000000
Minority Shareholders Percentage (%)			0.03708592
Privatization Administration Percentage (%)			75.02604000
Publicly Held Portion (Traded) %			24.93687408
Total (%)			100.00000000

* Shareholders listed in the Stock Register.

** Privatization Administration has TL 549,932 share in the free float in within its share of TL 937,825,500. Together with these shares total amount of shares in the free float is TL 312,260,858 with a share rate of 24.98%.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION IN 2010

No amendments were made to the Bank's Articles of Association in 2010.

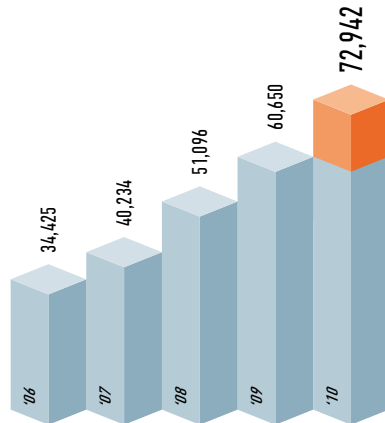
HALKBANK IN FIGURES

FINANCIAL HIGHLIGHTS

(TL millions)	2010	2009	Change (%)
Total Assets	72,942	60,650	20.3
Liquid Assets	5,759	4,552	26.5
Loans	44,296	32,458	36.5
Securities	20,207	21,373	-5.5
Total Deposits	54,782	43,950	24.6
Shareholders' Equity	7,445	5,760	29.3
Net Interest Income	3,191	3,109	2.6
Net Fees and Commissions Income	526	461	14.2
Gross Profit	2,509	2,017	24.4
Net Profit	2,010	1,631	23.3
(%)			
Interest Bearing Assets/Total Assets	88.3	93.9	
Loans/ Total Assets	60.7	53.5	
Non-Performing Receivables/Total Loans (Gross)	3.8	4.9	
Demand Deposits/Total Deposits	15.9	13.4	
Loans/Deposits	80.9	73.9	
Average Return on Assets	3.0	2.9	
Average Return on Equity	30.5	32.5	
Capital Adequacy Ratio	15.9	16.0	

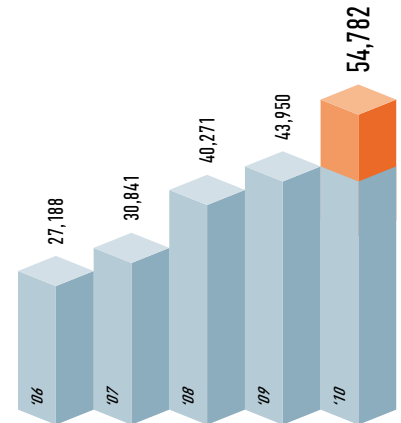
* Contains the rediscount-included figures.

Halkbank's loans increased by 36.5% compared to the previous year and reached TL 44.3 billion by year end 2010. The percentage of the loans in its assets rose to 60.7%.



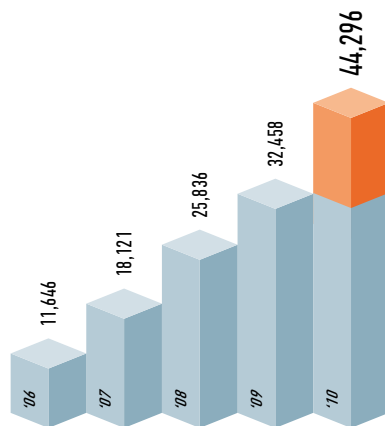
TOTAL ASSETS (TL MILLIONS)

20.3% ↑



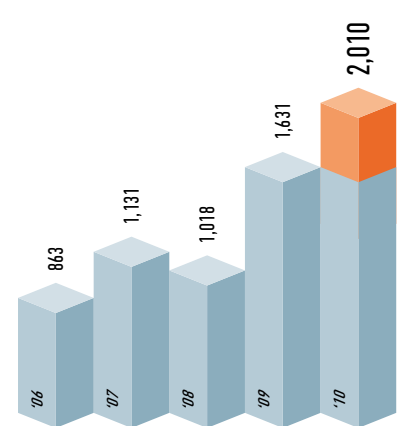
TOTAL DEPOSITS (TL MILLIONS)

24.6% ↑



LOANS (TL MILLIONS)

36.5% ↑



NET PROFIT (TL MILLIONS)

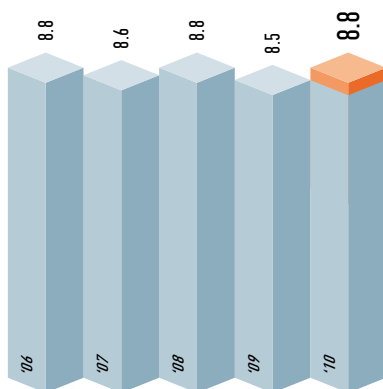
23.3% ↑

With regard to primary banking indicators such as total assets, loans and deposits, Halkbank has reinforced its strong position in the sector.

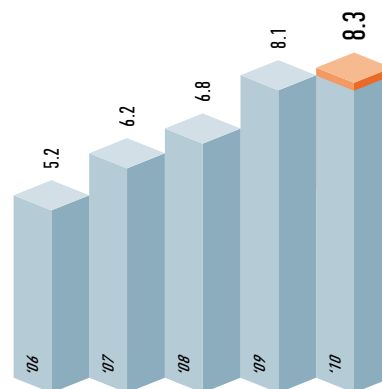
↪ HALKBANK IN FIGURES

HALKBANK'S POSITION IN THE SECTOR

Share Ratio (%)	2010	2009
Total Assets	7.2	7.3
Loans	8.3	8.1
Securities	6.7	7.8
Deposits	8.8	8.5
Shareholders' Equity	5.5	5.2
Profit	9.2	8.1



DEPOSITS MARKET SHARE (%)



LOANS MARKET SHARE (%)

RATINGS

Fitch Ratings

Long-Term Foreign Currency	BB+
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Outlook	Positive
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Short-Term Foreign Currency	B
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Long-Term Local Currency	BB+
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Outlook	Positive
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Short-Term Local Currency	B
---------------------------	---

National Long-Term	AA+ (tur)
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Outlook	Stable
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Individual	C/D
------------	-----

Support	3
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Support Rating Base	BB+
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Moody's

Financial Strength Rating	D+
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Outlook	Stable
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Long-Term Local Currency Deposit Rating	Baa3
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Outlook	Stable
---------	--------

Short-Term Local Currency Deposit Rating	Prime-3
--	---------

Outlook	Stable
---------	--------

Long-Term Foreign Currency Deposit Rating	Ba3
---	-----

Outlook	Positive
---------	----------

Short-Term Foreign Currency Deposit Rating	Not Prime
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Outlook	Stable
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Baseline Credit Assessment	Baa3
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Outlook	Stable
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Probability of Government Support	Very High
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OUR VISION, MISSION, GOALS, STRATEGIES AND CORPORATE VALUES

Our Vision

To be the region's leading SME bank able to execute all the requirements of universal banking while asserting a strong presence in retail services.

Our Mission

To continuously create added value for customers, shareholders and employees by effectively carrying out all banking services with an awareness and understanding of social responsibilities and duties while contributing to the development of the banking sector and capital markets.

Our Goals

- To be the leading SME bank in the region.
- To be the first preference of SMEs and retail customers.
- To employ the most qualified personnel in the sector while being an employer of choice.
- To ensure customer satisfaction by offering the highest quality services in all business processes.
- To be a bank that attains stable growth and sustainable profit.

Our Strategies

- To increase specially-designed product and service options while carrying out traditional banking activities.
- Within the scope of customer segmentation, offering privileged products and services to small and medium-scale companies as well as medium and upper-income group retail customers.
- Adopting a high-quality, customer-oriented approach for services rendered.
- Ensuring effectiveness in all critical processes, particularly with regard to loan and financial risk management.
- Achieving productivity in all business processes by means of a rich product line, transaction and system security, rapid high-quality transactions and competitive pricing.
- Motivating and supporting the ongoing development of employees via effective career progression and performance management systems.
- Ensuring that both internal and external customers are fully cognizant of our corporate identity.
- Providing high-quality international banking services through an extensive network of overseas branches.

Our Corporate Values

- Customer focus
- Reliability
- Integrity
- Creativity
- Dynamism
- Rationalism
- Team Spirit
- Efficiency
- Transparency
- Sensitivity
- Self-confidence
- Openness to change
- Commitment to social responsibility
- Shared knowledge and experience

In 2007, Halkbank carried out the largest ever initial public offering (IPO) in Turkey generating a record demand up to that time.

HISTORICAL DEVELOPMENT OF HALKBANK

Following the foundation of the Republic, Halkbank was established with the intention of granting loans with reasonable terms to retailers, artisans and small business owners to offer solutions to their problems and to accelerate economic growth.

The Bank was founded in accordance with the Halkbank and Public Funds Law that was passed in 1933. Halkbank carried out its credit services through the Public Funds channel, for which it provided finance from 1938 to 1950. The Bank first began giving SME loans to small and medium scale enterprises in 1940; in 1964 it created the first fund for the construction of small industrial markets and estates. That same year, the Bank increased its capital and worked actively to increase loan and deposit volume. With industrial investment and working capital loans that became available in 1975, Halkbank began granting loans to large scale industrial enterprises as well.

Several mergers with other banks took place in the following years; Türkiye Öğretmenler Bankası T.A.Ş. (Töbank) in 1992; Sümerbank in 1993; Etibank in 1998 and with some branches of Emlakbank in 2001. In 2004, Halkbank and Pamukbank set an example in the banking sector by integrating seamlessly well before the projected timeline. Within this new structure, increasing significance was given to the priority of certain products and services offered to retail banking clients with medium and upper medium incomes. The Bank particularly worked with SMEs, while developing a customer-oriented, high-quality service approach within the scope of client segmentation.

In 1995, Halkbank set up the first "Entrepreneur Information Center" and in 2007, was the only Bank to support women entrepreneurs with its "Women Entrepreneurs Loan" offered to women who wanted to start a business in Turkey. As the first public Bank to use TV banking and to have an off-shore branch, the Bank has always led the industry.

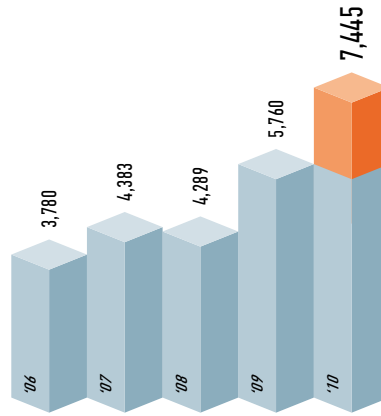
A New Era after the "Best Public Offering"

24.98% of Halkbank's shares were floated in 2007 and generated a record demand for the largest public offering ever carried out in Turkey. These shares were sold for US\$ 1.8 billion and the total float of TL 17.4 billion (US\$ 12.9 billion) both in Turkey and abroad, was eight times the size of the public offering. Following this success, Halkbank received the "Best Public Offering" award from East Capital, a leading European investment company.

Within the framework of the agreement signed between Halkbank and HSBC in 2007, Halkbank credit cards acquired Advantage qualities. Halkbank was rewarded for its dedication by being chosen as the best bank in the retail banking consumer research survey of the Customer Satisfaction Index of Turkey. In 2008, Halkbank credit cards were redesigned so as to offer all the privileges of an Advantage card and were re-launched as HalkCard Advantage.

➤ STRONG GROWTH

Halkbank's shareholders' equity increased by 97% in the last five years, reaching TL 7.4 billion.



7,445

SHAREHOLDERS' EQUITY
(TL MILLION)

Bank24 Jet, launched with the combined effort of Halkbank and Visa, was the first prepaid contactless bank card in Europe. It integrated a large number of functions such as those of a contactless payment card for small-sum purchases, a public transportation card, KGS, self-service payment card and a pass card.

Through the project carried out to shorten the process of receiving and evaluating credit card requests and delivering cards to the clients, Halkbank became the first bank in Turkey to obtain the 2008 version of the ISO 9001 Quality Management System Standard.

Cooperation with development agencies initiated in 2009 continued during 2010, allowed Halkbank to sustain its position as the first bank to establish a solution partnership with these institutions that contribute to regional economic growth and social development.

Educational Innovations

Halkbank was restructured and a new educational unit called Halkakademi was set up. This unit mainly offers programs on banking, personal development and social responsibility. In 2010, investing in its employees was among the priorities of the Bank.

The construction of a library in the General Directorate of Halkbank in Ankara for use by all employees and an e-library for the staff working in other locations is approaching the completion phase. The e-library will be offered for the use of the whole staff in 2011.

New Operational Center

An Operational Center has been set up under the auspices of the Operational Transformation Project, carried out with the intention of increasing the Bank's efficiency and accelerating its growth. The project intends to lower the operational risk, shorten the duration of transactions that are carried out by its expert bankers and bring to perfection the quality of the service the branches offer the clients by centralizing operational services.

The coming period will be marked by the steps to be taken by Turkish banks to utilize the potential business opportunities in the surrounding region.

HASAN CEBECİ CHAIRMAN OF THE BOARD OF DIRECTORS



CHAIRMAN'S ASSESSMENT

2010 marked a period of economic improvement for both the Turkish Banking Sector and the real sector with the return of appetite for risk. The total cash loan volume in the sector increased by 33.9%, to reach TL 525.9 billion. Taking into account international comparisons in light of 2010 expectations, it is evident that Turkey will continue to offer sufficient opportunity for growth with regard to loan activities.

Another improvement that took place in 2010 was the conversion of savings into loans. The sector's loans/deposits ratio which stood at 76.3% in 2009 reached 85.2% in 2010. There was a significant improvement particularly with regard to retail loans, which resulted from an increase in demand due to low interest rates. Total retail loans increased by 33.1%, reaching TL 168.2 billion. The low interest rates also allowed the number of installments for retail loans to decrease and, in consideration of personal disposable income, the loan payments

to be made under more reasonable conditions compared to previous periods. Although the fact that the maturity structure of funding has not yet reached the desired levels and fails to provide banks with sufficient growth opportunities in meeting the demand for long-term products such as mortgages, the results obtained so far seem to be encouraging.

Turkish banks, continuing to open new branches driven by the tailwinds of growth in the domestic market owing to a strong capital base and rising profits, have accelerated their pursuit of business opportunities in the surrounding region. Low loan penetration rates, despite the observed loan growth rates in 2010, the relatively low borrowing levels of households and the positive situation of our macro indicators indicate that we will be witnessing a lively loan market growth both in 2011 and 2012.

The fact that Turkey rapidly left the crisis behind - and in conjunction with the effect of widespread recovery - both the focus of global investors and potential investment trends in neighboring countries changed towards Turkey. It appears inevitable that international interest and the increasing accumulation of capital will come together on a suitable platform. Hence, it seems probable that Turkish banks could export bank services to nearby countries and achieve significant success utilizing their high-quality human resources and technological facilities, provided that the entry costs are reasonable.

In 2010, Halkbank monitored the above mentioned developments that took place within the sector and performed well while adding new areas of success to its prior achievements. The Bank's growth was above the sector's growth levels. There was an increased market share with regard to virtually all segments. With its activities gaining ever more visibility in the industry from 2005 onwards, it added success in corporate and retail segments to its irrefutable leadership with regard

In 2010, Halkbank monitored the above mentioned developments that took place within the sector and performed well while adding new areas of success to its prior achievements.

↪ CHAIRMAN'S ASSESSMENT

to SMEs and tradesmen. Receiving appreciation from SMEs for the financial services offered and the close relationship it established with them, the Bank further improved its relations with corporate firms and worked actively with almost all of the top 500 companies. Increasing its market share in foreign trade to 8.2% with the strategies followed, the Bank ranked near the top both with the support it gave to Turkey's economy and with its financial indicators.

In 2010, the share of loans on the balance sheet increased to 59.7%, up from 52.2% in 2009. Therefore, the Bank fulfilled the requirements of its mission and once again obtained one of the sector's highest levels in this area. While registering high increases in loans with strong growth indicators, the Bank did not compromise capital adequacy policies and risk-oriented management strategies. Hence the year was completed with a capital adequacy ratio of 15.9%, well above the statutory limits and the non-performing loan ratio of the Bank dropped to 3.9%.

While Halkbank gained presence in all lines of business and acquired a competitive identity, the commission income of the Bank, derived from banking services, increased by 14.2% compared to the previous year. Its total profitability increased by 23.3%, to reach TL 2,010 million; return on equity reached 30.5%, a level which is hard to attain by all standards. In terms of efficient capital use, the Bank is ahead of other banks in the sector and has proven that growth can be achieved without compromising on profitability and efficiency.

The Bank continues to develop its corporate culture and has closely monitored corporate governance practices. In line with its environmental awareness and through cooperation with overseas institutions it defined its priorities in many fields - particularly with regard to SMEs. Halkbank continued to support sports and the arts and retained its interest in social development through sponsorships given to sports clubs, competitions, films festivals and art events.

As the Halkbank family, we consider the energy we derive from our achievements in 2010 to be the principal asset for our 2011 projects. We believe that we will reach our goals by maintaining our long-term strategy of creating resources for Turkey, expanding our loan volume and keep our position among the largest banks in Turkey. We would like to wholeheartedly thank you, our precious stakeholders, for your trust and support. We wish you a fruitful and profitable year.

Kind Regards,

HASAN CEBECİ
CHAIRMAN OF THE BOARD OF DIRECTORS

IN 2010, HALKBANK'S RETURN
ON EQUITY REACHED 30.5%,
A LEVEL WHICH IS HARD TO
ATTAIN BY ALL STANDARDS.

Through the determined implementation of our strategies and close monitoring of their results, the market share of Halkbank in total loans increased from 7.8% to 8.2%, despite the intense competition in the sector.

HÜSEYİN AYDIN GENERAL MANAGER



GENERAL MANAGER'S ASSESSMENT

We are enjoying the pride and happiness of leaving behind an extremely successful year for both the Turkish banking sector and for Halkbank in terms of efficiency and profitability.

With promising and ever-rising performance indicators, we at Halkbank have always felt the responsibility that comes with being one of the most important players in Turkey's economy and the banking sector. Seeing that the level of contribution we make to Turkey's economy, our clients, shareholders and employees reaches new heights daily constitutes the motivation that drives us to achieve our goals.

2010 represents a special year marking the end of an era for Halkbank. During the year, the final payment was made on the maturing government debt securities acquired in 2001 and all the negative remnants of the past were removed. The name of our Bank, which was once uttered in the context of past crises, has now become a name synonymous with the prevention of crises thanks to its strong and reliable financial structure.

Our priority at Halkbank will always be to stand beside and support our clients and business partners in all fields of economic activity. In 2010, just as before, we continued to lead the sector with loan activities aiming to nurture economic activity and increase

financial opportunities for the real sector. Compared to end of 2009, our total cash loans, increased by 37.3% to TL 56.3 billion. Our cash loans rose to TL 43.6 billion, an increase of 37.6% and our non-cash loans rose to TL 12.7 billion, representing a 36.6% increase. Through determined implementation of our strategies and close monitoring of the results of these strategies, Halkbank's market share in total loans has increased from 7.8% at year end 2009 to 8.2% at year end 2010.

With 36.1% share, loans granted to SMEs occupied the greatest portion of total cash loans. The total SME loans standing at TL 12.4 billion by year end 2009 increased by 26.3% by year end 2010, amounting to TL 15.7 billion. The Bank's long established relationship and support for tradesmen and artisans was sustained and strengthened in this period. We strived to improve tradesmen's resilience to competitive conditions by creating financing opportunities and increasing the limits granted under the guarantee of the Union of Tradesmen and Artisans Credit and Surety Cooperatives. (ESKKK) and by improving maturity and interest rates. The loans given to tradesmen and artisans rose to TL 3.7 billion, an 11.2% increase.

In 2010, priority was given to fund procurement for the real sector from international finance institutions, in addition to the loans originating from the Bank. Aided by the trust and reputation we have built in international markets, a total funding of US\$ 1.7 billion was obtained from overseas finance corporations. We have also participated in the syndication loans market after a long interval. We obtained additional funds amounting to US\$ 570 million from these markets and increased the number of opportunities we provide for the financing of foreign trade.

In response to increased domestic demand and changing needs, we aimed to be a solution partner for our retail clients for their financing needs. In line with this goal, I believe that in 2010 we became one of the most preferred banks with the wide range of products we developed for retail banking client segments. The Bank's total retail loans reached TL 11.4 billion, a 55.1% increase compared to the end of last year while the share of retail loans in the cash loans portfolio rose to 26.1%. Proud that we are a Bank that also ambitiously pursues retail banking, I am happy to inform you that in 2010 our consumer loan market share was 10.5% and our housing loan market share was 7.0%.

As of 2010, the share of securities in assets dropped from 33.8% to 26.4% and the proportion of non-performing loans decreased from 5% to 3.9%.

↩ GENERAL MANAGER'S ASSESSMENT

These are all concrete indications of the Bank's dedication to supporting the economy through lending. As a champion of the true values of banking, Halkbank's support to the real sector increases daily. In line with this, the securities share of 33.8% on the 2009 year end balance sheet was reduced to 26.4% in 2010, making it possible for us to give higher loans to more clients.

Halkbank was able to sustain its loan success protecting the quality of its assets. With regard to non-performing loans, it decreased its non-performing ratio from 5% in 2009 to 3.9% in 2010 without divesting or derecognizing any such assets. The Bank's performance in terms of granting loans and improving the quality of its assets was above the sector averages.

Our efforts to expand and extend deposit accounts, the most important resources of the Bank, produced the desired outcome; our total deposits increased by 24.7% to TL 54.6 billion. Through the business plans that were implemented with the intention of reintroducing the procured funds and savings to the economy, the ratio of deposit conversion into loans increased to 79.8% in 2010, up from 72.3% in 2009.

As a result of these activities, our total assets reached TL 72.9 billion, an increase of 20.3% on the 2009 total of TL 60.7 billion.

In addition to the successful financial results generated in 2010, we took important steps to realize our goals in the areas of enhancing operational strength and efficiency, branching and employment generation. In order to strengthen our branch network and to have a presence in those regions with increasing potential we opened 39 new branches, 10 of which are in Istanbul. This increases the branch total in Turkey to 705. As part of the Operational Transformation Project that we accelerated this year, we started pilot studies for centralizing operations with the aim of increasing the quality of service offered by our Bank.

Halk Gayrimenkul Yatırım Ortaklığı was set up and put into operation, with the objective of ensuring the liquidation of long-term assets and increasing the contribution of real estate-based projects to profitability. This cleared the way for a substantial portion of the property owned by the Bank to become a part of efficient projects, carried out with a professional approach. The necessary application and authorization was obtained and structuring efforts initiated to allow our subsidiary Halk Hayat ve Emeklilik, which operates in the field of life insurance, to incorporate individual pensions into its scope of activities, thus enabling it to compete in a sector that is open to development.

The positive outcome produced throughout the year in terms of growth, asset quality and efficiency helped Halkbank to become distinct from its competitors and reach unprecedented return on equity, even on a global scale. Return on equity, one of the most important indicators that capital trusted to us is in safe hands, was 30.5% at the end of the year. This result gains even more importance and significance when the falling interest rate in Turkey and the declining capital costs associated with that are taken into account.

In the coming operating period, we will be faced with a highly competitive business environment in which each item on the balance sheet will gain in importance; this will require good management. On the funding side, it is vital to avoid price competition that is not based on rational grounds. Being able to set prices using the correct pricing with the correct terms, with customer loyalty founded on service satisfaction instead of price, will be more important than ever. Evaluating the cost advantages of different borrowing instruments and offering alternative and affordable funding opportunities will become the priority targets.



Assets need to be directed towards income-deriving areas; fixed assets need to be reviewed and their income-deriving potential assessed. After this, evaluation of the contribution of these assets to the Bank, redundant assets are to be disposed of. Increasing efficiency in operational areas and ensuring that the income from banking services commissions are at a reasonable level and implemented consistently will be essential to maintaining profitability.

We intend to develop activities in alternative locations abroad, especially in the Balkans. Our efforts continue to buy a bank in Macedonia, with which we have a cultural and historical closeness. It will shortly become possible for this bank to carry on its activities under the umbrella of our Bank and make use of the opportunities offered by this region and its neighboring markets. Our feasibility study to benefit from the business opportunities in neighboring countries is also underway. We are planning to be present in locations where the entry costs to new markets are consistent with the anticipated return.

Both the current macro indicators in Turkey and the outlook for the future continue to be positive. The Bank's achievement with regard to budget discipline is a rare example of success worldwide. Our financial sector is very strong and has the capacity to support growth. Although Turkey is a latecomer in joining investment grade economies, we expect an upgrade imminently. The level of pricing used abroad for our country is an indicator of this. The level of borrowing, both personal and in terms of central management, is reasonable. There are currently very few countries that possess these qualities.

In this respect, we expect that the macro indicators will continue to offer favorable conditions in 2011 for the banking sector and that sustainable growth will bring about a process of normalization. We expect this normalization process to manifest itself in the form of additional costs caused by the more competitive price levels that the banks will have to experience, more reasonable margins and precautions that will need to be taken to lower the level of vulnerability of the economy. As the Bank's management and employees, we firmly believe that Halkbank's efficiency will be enhanced in 2011, making it one of the most profitable banks in the sector. Our business strategies and organization have been shaped in line with this expectation.

Closing the year 2010 successfully, Halkbank's goal for 2011 is to increase its share in the sector in all fields, to sustain its efficient cost management policy and to maintain and develop the level of profitability and efficiency it attained in 2010. I would like to thank everyone who worked with dedication and contributed to such a large source of pride, which we attained as a result of our banking experience of more than seventy years and to express my gratitude to our business partners, investors and staff.

Kind Regards,

HÜSEYİN AYDIN
GENERAL MANAGER



Halkbank is managed without compromising its Corporate Culture, Transparency or Sustainability.



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Hasan Cebeci (1)

Chairman of the Board of Directors

Mehmet Emin Özcan (2)

Vice Chairman of the Board of Directors

Hüseyin Aydın (3)

Member of the Board of Directors and
General Manager

Salim Alkan (4)

Member of the Board of Directors

Sabahattin Birdal (5)

Member of the Board of Directors

Emin Süha Çayköylü (6)

Member of the Board of Directors

Dr. Nurzahit Keskin (7)

Member of the Board of Directors

İbrahim Hakkı Tuncay (8)

Member of the Board of Directors

Ahmet Yarız (9)

Member of the Board of Directors

Yusuf Dağcan (10)

Member of the Audit Board

Faruk Özçelik (11)

Member of the Audit Board



Halkbank's senior management uses its expertise and experience to enable a risk and customer-oriented approach to management.



7 10 13 12 3 8 2 1 15 11 5 9 6 16 14 4

Hüseyin Aydın (1)

General Manager

Taner Aksel (2)

Deputy General Manager-Corporate and Commercial Marketing

Osman Arslan (3)

Deputy General Manager - Financial Management and Planning

Süleyman Aslan (4)

Deputy General Manager - Treasury Management and International Banking

Mehmet Akif Aydemir (5)

Deputy General Manager - Corporate and Commercial Loans

Yakup Demirci (6)

Deputy General Manager - Human Resources and Organization

Ufuk Hacer Denizci Yüce (7)

Deputy General Manager - Banking Operations

Mürsel Ertaş (8)

Deputy General Manager - Risk Monitoring and Liquidation

Yunus Esmer (9)

Deputy General Manager - Tradesmen-SME Banking-1

Erol Göncü (10)

Deputy General Manager - Information Systems and Technical Services

İsmail Hakkı İmamoğlu (11) *

Deputy General Manager - Tradesmen-SME Banking-2

Dr. Şahap Kavcıoğlu (12)

Deputy General Manager - Loan Policies

Bilgehan Kuru (13)

Deputy General Manager - Retail Banking

Mustafa Savaş (14)

Deputy General Manager - Retail loans

Selahattin Süleymanoğlu (15)

Deputy General Manager - Risk Management and Internal Control

Ali İpek (16)**

Head of the Board of Inspectors

* The approval of İsmail Hakkı İmamoğlu's position as the Deputy General Manager is still in progress.

** The former Head of The Board of Inspectors, Ali İpek was appointed Coordinator of Ankara 2nd Region on February 9, 2011.

INNOVATIVE PRODUCTS



TURKEY, RENOVATE YOUR OFFICE

Halkbank launched the "I am Renovating My Office" loan service for SMEs, self-employed tradesmen and artisans who wish to refurbish their offices.



BANK24 JET CARD

In cooperation with Visa, Halkbank launched Bank24 Jet, the first prepaid contactless card in Europe.



GROWING CHILD ACCOUNT

To help children develop the habit of saving money and introduce Halkbank to its future clients, Halkbank launched the Growing Child Account service.



EARLY BAYRAM LOAN

The traditional Early Bayram Loan offered by Halkbank before each religious holiday continued in 2010.



PEOPLE'S DAY LOAN

In its 72nd year, Halkbank continued the tradition of giving People's Day Loans, offered on the anniversary of its establishment.



EIB SME SUBSIDY LOAN

The EIB SME Subsidy Loan is used for financing SMEs investments and working capital needs.



İSTANBUL 2010 TOURISM LOAN

Halkbank launched the Istanbul 2010 Tourism Loan to help to meet medium and long-term financing needs of tourism accommodation facilities getting ready for the Istanbul 2010 European Capital of Culture project.



SME SUBSIDY PACKAGES

Halkbank, the Productive Turkey's Bank, launched sector-specific subsidy packages aimed at the SMEs operating in Turkey.



EARLY BAYRAM LOAN- ALL YOU NEED IS TO ASK

With the Early Bayram Loan service, Halkbank contributed to the elevated sense of unity and solidarity during Bayram holidays



ECOTOURISM

Halkbank developed a new product, the Ecotourism Loan, with the intention of meeting the financing demands of enterprises that wish to turn toward ecotourism and to invest in building hotels, hostels or guest houses using wood and/or natural stones that suit the ecological structure of the area in which they are situated.



THE FILM FESTIVAL

Halkbank was the main sponsor of the 21st Ankara Film Festival which attracted a huge crowd of cinema lovers.



THE AUTUMN TARIFF

Through its new Autumn Tariff, Halkbank launched new low-interest, long-term consumer and housing loans.



THE TEACHERS' DAY LOAN AND DEPOSIT CAMPAIGN

Halkbank started its traditional Teachers' Day Loan campaign on Teachers' Day, November 24th.



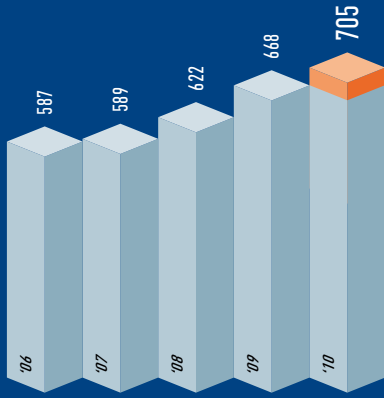
THE SUMMER TARIFF

With lowered interest rates offered by the Friendly Loan and Summer Tariff services, Halkbank offered the most advantageous conditions for retail loans.



NEW YEAR'S LOAN

Halkbank launched this loan product for the New Year.



705

NUMBER OF BRANCHES IN TURKEY

HALKBANK CONTINUES TO EXPAND
ITS SERVICE NETWORK TO EACH AND
EVERY CORNER OF TURKEY.

Halkbank places customer satisfaction at the heart of its marketing activities.

ASSESSMENT OF 2010 ACTIVITIES

CORPORATE AND COMMERCIAL BANKING

➤ Corporate and commercial loans increased by 45.3%.

The core of Halkbank's marketing policy is a customer-oriented service approach. Within the framework of this policy, Halkbank evaluated and implemented a range of financing options for the high-sum projects of its clients in 2010.

Quality of service constitutes the basis for all of the activities carried out. In 2010, Halkbank continued to use the customer segmentation strategy it initiated in previous years to ensure the high quality of the services it offers.

- Companies with an annual turnover of TL 75 million and above are defined as "Corporate".
- Companies with an annual turnover of between TL 10 million and TL 75 million are defined as "Commercial".
- Companies with an annual turnover of up to TL 10 million are defined as "SMEs".

As of January 2011, segmentation limits will change as follows: Companies with an annual turnover of TL 100 million and above will be considered Corporate, companies with an annual turnover of between TL 15 million and TL 100 million

will be Commercial and companies with an annual turnover of up to TL 15 million will be designated SMEs.

This allows the Bank to increase the level of customer satisfaction by continuing to offer the most appropriate products to clients from all segments.

In addition to Corporate and Commercial branches, the branches affiliated with regional coordinator's offices continued to offer services with the appropriate staff members and product ranges to suit the client profiles in their locale. This allowed the Bank to enhance its performance with respect to Corporate and Commercial clientele.

Rapid growth in the areas of corporate and commercial banking took place in 2010. As new clients were added to the client portfolio, loans became even more widely distributed. The total cash loans Halkbank provided to its corporate and commercial clients in 2010 reached TL 18.6 billion, with an increase of 45.3% compared to year end 2009.

A Machine Manufacturing Industry Support Package was launched for the domestic machine industry to meet the financing needs of both machine manufacturers and the companies to which they sell their products. This package aims to support the need for working capital and foreign trade capital as well as the purchase of new manufacturing machinery produced locally within Turkey to facilitate import substitution. Halkbank aims to increase

its number of clients from the corporate and commercial banking sectors with new products and advantageous offers, while enhancing financial performance through exploring cross-selling opportunities for all clients.

In 2010, Halkbank procured funds for the investments of a large number of clients. It strengthened its relationship with international corporations such as the European Investment Bank, the World Bank and the French Development Agency from which it procures low-cost, long-term funds.

In 2010, Halkbank continued to generate the highest-quality service solutions for the corporate finance needs of its clients such as acquisitions, takeovers and mergers. The Bank is an active participant in the sector with structured financing opportunities designed for this purpose. Halkbank continued feasibility study services for its clients, both within the framework of one-to-one loan relations and through the projects developed at the level of bank consortia. Halkbank aims to become an even more important market player, particularly with regard to the energy industry's acquisition and project financing transactions. Halkbank's structured financing loans portfolio totaled US\$ 1.2 billion in 2010.

The year 2011 will see intense competition in the loans market; Halkbank will continue to offer the highest-quality services to its clients with its experience in special loans and a wide range of products.

As Turkey's first and foremost SME bank, Halkbank continues to support tradesmen, artisans and small and medium-scale enterprises with an approach that places the clients' needs and expectations at the forefront.

➔ ASSESSMENT OF 2010 ACTIVITIES

SME BANKING

- ➔ **One in every two SMEs in Turkey prefers to work with Halkbank.**
- ➔ **Halkbank added 50,000 new clients to its SME portfolio in 2010.**
- ➔ **36.1% of Halkbank's cash loans are granted to SMEs.**

As Turkey's first and foremost SME bank, Halkbank continues to support tradesmen, artisans and small and medium-scale enterprises with a customer-oriented approach.

For 72 years, Halkbank has been supporting SMEs, its priority target group, with reasonable interest rates, long-term working capital and investment loans and quality products designed specifically for different industries.

Approximately 375,000 of the 1,800,000 SMEs operating in Turkey are Halkbank loan clients. When the number of SMEs who are not loan clients but still use other products and services offered by Halkbank is added on top of this, the calculation shows that one of every two SMEs in Turkey prefers to work with Halkbank. In 2010, Halkbank added approximately 50,000 new clients to its SME portfolio and allocated 36.1% of its total SME cash loan portfolio.

With a market share of 12.5%, Halkbank is the leading SME bank in Turkey.

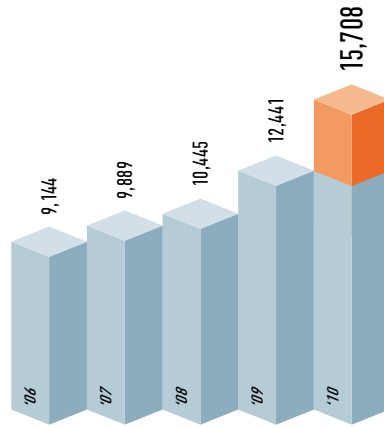
2010 saw a significant increase in the share of SME loans; the funds procured from international finance corporations for the financing of SMEs, cooperation with regional development agencies, the loans made available through KOSGEB (Small and Medium Industry Development Organization) and the organizational structure change strategies aimed at giving special importance to SMEs.

Halkbank's primary goal is to offer rapid, efficient and quality solutions that meet the needs of SMEs.

SMEs' financing needs have been analyzed to provide solutions and to better contribute to Turkey's economy. To this end we have launched competitive and innovative loan solutions, tailored to their industries and cash flow. Within this framework, Halkbank is the only bank that can keep SMEs exempt from the 5% Banking and Insurance Transactions Tax in accordance with tax legislation. This offers a cost advantage to SMEs and increases their competitive advantages. Halkbank will continue to be the leader in this segment through the launch of new products, revision of existing products and by carrying out cross-selling campaigns.

WE ARE WORKING FOR SMES

In 2010, Halkbank focused on innovative products and cooperation to provide SME financing on affordable terms.



26.3% ↑

LOANS GRANTED TO SMES
(TL MILLIONS)

Innovative SME Products

EIB SME Support Loan

By procuring a € 75 million fund as the result of an agreement made with the European Investment Bank, Halkbank was the first bank to offer an international-fund origin loan with equal monthly installments and no principal or interest payment in the first year.

Istanbul 2010 Tourism Loan

With the understanding that attracting more tourists to "Istanbul, the 2010 European Capital of Culture" would only be possible by making new investments in this city, a fund of TL 40 million procured from the Development Bank of Turkey was offered to SMEs as the Istanbul 2010 Tourism Loan to provide financial support for the renovation of tourism establishments. Tourism and accommodation establishments from all parts of Turkey will be included in the target group for 2011.

"I Am Renovating My Office" Loan

The "I am Renovating My Office" loan was launched to meet the financing needs for self-employed tradesmen, artisans and SMEs for repairing and decorating their work places.

KOSGEB (Small and Medium Industry Development Organization) Loans

KOSGEB Scale-Indexed Growth Support Loan

Halkbank launched the KOSGEB Scale-Indexed Growth Support Loan with the intention of increasing the working capital and competitive capacity of its clients, reducing their financing burdens with regard to production costs and to support the new investment, production and employment efforts by offering financial support on affordable terms.

KOSGEB SME Export Financing Support Loan

Halkbank launched the KOSGEB SME Export Financing Support Loan to promote exports and attract new exporters into the economy. By offering financial support to SMEs at affordable terms the loan aims to contribute to the international competitive advantage of clients, help them to brand, reduce their financing burden with regard to exportation costs and provide a basis for new investment, production and employment opportunities.

Cooperation with the Organizations in the Sector

We attribute great importance to close cooperation with professional associations while carrying out activities to support the real sector. Halkbank is

the first and only bank to make funds from the Chambers of Industry and Trade available to the members of these chambers at affordable terms.

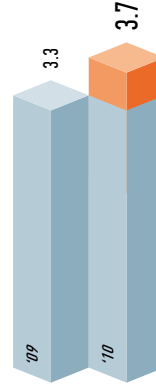
The Chambers of Industry and Trade form a substantial basis, which allows Halkbank to reach its target groups, identify their needs and develop the products that will offer solutions for these needs. Due to the organized structure of the Chambers of Commerce and Industry, Halkbank is able to both generate financial resources for enterprises and contribute to regional development.

Halkbank believes that the loans it makes available to SMEs are an investment in Turkey's future through industrial growth, increased exports and economic development.

Cooperation with Development Agencies

Halkbank was also the first bank to cooperate with development agencies with the intention of contributing to regional economic development and social growth. Within the framework of the agreement signed with 12 development agencies, the Development Agency Co-Financing Loan was made available for project owners who applied to the Financial Support Program of these agencies and were entitled to profit from the grant funds.

Halkbank's priority is to meet the loan demands of tradesmen and artisans rapidly and efficiently.



3.7

TOTAL LOANS MADE AVAILABLE THROUGH TRADESMEN AND ARTISANS LOAN AND SURETY COOPERATIVES COLLATERAL (TL BILLIONS)

➔ ASSESSMENT OF 2010 ACTIVITIES

TRADESMEN BANKING

- **The total loans used by tradesmen and artisans through the Tradesmen and Artisans Loan and Surety Cooperatives collateral increased from TL 3.3 billion in 2009 to TL 3.7 billion by year end 2010, an 11.2% rise.**
- **In 2010, Halkbank lowered the cooperative loans' current interest rates. The interest rate of 13% in January 2010 was reduced to 10% in September 2010 for loans with a term of up to one year and to 12% for longer term loans.**

Halkbank believes that tradesmen and artisans are a very important part of the society. It aims to offer rapid, effective and high-quality solutions to meet their needs under the most favorable conditions.

The cooperative loans offered by Halkbank are also made available, with affordable interest rates and terms, to the 925 partners of the Tradesmen and Artisans Loan and Surety Cooperatives (ESKKK) and to other tradesmen and artisans who are not cooperative partners.

The total loans used by tradesmen and artisans through the Tradesmen and Artisans Loan and Surety Cooperatives collateral increased from TL 3.3 billion in 2009 to TL 3.7 billion by year end 2010, an 11.2% rise. In addition to making cooperative loans through the Tradesmen and Artisans Loan and Surety Cooperatives collateral available to tradesmen and artisans in accordance with the January 2010 Resolution of the Council of Ministers, all tradesmen and artisans are able to use Treasury-supported loans directly through Halkbank without the need for cooperative collateral. In 2010, a total of 2496 tradesmen and artisans without Tradesmen and Artisans Loan and Surety Cooperatives collateral were given direct loans of TL 87 million.

In 2010, Halkbank lowered the cooperative loans' current interest rates. The interest rate of 13% in January 2010 was reduced to 10% in September 2010 for loans with a term of up to one year and to 12% for

longer term loans. In accordance with the Council of Ministers Resolution on income loss in 2010, 50% of the cooperative loan current interest rate is covered by the Undersecretariat of the Treasury.

In 2010, Halkbank finalized the cooperative loans evaluation module, which was initiated to systemically measure the creditworthiness of the Tradesmen and Artisans Loan and Surety Cooperatives and enhanced the quality of the services it offers to tradesmen and artisans in line with its goals.

The cooperative loans made available to tradesmen and artisans by Halkbank include Discount, Working Capital, Plant, Vehicle Purchase by Drivers, Vehicle Repairs for Driver Tradesmen, Letter of Guarantee and International Transporter Support loans.

In 2010, a loan product with a maximum term of 60 months and a maximum limit of TL 250,000 per person was made available to clients for the financing of commercial vehicle purchases, office modernization and office equipment purchases.

Some legal exemptions and exceptions apply to tradesmen and artisans with the intention of protecting their assets and improving the costs of the loans made available to them. These exemptions and exceptions are the Banking and Insurance Transactions Tax, Stamp Duty, Resource Utilization Support Fund exemption and lower-rate interest.

Halkbank believes that Turkish farmers are the heart of the economy and attributes great importance to supporting them.

➤ AGRICULTURAL SUPPORT PACKAGE

In 2010, Halkbank continued to meet the financial needs of farmers and agricultural establishments with the Agricultural Support Package, designing new products and services specific to agriculture, which it sees as the heart of the economy.

AGRICULTURAL BANKING

➤ **Halkbank added a special loan product for regional bee-keeping to its existing Agricultural Support Package products in 2010 through the Rural Development Grant Program Loan of IPARD.**

Halkbank's goal for agricultural banking is to offer not only agricultural products but also other banking products to its existing and potential clients.

Halkbank used its own resources as well as funds it procured from abroad to meet the medium and long-term loan demands of companies that wished to make investments to support projects carried out to construct new facilities to produce, process, store, package and market industrial agricultural products, to increase the capacity of existing facilities and to renew technological facilities.

The services offered to the agricultural sector by the Bank are structured under the Agricultural Support Package. In 2010 Halkbank continued to meet the financial needs of farmers and agricultural establishments with its Agricultural Support Package, designing new products and services specific to agriculture, which it sees as the heart of the economy.

New Agricultural Support Package Products

In 2010, with the regional bee-keeping loan through the Rural Development Grant Program Loan of IPARD, Halkbank added a special loan product to its existing Agricultural Support Package products, comprising of the Agricultural Support Loan, Tractor and Agricultural Machinery/Equipment Loan, Greenhouse Operating / Construction Loan, Soil-less Agriculture Loan, Turkish Grain Board Loan, Agricultural Irrigation Systems Loan and Crop Card.

IPARD - Rural Development Grant Program Loan

This loan will support the modernization of the agriculture sector and the sustainable development of rural areas and allow Halkbank to meet the financial demands of establishments that sign a grant agreement with the Agricultural and Rural Development Support Institution (TKDK) within the scope of IPARD and whose projects are approved by this institution.

In 2010 Halkbank grew faster than the sector average and increased its retail loans by 55.1%.

➔ ASSESSMENT OF 2010 ACTIVITIES

RETAIL BANKING

- **Halkbank's retail loans increased by 55.1% in 2010, to reach TL 11.4 billion.**
- **Halkbank increased its retail loan market share from 5.8% in 2009 to 6.8% in 2010.**

In 2010, Halkbank's level of growth for all retail loan products was above the sector average, enabling it to increase its market share. Halkbank's retail loans grew by 55.1% and reached TL 11.4 billion. A new sub-segmentation structure was developed to create a customer-satisfaction based marketing approach that would dominate over a product and sales oriented marketing approach to the retail banking segment. This new structure aims to differentiate the service, channel, product and pricing activities offered to retail clients and to offer relationship banking services. The intention is to carry out pricing and marketing activities that suit the different needs of retail clients, thus enhancing both client effectiveness and the quality of the services offered.

Our market share continues to increase...

With effective pricing and marketing strategies, Halkbank was able to continue to increase its market share despite intense competition in the retail banking sector. The 5.8% market share in 2009 increased steadily in 2010, reaching 6.8%.

Brief information about the retail banking projects that were launched in 2010:

Ready Loan: The pre-approved and convenient "Ready Loan" product was launched for salaried clients.

School Payments: In 2010, Halkbank acted as an intermediary for tuition and fee payments for a large number of universities.

Car and Real Estate Dealer Agreements:

Rapid solutions were offered for consumers' real estate and car purchase-related financing needs through agreements made with car dealers, real estate chambers, country-wide real estate consultation firms and real estate agencies.

From the campaigns launched in 2010...

In 2010, Halkbank continued to develop and offer a number of innovative loan products designed to meet the needs of its retail banking clients. The loan campaigns launched in this period include; Loan Vitamin, Summer Tariff, Autumn Tariff and the Four Month Deferred Vehicle Loan.

Profession-Based Campaigns

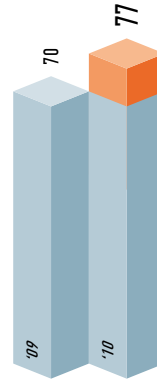
Halkbank offered special retail loan opportunities to the employees of various institutions.

Special loans were made available to the members of different professions through the following campaigns:

- The General Directorate of Land Registry and Cadastre Loan for the 163rd anniversary of the General Directorate of Land Registry and Cadastre

➤ HIGH LEVELS OF ADC USAGE

Halkbank's efficiency in ADC usage continued to increase in 2010; 77% of all banking transactions were made using ADC.



77%

ADC USAGE IN BANKING TRANSACTIONS (%)

- Loan 155 for the 165th anniversary of the Directorate of Security
- On-Call Loan for the celebration of Health Week
- Teachers' Day Loan to celebrate Teachers' Day on November 24th
- Medicine Day Loan

Traditional Campaigns

Halkbank's signature campaigns including the Early Bayram Loan and the People's Day Loan campaigns, were offered again in 2010.

Insurance

Halkbank launched the Bankruptcy Insurance and the Rent Guarantee Insurance, once again breaking new ground following the Loan Unemployment Insurance product.

The Bank developed the Compulsory Financial Obligation Insurance for Medical Malpractice product, which public authorities deem obligatory. This insurance aims to compensate for damage claims arising from medical malpractice during professional activities, made against doctors working in public or private health establishments, dentists and individuals who are considered specialists in accordance with the specialty medicine legislation.

Credit Cards / Prepaid Cards/ Bank Cards

Halkbank finalized its Fast Application Project in 2010, offering its clients the opportunity to apply for a card by sending an SMS rather than having to visit a branch. With the Smiling Retirement Credit Card Project, the Bank offered a special credit card product to its retired clients whose pension is deposited with Halkbank.

Within the framework of the cooperation with Shell in 2010, the Shell-Cash Pass Card System (NKGS) Card, Contactless Credit Card (Visa PayWave) and Special Logo Credit Card products were added to the Bank's portfolio. On successful completion of the Conversion to Cashless Life Project with the prepaid and contactless Bank24 Jet Card, Halkbank received an award from Visa.

Member Business / POS

Halkbank closely monitored technological developments and the practices in the sector, improving its POS technology, product variety and security. Under the umbrella of joint POS practices, Halkbank became a member of the Interbank Card Center Joint POS Management System (BKM OPYS).

Strategic Goals and Practices in Channel Management

Halkbank focused on lowering operational costs and improving efficiency through intense use of technology. Accordingly, the main goal was defined as directing

the operational workload of the physical service network to alternative delivery channels.

In 2010, delivery channels other than branches were used intensively to reduce operational workload, strengthen customer relations and acquire new clients. A total of 77% of banking transactions were carried out through alternative delivery channels that were also employed intensively for sales and client activation efforts. The welcome message and information/activation searches for new salaried clients, pre-approved loan product offers, automatic payment instruction offers, deposit-related information and direction activities were all carried out using alternative channels.

Call Center (Halkbank Diyalog)

The Halkbank Diyalog Call Center continues to offer fast and high-quality services with its well-trained and experienced customer representatives. The center manages customer relations, particularly through voice calls, e-mails and fax messages. In 2010, the number of active clients using the Call Center increased by 26% while the number of calls increased by 21% compared to 2009. The objective of call meet increased by 29% which reaching the world standard of 80%. Halkbank always considers improving service quality a priority. It started to work on a second call center which is planned to begin operating in the first half of 2011.

The number of active Halkbank Internet banking clients increased by over 100% by year end 2010.

➔ ASSESSMENT OF 2010 ACTIVITIES

Rapid growth in internet banking

The number of active Internet banking users increased by over 100% by year end 2010. After it became obligatory to use a one-time login password, the Bank developed a Card Login option to facilitate Internet banking and increase customer satisfaction.

The Bank24 network continually expands and develops

Bank24s, which allow access to Halkbank's services, are continually being re-equipped with new functions. The number of Bank24s increased by 38% reaching 1,745 in 2010.

A strong and broad-based deposit base

Halkbank pursues a system of dynamic deposits management based on the optimization of its cost, market share, liquidity and non-deposit resource facilities. The Bank intends to offer services to large groups with the deposit products it develops in line with this strategy.

Deposit strategies serve the purpose of developing and sustaining a wide deposit base as well as launching new products that accommodate a variety of client transactions. In line with this approach, Halkbank designed and launched the Secured Optional Deposit and the Growing Child Account products in 2010.

Halkbank's total deposits increased by 24.7% totaling TL 54.6 billion at year end 2010. An analysis of these deposits by currency type shows that TL deposits increased by 34.9% while foreign currency deposits increased by 4%.

Total demand deposits increased by 48.3% compared to 2009 to reach TL 8.7 billion. The share of demand deposits in total deposits was 15.9%. These successful results are a clear indication of the trust in Halkbank despite the negative impact of the global recession.

Efficient use of technology in deposit management

Halkbank believing in the importance of technology, has launched a number of projects involving technology-aided customer relations management practices and completed its infrastructure improvement.

This allowed time deposit transactions using alternative delivery channels to be more appealing. The Bank launched an e-deposit product that allows clients to open TL and FC deposit accounts on-line at attractive and special interest rates.

Halkbank's salary payment services are also growing.

Halkbank continued to develop its salary payment intermediation services and to acquire new clients in 2010.

The number of establishments that pay their salaries through Halkbank totaled 17,329 by year end; 976,000 individuals received their salaries through Halkbank.

Cash Management Activities

Halkbank forged cash management agreements with a large number of new companies and establishments through its technology-aided customer relations management practices. The number of companies covered by these agreements increased by 49%. The number of partner companies, with which a direct debiting system agreement was signed increased by 65%. The total number of dealers with whom the Bank works rose to 76%.

In addition to its existing products, the Bank made efforts to launch new cash management products such as international money transfer intermediation, card pass systems inventory financing and supplier financing models.

An increased number of retiree clients

The number of Retirement Fund retirees, who receive pension payments under the protocol signed with the Social Security Institution increased to 134,539, up from 81,519. The total of retiree clients increased from 1,724 to 1,831.

HALKBANK'S LOAN POLICIES

➤ **Halkbank's lending policies are based on establishing an accurate risk-collateral balance.**

Halkbank updated its lending policies, policy implementation instructions and other legislation in 2010, in line with the Bank's goals, strategies, risk appetite and the prevailing economic circumstances. The Bank revised the standardized loan evaluation processes on the basis of segmentation criteria.

Revisions and improvements were made to loan modules, loan assessment processes, risk group definitions, allowable collateral types and the liquid value and risk coverage ratios of this collateral. This has allowed for a rational measurement of clients' creditworthiness and therefore a more efficient establishment of the risk-collateral equilibrium.

In previous periods, evaluation activities were carried out in the areas of expanding the culture of corporate risk, establishing a strong, healthy asset structure and managing risk more efficiently. In this period, precautions were taken against those clients whose creditability had been originally evaluated as sufficient and thus were granted loans but whose creditworthiness went below the allowable limits while their risk still continued.

In line with the loan portfolio management operations, activities aimed at realizing the following goals continued:

- Allowing loan pricing that would facilitate a return commensurate with the risk assumed,
- Establishing sufficient collateral balance in proportion to the risk assumed,
- Reaching the targeted regional and global market shares,
- Ensuring more effective management of loan products to enable the Bank to enhance its competitive capacity,
- Developing loan and non-loan products and services that meet the needs of different client segments in the most efficient manner.

In 2010, the last payments were made for the special government debt securities that were given by the Treasury in 2001 and all “duty loss” liabilities were fully cleared.

➔ ASSESSMENT OF 2010 ACTIVITIES

TREASURY MANAGEMENT AND INTERNATIONAL BANKING

- **Halkbank pursued proactive treasury strategies in 2010.**
- **The risk-return balance on the Bank's balance sheet was kept at the optimum level.**

2010 was a year in which discussions about Turkey's risks and financial policies took place; it was generally a positive year from the perspective of the markets.

The year 2010 marks a period in which there was some improvement in global economic growth. Low inflation levels continued and Central Banks continued to offer low interest rates and other instruments to support economies. It also marks a year in which the Euro Zone debt crisis reached its highest level and developing countries took precautions against intense capital inflows.

In this period, some structural differences surfaced between the economic growth of developed and developing countries. The developing countries, including Turkey, became the driving force for global growth. Turkey's dynamics allowed it to perform remarkably well during the economic recession. The country reached its growth targets and closed the year successfully.

As a natural outcome of its risk-oriented attitude toward management, Halkbank was able to monitor internal and external economic developments very closely and update its strategies. This, combined with the help of its strong capital and financial structure, allows the Bank to pursue proactive treasury strategies in line with economic developments and to maintain its profitability and growth acceleration. The risk-return balance on the Bank's balance sheet was held at its optimum level throughout 2010.

Halkbank is a Turkish government debt securities market maker.

Carrying out its activities as a “Turkish Government Debt Securities Market Maker”, Halkbank continued to generate capital gains from its securities portfolio with the falling interest rates throughout 2010. The continuous decrease in deposit costs allowed Halkbank to generate increased net interest income.

In October 2010, the last payments were made on the special government debt securities of TL 10.7 billion which were given by the Undersecretariat of Treasury in 2001. All “duty loss” liabilities on the Bank's balance sheet were fully cleared.

Halkbank demonstrates effective liquidity management.

The liquidity generated by coupon and principal collection in the securities held to maturity portfolio are primarily used to finance loans and purchase high-yield fixed and floating-rate securities in the market. Furthermore, derivatives such as swaps, forwards and other borrowing instruments are used to manage liquidity in the most effective way possible while the short-term fund needs and surpluses are put to use with money market operations.

With regard to derivatives...

In line with the customers' needs in rapidly-developing derivatives markets, Halkbank offers hedging services and yield-oriented products.

An important player in the foreign currency markets...

Halkbank's broad customer portfolio, predominantly made up of SMEs, offers overwhelming advantages to the Bank and makes it possible for it to implement more flexible pricing strategies. Such flexibility has played a significant part in enabling the Bank to increase its transaction volume and profitability in domestic and overseas foreign currency markets.

Halkbank continuously develops its correspondent network

Halkbank's strong position in the Turkish market, owing to its extensive branch network, strong subsidiary structure and wide customer base, is also being reinforced in the international markets year-on-year. The Bank developed its existing correspondent relations while increasing its trade volume with the new relationships established, despite the economic slowdown in the foreign markets in 2010.

With its wide network of correspondent banks and strong credit limits, the Bank continued to offer resources to its clients in the most advantageous way possible and to find the most suitable solutions to clients' foreign trade needs in 2010. Halkbank offers support for its clients with structured financing products in addition to the classical foreign trade instruments such as export-import acceptance loans and refinancing loans. Furthermore, under the auspices of the cooperation established with Export Credit Agencies, it offers medium and long-term financing opportunities for the import of capital goods.

Halkbank's leap into corporate and commercial banking business lines coupled with its policies for increasing its share in general banking services have led to positive foreign trade market share results. Halkbank's foreign trade transaction share increased to 8.2%, a rise of 52% compared to the previous year. In addition, the Bank increased its import transaction market share to 10.8% through an 81% increase in 2010.

The developments that took place within the markets, where the Bank was active, were closely monitored. Taking timely measures enabled the elimination of any problems that might have occurred due to any country-based risk.

Expansion of Halkbank's Sphere of Activity

The Bank improves its relationships to support those firms that strive to develop their export markets due to changes in global markets. Enhancing its effectiveness in alternative markets, the Bank is currently searching for a subsidiary bank in the Balkans to ensure an active presence in that region.

Effective Communication with Shareholders and Investors

Halkbank continued to provide information to institutional investors uninterrupted throughout 2010.

A large number of individual and group meetings were held with investors, analysts and portfolio managers. These took the form of attending conferences and meetings

organized in Turkey as well as in other countries, particularly in the financial centers where international corporate investors focus their activities.

In meetings held with investors, the financial and administrative structure of Halkbank, its position in the global recession and expectations for the coming period were discussed and its strategies were explained.

Halkbank's financial results were presented simultaneously to domestic and overseas investors via teleconference calls at the end of each quarter. Questions regarding the financial results were answered in detail and in the fastest way possible. In addition, the investor communication channel was kept open throughout to year to evaluate all questions, comments and demands. Utmost attention was paid to making sure that regular announcements were made with regard to developments in areas that could affect investment decisions.

International Banking and Structured Financing

While being actively involved in foreign trade transactions with the large credit limits allocated to domestic and overseas banks, Halkbank also takes an active part in domestic and international bank syndication operations.

Halkbank continues to offer alternative finance resources to its clients through the non-deposit funds it procures from the international markets. Halkbank has procured a syndication loan for US\$ 570 million with a term of one year with the participation of 27 banks from 12 countries.

1,357 SMEs made use of Halkbank's IFI loans in 2010.

➔ ASSESSMENT OF 2010 ACTIVITIES

The overseas organization of Halkbank

The overseas organization of Halkbank comprises:

- Financial Service Branches in Germany
- Northern Cyprus Branches
- Bahrain Branch
- Iran Representative Office

The Financial Services Branches in Germany

The branches in the cities of Cologne, Dortmund and Mannheim in Germany came into service as representative offices in 1980. These branches have continued to operate as Financial Service Branches since 1998. The Financial Service Branches in Germany act as intermediaries in money transfer transactions to Turkey and deposit acceptance to third party countries.

The Turkish Republic of Northern Cyprus Branches

Halkbank continues its operations with three branches in Lefkoşa, Gazimağusa and Girne in Northern Cyprus.

The Bank's Northern Cyprus branches provide the same banking services that are offered at the branches in Turkey. Efforts to establish a legally strong foundation, make the necessary legislative arrangements to comply with local laws and design retail and commercial banking products in line with the needs of the local economy are ongoing.

The Bahrain Branch

The Bahrain Branch, which went into operation in 1994, is located in the financial center of the Gulf Region.

Through the Bahrain Branch, the Bank aims to:

- transfer Gulf Region funds to Halkbank's clients and to the country as resources,
- strategically cooperate with the major banks in the region,
- finance the foreign trade transactions that take place as a result of the increasing business volume between the Gulf Region and Turkey and finance the projects that are planned to be carried out in the region.

Working capital, investment and syndication loans are granted to clients through this branch.

Iran Representative Office

Iran Representative Office is one of the two representative offices belonging to Turkish banks and has been in operation since 1984.

Long-term funding resources

Halkbank procures long-term funds to finance SMEs investment and working capital needs under the auspices of the agreements signed with international finance institutions (the European Investment Bank, the World Bank, the French Development Agency, etc.).

Obtaining overseas-based loans with terms up to 30 years has made a substantial contribution to Halkbank's maturity structure on the balance sheet. Similarly, offering these loans to clients as medium to long-term loans of up to seven years, with two year grace period, has also significantly contributed to the maturity structure on the balance sheets.

The other factors that render these loans

advantageous are the ability to re-offer the resources, which consist of the principal payments of primary users, within the term given to Halkbank, along with the flexible loan procedures under the related legislation and at affordable prices.

Another valuable aspect of long-term foreign resources for Halkbank is that they allow an increased number of cross-selling opportunities.

The funding agreements Halkbank signed in 2010 are as follows:

- In May, a € 150 million agreement with the European Investment Bank,
- In July, a € 75 million agreement with the European Investment Bank, which contains the 20% interest grant of the European Commission,
- In October, a funding agreement of € 50 million with the European Investment Bank through the Loan Facilities for Growing Anatolia Program.

The total funds Halkbank procured from international finance institutions, combined with the funds procured in 2010, reached an approximate figure of US\$ 1.7 billion. The number of SMEs using IFI loans was 1,357 in 2010 compared to 1,333 in 2009.

The Corporate Social Responsibility program initiated as part of the € 80 million French Development Agency loan procured in the first quarter of 2008 was continued in 2010. Within the scope of this program, consultation services were offered, internal and external training programs were given and conferences were organized around the themes of Corporate Social Responsibility, the Environment and Workplace Health and Safety.

INFORMATION SYSTEMS AND TECHNICAL SERVICES

- **Halkbank is getting its infrastructure ready for the future with the Operational Transformation Project.**
- **Halkbank aims to switch to a paperless work place environment.**

The year 2010 was predominated with transformative projects. Once again, Halkbank was one of the leading banks in transforming technology into banking operations.

The priority areas of 2010 included operational transformation, decision-support systems, IT services management, the continuity of services, security and IT risk management. The Bank made significant steps regarding these issues and enhanced the quality and diversity of its services.

Operational Transformation

The Operational Transformation Project aims to put into practice an operational transformation and to enrich banking processes with Corporate Content Management functions. As part of this program, the customer identification screens were renewed and centralized operation transactions were initiated. These activities, which brought about substantial improvement in retail and cooperative loans, will intensify in 2011.

The infrastructure and product installation of the Corporate Content Management program, initiated with the intention to convert to a paperless work place, have been finalized. The loan application and distribution processes are still being tested. The improvement and adaptation activities will be carried out in parallel with the Operational Transformation Project in 2011.

Renovation of the basic banking applications development platform

The efforts to renovate the basic banking applications development platform took off with the transformation of the applications that run on the main systems and the use of the products that allow software component management. Concurrently, the quality of the applications was controlled through a solution that covers the languages used on application development platforms.

Decision support system improvement activities

The performance and infrastructure development and improvement efforts of the Decision Support Systems continued in 2010. As part of these efforts, a large number of data structures and reports were produced for internal and external use.

With the desire to offer integrated services, the information infrastructures of Halkbank's subsidiaries are integrated into Halkbank's infrastructure.

↪ ASSESSMENT OF 2010 ACTIVITIES

We are continuing with our efforts to research and integrate products with Halkbank information systems that will enable the development of applications to transfer data through data mining and campaign management on platforms independent of the system and the database. This aims to minimize the operational work load and takes into account the Bank's needs and the existing campaign management infrastructure.

Subsidiary integration efforts continue

With the desire to offer integrated services, Halkbank continues to carry out IT infrastructure efforts with its subsidiaries Halk Gayrimenkul Yatırım Ortaklığı, (Halk Real Estate Investment Trust) Halk Sigorta (Halk Insurance), Halk Yatırım Menkul Değerler (Halk Investment Securities) and Halk Hayat ve Emeklilik (Halk Life and Retirement).

IT services management

All modules of the IT Services Management Project, initiated in 2008, were put into operation in 2010. This study has allowed all COBIT (Control Objectives for Information and Related Technology) and ITIL (IT Infrastructure Library) based goals to be reached. It also enabled the automation of the relevant processes and created IT performance monitoring and measuring opportunities.

IT risk management

Evaluations that would allow for the identification of possible critical technological risks to make the necessary identifications of risks before such risk occurs and to take appropriate measures were carried out with the IT Risk Management structure.

Halkbank's Extensive Branch Network

- **Halkbank's extensive branch network consists of 705 branches in Turkey (637 branches, 6 corporate branches, 35 commercial branches, 3 free-zone branches, 16 satellite branches and 8 special transaction centers), 21 regional coordinator's offices in Turkey, 4 overseas branches, 3 overseas financial services branches and 1 overseas representative office.**
- **The pilot study of the Operational Transformation Project has been initiated at the Head Office building in Ankara.**
- **The transition process to the ID Management Project has been completed. This project aims to manage all the processes relating to the changes to the ID information of Halkbank employees from the first day to the last day of their employment, to improve internal and external auditing skills and to ensure compliance with legal regulations.**

With the desire to offer high-quality services, Halkbank continued activities in 2010 from its general directorate offices and extensive branch network in Turkey and overseas.

Halkbank's extensive branch network consists of 705 branches in Turkey (637 branches, 6 corporate branches, 35 commercial branches, 3 free zone branches, 16 satellite branches and 8 special transaction centers), 21 regional coordinator's offices in Turkey, 4 overseas branches, 3 overseas financial services branches and 1 overseas representative office.

Some headlines from the organizational structuring projects...

Operational Transformation Project (OMEGA)

Halkbank continues to carry out its Operational Transformation Project activities with the aim of enabling centralized operations to improve the operational processes at its branches and increase efficiency. The pilot study of the Operational Transformation Project has been initiated at the Head Office building in Ankara. The project will be completed in 2011.

Corporate Content Management System Project

The Corporate Content Management System Project aims to transfer Halkbank's internal and external printed and electronic document traffic, fax messages and important e-mails to corporate content management, share these with the users according to their defined levels of authority and to archive them. Another intention of the project is to create an office environment within Halkbank.

The Process Management System, which will be launched simultaneously with the project, aims to develop a product and service map. This map is intended to define and associate all the processes, products, services and responsible units within Halkbank.

Personnel Records Management Project (ZODYAK)

The transition process to the Personnel Records Management Project has been completed. This project aims to manage all the processes relating to personnel records of Halkbank employees from the first day to the last day of their employment, to improve internal and external auditing capabilities and to ensure compliance with legal regulations.

Halkbank is continuing efforts to integrate various systems into the Personnel Records Management System that are not handled as part of this project or have been put to use on a need basis.

Halkbank considers employee satisfaction a prerequisite for customer satisfaction.

➔ ASSESSMENT OF 2010 ACTIVITIES

HUMAN RESOURCES

- ➔ **Halkbank attaches great importance to employee training.**
- ➔ **Halkbank utilizes state of the art technology in its training programs.**

Halkbank values employee satisfaction and offers continuous training, dynamic career opportunities and modern work spaces to its staff. To that end, the human resources policies of the Bank have been revised in line with today's requirements.

With the 1,829 new employees who joined the Halkbank family in 2010, the number of staff members increased to 13,450 by year end.

In 2010, Halkbank attended the Career and Personal Development Day events organized by the following universities: Çukurova University, Dokuz Eylül University, Middle East Technical University, Mersin University, Gazi University and Bilkent University.

Training

Halkbank's training mission is to offer regular training programs to equip its staff with the qualities that will allow them to utilize modern professional banking products, to support their career development and to produce bankers who are able to work in line with the requirements of the Bank's corporate culture.

The aim of the training programs offered to the staff in 2010 was to ensure employee competence, capability and satisfaction.

A total of 2,905 training sessions across 14 different programs were organized by the Bank in 2010. A total of 42% percent of these training sessions were given by internal trainers and 58% were given by external firms/trainers; 34 meetings and 41 conferences were held to carry out periodic assessment and information activities. The attendance rate at these events was high; 695 groups received training on 73 different topics, using e-learning modules to support in-class training sessions.

The training programs were designed in line with the identified needs of the groups to receive training. These programs were announced to the employees in a Training Catalog.

Training programs are categorized as;

- career training,
- e-learning training,
- training program electives,
- conferences and seminars and
- legally required training programs

WE GENERATE EMPLOYMENT

As a bank that generates employment as it grows, Halkbank adds value to the economy in many aspects.



13,450

NUMBER OF HALKBANK EMPLOYEES

Internship Opportunities for University Students

The opportunity to work as interns at Halkbank is not restricted to those students studying at two or four-year undergraduate programs in Turkey. The students of the International Atatürk Alatau University, Süleyman Demirel University in Almaty and Kirgiz - Turkish Manas University were given the same opportunity. Viewing the creation of internship opportunities as a social responsibility duty, Halkbank helps future generations make career choices and prepare for business life.

Halkakademi

Halkakademi was set up with the intention to provide employees with original work and creative education solutions while bringing the projects and training activities in progress under the same roof. With its updated interface and content, Halkakademi offers services at www.halkakademi.com.tr. The training opportunities offered by Halkakademi are independent of time and location. Here, diverse methods of distance education are used effectively to reinforce knowledge about new products and practices.

Halkbank fulfilled its corporate social responsibilities with important culture and arts projects it sponsored and carried out across Turkey during 2010.

➔ ASSESSMENT OF 2010 ACTIVITIES

ADVERTISING AND PUBLIC RELATIONS

➔ **The 21st Ankara Film Festival was sponsored by Halkbank.**

In 2010, Halkbank increased its profitability and loan performance while fulfilling its corporate social responsibilities across Turkey. Halkbank supports "Productive Turkey" not only with loans but also with social responsibility projects, sponsorships and culture and arts activities.

The First Turkey Public Education Days Fair

With the intention of supporting the public through social responsibility projects, Halkbank supported the First Turkey Public Education Days Fair project.

As part of this event, the work produced by the participants in courses offered by the Public Education Centers in 81 provinces was taken to an exhibition space, supporting the branding efforts of the participants. High-quality market places were created to give financial and moral support to the participants in these courses.

The Ankara Film Festival sponsored by Halkbank

As always, Halkbank continued to support cultural and social events in 2010. The 21st Ankara Film Festival was sponsored by Halkbank and drew a large crowd of cinema lovers.

SMEs are not a hobby, they are our business

On its 72nd anniversary, Halkbank shared with the public its motto of "SMEs are not a hobby, they are our business" as part of its vision of being the leading SME bank in the region, offering strong retail services while fulfilling all the requirements of universal banking.

Supporting Education

Halkbank continued to support educational, cultural and sports organizations. The Bank sees the youth as a guarantee for the future, helping the upcoming generation to become professionals. As part of this, the Bank gave its support to the Sarıkaya Applied Physiotherapy and Rehabilitation Vocational Academy, affiliated with Bozok University, the Sorgun Vocational Academy projects and the construction of the Industrial Vocational School in Denizli.

TUSKON - "Turkey and the Balkans" and the "Balkan Leaders Summit"

The "Turkey and the Balkans" meeting and the "Balkan Leaders Summit", organized as part of the US Business Forum, took place in New York on September 22, 2010 under the sponsorship of Halkbank. These meetings were important in terms of developing economic and technical

cooperation between Turkey and member states in the Balkans. The intention was to incorporate Turkish entrepreneurs of TUSKON (Confederation of Businessmen and Industrialists of Turkey) into the global business world. The meeting was attended by presidents, prime ministers and ministers from the Balkans along with approximately 600 business people from the USA, Turkey and Balkan countries.

The Meetings of “Productive Turkey”

With its mission as a guide, Halkbank moved a step beyond granting loans to SMEs which it views as its business partners and four years ago began organizing “Productive Turkey” meetings in different cities. The twelfth meeting took place in Istanbul in 2010.

SME Transformation Project

Within the scope of the SME Transformation Project that was initiated in 2008 as a corporate social responsibility project, Halkbank continued to organize training conferences dealing with national and international legislation in 2010. These meetings aimed to help SMEs focus on the themes of Corporate Social Responsibility, Environment and Workplace Health and Safety.

A total of 2,500 SME representatives attended the training conferences, organized in ten cities as part of the project. In the cities where the conferences took place it offered training and consultation services dealing with the environment and workplace health and safety. Halkbank will continue to support SMEs by improving their vision and business processes through its sense of corporate social responsibility.

Aid and Donations in 2010

Donations and aid provided by Halkbank in 2010 amounted to TL 917,424.

HALKBANK OFFERS SERVICES TO ITS CLIENTS THROUGH THE SUBSIDIARIES IT ACQUIRED TO IMPROVE PRODUCT DIVERSITY, PROCESS CONSOLIDATION AND INCREASED EFFICIENCY.

Halkbank has a large subsidiary portfolio consisting of 21 companies offering advanced banking operations, investment, leasing and insurance services.

HALKBANK'S SUBSIDIARIES

Halkbank has a large subsidiary portfolio consisting of 21 companies offering advanced banking operations, investment, leasing and insurance services. Three of these subsidiaries offer banking services abroad while two provide insurance services, twelve provide financial services and four operate in the commercial and services sectors.

In accordance with Halkbank's subsidiaries policy, subsidiaries in the Halkbank portfolio:

- create added value that contributes to product diversity and consolidation of the marketing process
- enhance operational efficiency, thus reducing service production costs
- ensure that high-quality services are offered that meet clients' needs.

Through the synergic cooperation established with its subsidiaries, Halkbank offers fast and efficient services to meet its clients' needs.

With the intention of taking part in the real estate investment trust sector, rapidly gaining popularity in financial markets, Halkbank set up Halk Gayrimenkul Yatırım Ortaklığı A.Ş. in 2010.

Another very important Halkbank mission is to gain a respected position in international banking by offering quality services through its overseas branch network. Within the framework of this mission, Halkbank continues its effort to invest in a suitable subsidiary bank in the Balkans.

In 2010, Halkbank divested its shares in the following subsidiaries, where its minority status hindered effective activity: T. Vakıflar Bankası T.A.O., T. Kalkınma Bankası A.Ş., Ziraat Portföy Yönetimi A.Ş., ASBAŞ-Antalya Serbest Bölge İşleticisi A.Ş. and Türk Ticaret Bankası A.Ş. in liquidation.

Summary information about Halkbank's subsidiaries has been given below.

Subsidiaries in Turkey

Halk Yatırım Menkul Değerler A.Ş.

Capital: TL 36 million
Halkbank's share: 99.94%

Halk Yatırım Menkul Değerler A.Ş., which began operations in 1997, was set up to carry out capital markets activities, purchase and sell capital markets instruments and to carry out stock exchange transactions. The Company became a subsidiary in early 2006, when Halkbank bought the shares of Türkiye Halk Bankası Personnel Provident Fund.

Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

Capital: TL 477 million
Halkbank's share: 99.84%

The Company was set up in October 2010 to invest in real estate, capital markets instruments based on real estate, real estate projects and real estate-based rights.

Halk Hayat ve Emeklilik A.Ş.

Capital: TL 40 million
Halkbank's share: 94.40%

The Company was established in 1998 under the business name of Birlik Hayat Sigorta A.Ş. to carry out all individual life and personal accident insurance, coinsurance, reinsurance and retrocession transactions in Turkey and abroad. The Company became a subsidiary in early 2006, when Halkbank bought the shares of Türkiye Halk Bankası Personnel Provident Fund.

In 2009, the Company initiated operations required to offer personal retirement activities. Pre-authorization from the Undersecretariat of Treasury of the Republic of Turkey was obtained in 2010 and the efforts to obtain an operating license are underway. The Company's business name was changed to Halk Hayat ve Emeklilik A.Ş. in the Extraordinary General Assembly held on December 7, 2010.

↪ HALKBANK'S SUBSIDIARIES

Halk Sigorta A.Ş.

Capital: TL 40 million
Halkbank's share: 89.18%

The Company was put into operation in 1958 under the leadership of Halkbank as the first cooperative company in Turkey. It was set up to carry out insurance activities with the participation of the Tradesmen and Artisans Loan and Surety Cooperatives, tradesmen and artisans. The Company became a subsidiary in early 2006, when Halkbank bought Türkiye Halkbank Personnel Provident Fund's shares.

The Company's business name was changed to Halk Sigorta A.Ş. from Birlik Sigorta A.Ş. during the Extraordinary General Assembly held on December 27, 2010.

Halk Finansal Kiralama A.Ş.

Capital: TL 70.8 million
Halkbank's share: 47.75%

Halk Finansal Kiralama A.Ş. was established in 1991 and was set up to acquire movable and immovable property, machinery, vehicles and equipment through purchasing, importation and other legal means; to use these economic assets in domestic and overseas financial leasing operations and to carry out all kinds of leasing transactions.

KOBİ Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Capital: TL 38 million
Halkbank's share: 31.47%

KOBİ Girişim Sermayesi Yatırım Ortaklığı A.Ş. was established in 1999. The purpose of the Company is to provide support for small and medium-scale enterprises that have a high potential for development and are in need of funds. The intention of the Company is to contribute to their development by offering them the capital and strategic support they need to grow.

The Company was expanded to build and manage an "angel investor" network and to carry out portfolio management activities. Through this network, the Company intends to bring together a group of "angel investors" and undertake finance matching to meet initial capital needs.

KGF Kredi Garanti Fonu A.Ş.

Paid-in Capital: TL 119.1 million
Halkbank's share: 1.67%

Kredi Garanti Fonu A.Ş. was set up in 1991 to support small and medium-scale enterprises by providing collateral and to enable them to use bank loans to finance their investments and operations.

Halkbank's share in the Company is 1.67%; it participates actively in the management and activities of the Company.

Fintek-Finansal Teknoloji Hizmetleri A.Ş.

Capital: TL 2.5 million
Halkbank's share: 24%

Fintek-Finansal Teknoloji Hizmetleri A.Ş. was set up in 2001 to write, develop, sell and lease the licensing rights to all kinds of information processing software and programs.

Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.

Capital: TL 1 million
Halkbank's share: %24

Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. was set up in 1998 to carry out activities in the areas of alternative delivery channels and payment systems.

Bankalararası Kart Merkezi A.Ş.

Capital: TL 6 million
Halkbank's share: 18.95%

The Company was set up in 1990 to find solutions for common issues related to the card payment system and to develop the bank and credit card rules and standards in Turkey.

Kredi Kayıt Bürosu A.Ş.

Capital: TL 7.4 million
Halkbank's share: 18.18%

The Company was set up in 1995 with the intention of sharing the information required to monitor and control retail loans between financial establishments whose main scope of business are money, capital markets and insurance.

Overseas Subsidiaries

Demir-Halkbank (Nederland) N.V.

Capital: € 113.4 million
Halkbank's share: 30%

Demir-Halk Bank (Nederland) N.V. came into operation in 1992. It carries out full banking operations and was set up in the Netherlands to offer services particularly to Turkish banks and their partners in Europe.

Magyarorszagi Volksbank RT

Capital: HUF 15,066 million
Halkbank's share: 2.65%

Magyarorszagi Volksbank RT was established in Hungary in 1993 to carry out full banking services.

International Joint Stock Bank (Garagum)

Capital: TMM 14.2 million
Halkbank's share: 2.40%

The International Joint Stock Bank (Garagum) was established in Turkmenistan in 1993 to carry out full banking services.

Other Subsidiaries

- Gelişen Bilgi Teknolojileri A.Ş.
- İMKB Takas ve Saklama Bankası A.Ş.
- Mesbaş Mersin Serbest Bölge İşleticisi A.Ş.
- The Central Bank of the Republic of Turkey
- Alıdaş Alanya Liman İşletmeleri Denizcilik Turz. Tic. ve San. A.Ş.
- Mastercard Worldwide
- Visa Inc.



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ANNUAL REPORT COMPLIANCE STATEMENT

THE ANNUAL REPORT COMPLIANCE STATEMENT

To the Board of Türkiye Halk Bankası Anonim Şirketi:

The compliance and accuracy of the financial information contained in the Annual Report of Türkiye Halk Bankası Anonim Şirketi's ("The Bank") as of December 31, 2010 has been audited through the independent auditor's report drawn up as of the end of the relevant accounting period. The Bank management shall be responsible for the Annual Report. Our responsibility as the firm carrying out the independent audit is to present opinions on the Annual Report. The previous Annual Report of the Bank, prepared on December 31 2009, was audited by a different auditing firm and the said firm expressed a positive opinion in its auditor's report dated February 22, 2010.

The audit was carried out in accordance with the procedures and principles regarding the preparation and publication of Annual Reports, which entered into force under Banking Law No. 5411, and the regulations on the principles of independent auditing. These regulations require that audits be planned and carried out with the purpose of giving reasonable reassurance as to whether there are any material errors in the Annual Report. We believe that the audit carried out provides a reasonable and sufficient basis for forming an opinion.

Our opinion is that, in line with the procedures and principles in force as of December 21, 2010 pursuant to Article 40 of Banking Law 5411, the financial information contained in the enclosed Annual Report of the Bank reflects the information on Türkiye Halk Bankası Anonim Şirketi's financial standing accurately, contains the independent auditor's opinion made available to us in a summary Board of Directors' report and is consistent with the information contained in the financial statements that were inspected by independent auditors.

Istanbul,
February 11, 2011

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Responsible Partner, Chief Auditor

MANAGEMENT AND CORPORATE GOVERNANCE

BOARD OF DIRECTORS AND THE AUDIT BOARD



Hasan Cebeci Chairman

Hasan Cebeci was born in Çankırı in 1949 and is a graduate of Ankara Academy of Economic and Commercial Sciences (Department of Economics). He began his career in 1975 as an Assistant Inspector at Vakıflar Bankası, where he subsequently worked as an Inspector, Branch Manager, Unit Manager, Regional Coordinator and Deputy General Manager. On March 28, 2003 he was appointed to Halkbank's Managing Board as a member responsible for loans. On December 8, 2003 he was appointed as the Bank's General Manager and Chairman of the Executive Board. Cebeci has been serving as the Chairman of the Board of Directors since April 13, 2005 and also acts as Chairman of the Board of Directors of Halk Hayat ve Emeklilik A.Ş. and Halk Yatırım Menkul Değerler A.Ş.



Mehmet Emin Özcan Vice Chairman

Mehmet Emin Özcan was born in Beytüşşebap in 1960 and is a graduate of the Department of Economics and Finance, Faculty of Political Sciences, Ankara University. He began his career as an Assistant Inspector at Türkiye İş Bankası A.Ş. January 1, 1983. Following this, he assumed various managerial positions at Albaraka Türk Katılım Bankası A.Ş. Between March 2003 and April 2005, he served as a Managing Board Member at T. Halk Bankası A.Ş. During the same period, Özcan was a representative of the Bank to the IIF (Institute of International Finance) and an IIF Board member of Demir-Halk Bank/Nederlands, Halk Yatırım Menkul Değerler A.Ş. and Halk Finansal Kiralama A.Ş. Between April 2005 and May 2010, he acted as Chairman of the Board of Directors of T.C. Ziraat Bankası A.Ş.; he also served as Chairman and member of the Board of Directors at various T.C. Ziraat Bankası A.Ş. subsidiaries (Ziraat Bank Int. A.G., Frankfurt; Turkish Ziraat Bank Bosnia, Sarajevo; Ziraat Bank Kazakhstan Int., Almaty; Uzbekistan Turkish Bank, Tashkent; Turkmen-Türk Bank, Ashgabat; Azer-Türk Bank, Bakü; Ziraat Portföy Yönetimi A.Ş.). Currently, Özcan serves as Chairman of the Board of Directors of the Association of National Development Finance Institutions of member countries of IDB. He was appointed Vice Chairman of the Board of Directors of T. Halk Bankası A.Ş. on May 24, 2010. He is also a member of the Board of Directors of Demir-Halk Bank (Nederlands) N.V.



Hüseyin Aydın General Manager and Board Member

Hüseyin Aydın was born in Borçka, Artvin in 1959 and began his career as an Assistant Inspector at T.C. Ziraat Bankası A.Ş. He worked as a Executive Board member at T. Halk Bankası A.Ş., as a Board member at Pamukbank T.A.Ş. and as Vice Chairman at T.C. Ziraat Bankası A.Ş. Aydın has served as the General Manager and Board member at Halkbank since May 31, 2005. He also acts as the Chairman of the Board of Directors of Halk Sigorta A.Ş. and Halk Gayrimenkul Yatırım Ortaklığı A.Ş.



Salim Alkan
Board Member

Salim Alkan was born in Erzincan in 1948 and graduated from the Department of Business Administration, Faculty of Political Sciences at Ankara University. From 1971 onwards, he worked as an Inspector, Branch and Department Manager and Deputy General Manager at different banks. Between 2005 and 2010, Alkan served as the Vice Chairman and on the Counsel of the Chairman of the Savings Deposit Insurance Fund. During the same period he worked as a General Manager, Board member and Board Chairman at various banks within the Fund. Alkan has served as a Board member at T. Halk Bankası A.Ş. since May 24, 2010 and is also a Board member for Halk Hayat ve Emeklilik A.Ş. and Halk Yatırım Menkul Değerler A.Ş.



Sabahattin Birdal
Board Member

Sabahattin Birdal was born in Kemah, Erzincan in 1952 and is a graduate of the Department of Economics and Finance, Faculty of Political Sciences, Ankara University. He began his career at T. Vakıflar Bankası T.A.O, first as an Assistant Inspector and subsequently served as an Inspector and Branch Manager. He worked as a Banking Services Manager at Faisal Finans and as a Branch Manager, Department Manager and Deputy General Manager at Kuveyt Türk Evkaf Finans. From April 2004 until March 2008 he was Deputy Mayor of Üsküdar, İstanbul; from March 2008 to October 2010, Birdal was a member of the Board of T. Vakıflar Bankası T.A.O. Since October 27, 2010, he has served on the Board of Directors of T. Halk Bankası A.Ş. He is also on the Board of Halk Yatırım Menkul Değerler A.Ş. and Fintek Finansal Teknoloji Hizmetleri A.Ş.



Emin Süha Çayköylü
Board Member

Emin Süha Çayköylü was born in İstanbul in 1948 and is a graduate of the Department of Mechanical Engineering, Faculty of Mechanical Engineering, Middle East Technical University. He also holds two graduate degrees from Syracuse University Business School and the University of Washington UMIST as well as a PhD from Washington International University. Çayköylü began his career as a Project Engineer in a privately-owned company. He worked as a Project Manager and a Department Manager at Türkiye Kalkınma Bankası A.Ş. and as a Section Head at the Islamic Development Bank and has served as a General Manager and Project Coordinator in various privately-owned companies. Since March 28, 2003, Çayköylü has been on the Board of Directors at T. Halk Bankası A.Ş.

↔ BOARD OF DIRECTORS AND THE AUDIT BOARD



Dr. Nurzahit Keskin
Board Member

Nurzahit Keskin was born in Istanbul in 1962 and completed his undergraduate degree at the Afyon Faculty of Economic and Administrative Sciences of Anadolu University. He holds an MA from the Department of International Banking, the Institute of Banking and Insurance, Marmara University and a PhD from Sakarya University. He began his career as a lecturer at Marmara University and then entered the private sector where he began working as an Independent Auditor and Management Consultant for an international company. He also worked as a Senior Human Resources Manager in various national and multi-national firms. In 2003, Keskin was an Executive Director and a member of the Executive Board of T.C. Ziraat Bankası A.Ş. where he was responsible for Human Resources, Operations and Support Services. During the same period, in addition to his existing roles, he was on the Board for the following banks: Ziraat Bank International AG, Germany; Turkish - Ziraat Bank Bosnia DD, Bosnia-Herzegovina; Ziraat Banka AD, Macedonia; Turkmen Turkish Commercial Bank, Turkmenistan and Azeri Turkish Bank ASC, Azerbaijan. Since 2005, Keskin has been a member of the Halkbank Board of Directors. Currently at Halkbank, he serves on the Board at Demir-Halk Bank (Nederland) N.V. Keskin speaks English and German.



İbrahim Hakkı Tuncay
Board Member

İbrahim Hakkı Tuncay was born in Malatya in 1949 and is a graduate of the Department of Business Administration of Middle East Technical University. He worked as Research Assistant in the Department of Economics of İTİYO in Balıkesir while continued his PhD at Uludağ University. From 1976 onward, he worked as a Manager, Trainer, Senior Executive and Management Consultant at various privately-owned companies. Between 2004 and 2005 he served on the Joint Board of Directors for Public Banks at T.C. Ziraat Bankası A.Ş. and T. Halk Bankası A.Ş. He also served on the Board of Directors at Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş., Fintek Finansal Teknoloji Hizmetleri A.Ş. and Birlik Hayat Sigorta A.Ş. He has been a Board member at T. Halk Bankası A.Ş. since April 9, 2008. Tuncay also serves as Vice Chairman of the Board of Directors of Halk Hayat ve Emeklilik A.Ş. and a Board Member at Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.



Ahmet Yarız
Board Member

Ahmet Yarız was born in Elazığ in 1966 and graduated from the Faculty of Business Administration at Istanbul University. He received his MA from the Department of Banking, Institute of Banking and Insurance at Marmara University. He is currently engaged in PhD studies at the same university. Yarız began his career in banking at Sinai Yatırım ve Kredi Bankası A.O. and has also worked for various industrial enterprises and financial corporations. He acted as a Board Member responsible for Risk management and Internal Auditing at T. Vakıflar Bankası T.A.O. and as a member of the Board of Directors of the Savings Deposit Insurance Fund. Yarız is married and he has two children. Since April 9, 2008, he has served on the Board of Halkbank and also acts as Vice Chairman of the Board of Directors at Halk Yatırım Menkul Değerler A.Ş. and Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.



Yusuf Dağcan
Member of the Audit Board

Yusuf Dağcan was born in Mucur, Kırşehir in 1951. He is married and he has two children. After completing his undergraduate degree at the Academy of Economic and Commercial Sciences in Eskişehir, he began his career in 1977 as an Assistant Inspector at T. Vakıflar Bankası T.A.O., where he subsequently worked as an Inspector in 1979, Manager of the Kırşehir Branch between 1982 and 1984, Manager of the Kayseri Branch from 1984 to 1992, Manager of the Konya Branch between 1992 and 1996, Manager of Meşrutiyet, Ankara Branch between 1996 and 1999 and as Branch Manager at the Başkent Branch in Ankara from 1999 until 2001. He also served as a member of the Board of Directors of TAİB Yatırım Bank A.Ş. between September 5, 2007 and June 30, 2008. Dağcan was elected as a member of the Audit Board at Türkiye Halk Bankası A.Ş. on March 27, 2003. In addition to his role on the Audit Committee, Dağcan currently serves as the Chairman of the Board of Directors of Halk Finansal Kiralama A.Ş., a subsidiary of Halkbank and as a member of the Board of Directors of Halk Yatırım Menkul Değerler A.Ş.



Faruk Özçelik
Member of the Audit Board

Faruk Özçelik was born in Hadim, Konya in 1968 and completed his undergraduate degree at the Department of Business Administration, Faculty of Political Sciences at Ankara University. He holds an MA in International Relations, from the Institute of Social Sciences at Selçuk University. His professional career began as an Assistant Inspector at the Prime Ministry's Directorate-General for Foundations where he subsequently worked as an Inspector and Chief Inspector and also at the Ministry of Public Works and Settlement. Between 2003 and 2009, he acted as the Deputy General Manager to the Prime Ministry's Directorate-General for Personnel and Principles, where he served as the General Manager since February 2009. Between 2003 and 2010, he was a member of the Board of the Turkish Catastrophe Insurance Pool. Özçelik has been working as a member of the Audit Board of T. Halk Bankası A.Ş. since May 24, 2010.

SENIOR MANAGEMENT



Hüseyin Aydın
General Manager

Please see Hüseyin Aydın's curriculum vitae on page 62.



Taner Aksel
Deputy General Manager-
Corporate and Commercial
Marketing

Taner Aksel was born in Ankara in 1961 and completed his undergraduate studies at the Department of Economics at Anadolu University. In 1985 he began his career as an Assistant Inspector at Pamukbank T.A.Ş., where he worked as an Inspector and a Branch Manager. He also served as a Branch Manager and a Regional Coordinator for a number of banks before returning to Pamukbank T.A.Ş. in 2000 and where he served as a Branch Manager. At T. Halk Bankası A.Ş, he worked as a Branch Manager between November 11, 2004 and July 15, 2007, as a Department Head from July 16, 2007 and November 2, 2008 and as a Regional Coordinator from November 3, 2008 until March 26, 2010. Aksel currently serves as the Deputy General Manager responsible for Corporate and Commercial Marketing.



Osman Arslan
Deputy General Manager-
Financial Management and
Planning

Osman Arslan was born in Ankara in 1971 and graduated from the Department of Statistics, Faculty of Arts and Sciences, Middle East Technical University in 1995. He completed his MBA at the Department of Business Administration of the same school. Arslan began his career in 1995 at the Banking School of T.C. Ziraat Bankası A.Ş. He later served as a specialist in the same bank. From 1998 to 2000 he was an Assistant Inspector at Sümerbank A.Ş. He worked as an inspector and assistant manager at Asya Katılım Bankası A.Ş. between 2000 and 2003. Prior to his appointment as a Division Manager at the Advertising and Public Relations Department at Türkiye Halk Bankası A.Ş. on February 13, 2004. He was the Head of the Department of Entrepreneur Marketing between December 10, 2004 and June 17, 2005 and as the Head of the Department of Advertising and Public Relations between June 17, 2005 and June 27, 2007. Between June 27, 2007 and May 28, 2008, he acted as the Deputy General Manager responsible for Corporate Communication and Structuring. Arslan has been serving as the Deputy General Manager responsible for Financial Management and Planning since May 29, 2008.



Süleyman Aslan
Deputy General Manager-
Treasury Management and
International Banking

Süleyman Aslan was born in Osmancık, Çorum in 1970 and graduated from the Department of International Relations, Faculty of Economic and Administrative Sciences, Middle East Technical University. He began his career in 1992, at the Banking School of T.C. Ziraat Bankası A.Ş. He worked as a Capital Markets Department Specialist, the Assistant Manager of the Istanbul Securities Branch and as a Division Manager at the Bonds and Bills Department at T.C. Ziraat Bankası A.Ş. He acted as the General Manager and a member of the Board of Ziraat Portföy Yönetimi A.Ş. and later as the Head of the Department of Foreign Currency and Money Markets. Between June 15, 2005 and May 28, 2008, Aslan worked as the Deputy General Manager responsible for Treasury Management at Halkbank. Since May 29, 2008, he has been the Deputy General Manager responsible for Treasury Management and International Banking.



Mehmet Akif Aydemir
Deputy General Manager-
Corporate and Commercial
Loans

Mehmet Akif Aydemir was born in Ankara in 1963 and is a graduate from the Department of Economics, Faculty of Political Sciences at Ankara University. He began his career as an Assistant Inspector at Pamukbank T.A.Ş. in 1986 when he then worked as an Inspector, Branch Manager and Department Manager at the same Bank. In 2004, he was appointed to head the Department of Corporate Loans at Halkbank. Since March 4, 2010, he has been the Deputy General Manager responsible for Corporate and Commercial Loans.



Yakup Demirci
Deputy General Manager-
Human Resources and
Organization

Yakup Demirci was born in Karabük in 1966 and graduated from the Faculty of Political Sciences of Ankara University in 1987. His career began as an Assistant Inspector at Türkiye Halk Bankası A.Ş. in 1989, where he served as an Inspector, Assistant Manager of the Loan Risk Monitoring Unit, Division Manager at the Department of Personnel Transactions and Head of the Department of Human Resources. Demirci has been the Deputy General Manager responsible for Human Resources and Organization since June 11, 2008.



Mürsel Ertaş
Deputy General Manager- Risk
Collection and Liquidation

Mürsel Ertaş was born in Ordu in 1964 and graduated from the Department of Foreign Trade and Foreign Exchange, Faculty of Economic and Administrative Sciences at Gazi University. In 1986 he began working as an Assistant Controller at Türkiye Halk Bankası A.Ş. where he subsequently served as Assistant Inspector, Inspector, Branch Manager, Regional Coordinator and Head of Department. Ertaş has been the Deputy General Manager responsible for Risk Collection and Liquidation since October 12, 2010.



Yunus Esmer
Deputy General Manager-
Artisans and SME Banking-1

Yunus Esmer was born in Trabzon in 1956 and graduated from the Department of Business Administration and Accounting, the Academy of Economic and Commercial Sciences at Gazi University. He started working at Türkiye Halk Bankası A.Ş. in 1979 where he served as an Assistant Specialist, Specialist and Chief Specialist at the Istanbul Directorate of Regional Intelligence and the Directorate of Industrial Loans. Following these positions, he worked as an Assistant Manager at the Directorate of Project Evaluation and Section Head and Department Head at the Department of SME Loans. He was the Deputy General Manager responsible for Corporate Commercial Loans between June 17, 2005 and June 7, 2007. Between June 8, 2007 until February 4, 2008 he worked as the Deputy General Manager responsible for Loan Allocation and Management. From March 12, 2009 until November 15, 2009 he served as Deputy General Manager responsible for Corporate and Commercial Marketing. Esmer was appointed to the position of Deputy General Manager-Artisans-SME Banking-1 on November 16, 2009.

↔ SENIOR MANAGEMENT



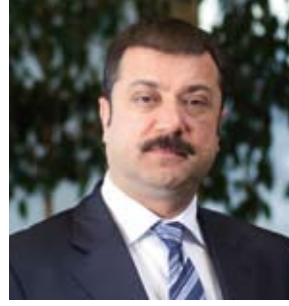
Erol Göncü Deputy General Manager- Information Systems and Technical Services

Erol Göncü was born in Siirt in 1964 and graduated from the Department of Mathematics at Middle East Technical University. In 1988, he began his career as a System Analyst at the Data Processing Center of Pamukbank T.A.Ş. Later he worked as a Service Manager and Section Manager at the same bank. Göncü has served as Deputy General Manager responsible for Information Systems and Technical Services at Halkbank since June 9, 2005.



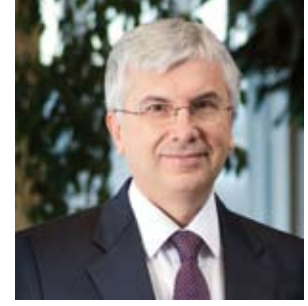
İsmail Hakkı İmamoğlu Deputy General Manager- Artisans-SME Banking-2*

İsmail Hakkı İmamoğlu was born in Sürmene, Trabzon in 1960 and graduated from the Department of Management Sciences of the Ankara Academy of Economic and Commercial Sciences. In 1984, he began his career as an Inspector at T. Vakıflar Bankası T.A.O. where he subsequently served as the Vice Chairman of the Board of Inspectors, Executive Assistant of the General Manager, Secretary-General of the Board, Branch manager and Head of Department. He has been Chairman of the Board of Inspectors at Sümerbank and Toprakbank A.Ş. and a Coordinator at Bayındırbank A.Ş. He was appointed Regional Coordinator at Türkiye Halk Bankası A.Ş. July 1, 2003 and currently serves as Deputy General Manager responsible for Artisans-SME Banking-2*



Dr. Şahap Kavcıoğlu Deputy General Manager- Loan Policies

Şahap Kavcıoğlu was born in Bayburt in 1967 and graduated from the Department of Business Administration of Dokuz Eylül University. After completing his studies as an Inspection Expert at the Institute of Accounting at Istanbul University, he studied Business Administration at Hastings College in the UK. In 1993, he completed his MA at the Institute of Banking and Insurance at Marmara University and completed his PhD in 2003 at the same institution. He began his professional career in 1990 as an Assistant Inspector at Esbank T.A.Ş. where he subsequently worked as an Inspector, Branch Manager and Deputy General Manager. After serving at Çalık Yatırım Bankası A.Ş. and MNG Bank A.Ş., he started working at Türkiye Halk Bankası A.Ş. in 2003 as the Istanbul Regional Coordinator. He acted as Deputy General Manager responsible for Retail Banking from June 17, 2005 until June 7, 2007 and as the Deputy General Manager responsible for Artisans-SME Banking from June 8, 2007 until September 23, 2010. Since September 24, 2010, Kavcıoğlu has served as Deputy General Manager responsible for Loan Policies.



Bilgehan Kuru Deputy General Manager- Retail Banking

Bilgehan Kuru was born in Çine, Aydın in 1961 and graduated from the Department of Mining Engineering of Middle East Technical University. He completed his post-graduate degree in the Graduate School of Natural and Applied Sciences at the same university. He worked as a contracted Foreign Exchange Officer at Türkiye Halk Bankası A.Ş. between 1986 and 1988, then served as an Assistant Expert at Pamukbank T.A.Ş. He was also a Service Manager and Section Manager in the Treasury Department. In November 2004, he was transferred to Türkiye Halk Bankası A.Ş. and started working as the Head of the Department of Foreign Currency and Money Markets. Kuru has been the Deputy General Manager responsible for Retail Banking since June 27, 2007.

* The BRSA (Banking Regulation and Supervision Agency) approval of İsmail Hakkı İmamoğlu's position as the Deputy General Manager is still in progress.



Mustafa Savaş
Deputy General Manager-
Retail loans

Mustafa Savaş was born in Çine, Aydın in 1965 and graduated from the Department of Political Sciences of Ankara University. At the beginning of March 1991, he began his career as an Assistant Inspector at Türkiye Halk Bankası A.Ş. He then worked as an Inspector and later as a Branch Manager at the Lefkoşa/Cyprus and Yukarı Ayrancı/Ankara Branches. He worked as the Head of the Department of Internal Control from July 2002 until January 2009 when he became Deputy General Manager responsible for Risk Management and Internal Control. He worked as the Deputy General Manager responsible for Risk Monitoring and Liquidation from January 2009 until September 2010. Since September 24, 2010, Savaş has been the Deputy General Manager responsible for Retail loans.



Selahattin Süleymanoğlu
Deputy General Manager-
Risk Management and
Internal Control

Selahattin Süleymanoğlu was born in Alucra, Giresun in 1962 and graduated from the Department of Business Administration, Faculty of Economic and Administrative Sciences, Gazi University in 1987. After completing his post-graduate degree at the Faculty of Social Sciences Department of International Relations at Selçuk University, he began his career as an Assistant Inspector at Adabank A.Ş. in 1990. He worked as an Inspector, Manager and Head Manager at T. Emlak Bankası A.Ş. between 1991 and 2001. In 2001, he started working as a Branch Manager at Türkiye Halk Bankası A.Ş. and has been a Branch Manager at different branches including the Corporate Branch in Ankara. Between July 1, 2007 and January 12, 2009, he served as the Deputy General Manager responsible for Risk Monitoring and Liquidation. He acted as the Deputy General Manager responsible for Operational Transactions between January 13, 2009 and September 26, 2010. Süleymanoğlu has worked as the Deputy General Manager responsible for Risk Management and Internal Control since September 27, 2010.



Ufuk Hacer Denizci Yüce
Deputy General Manager-
Banking Operations

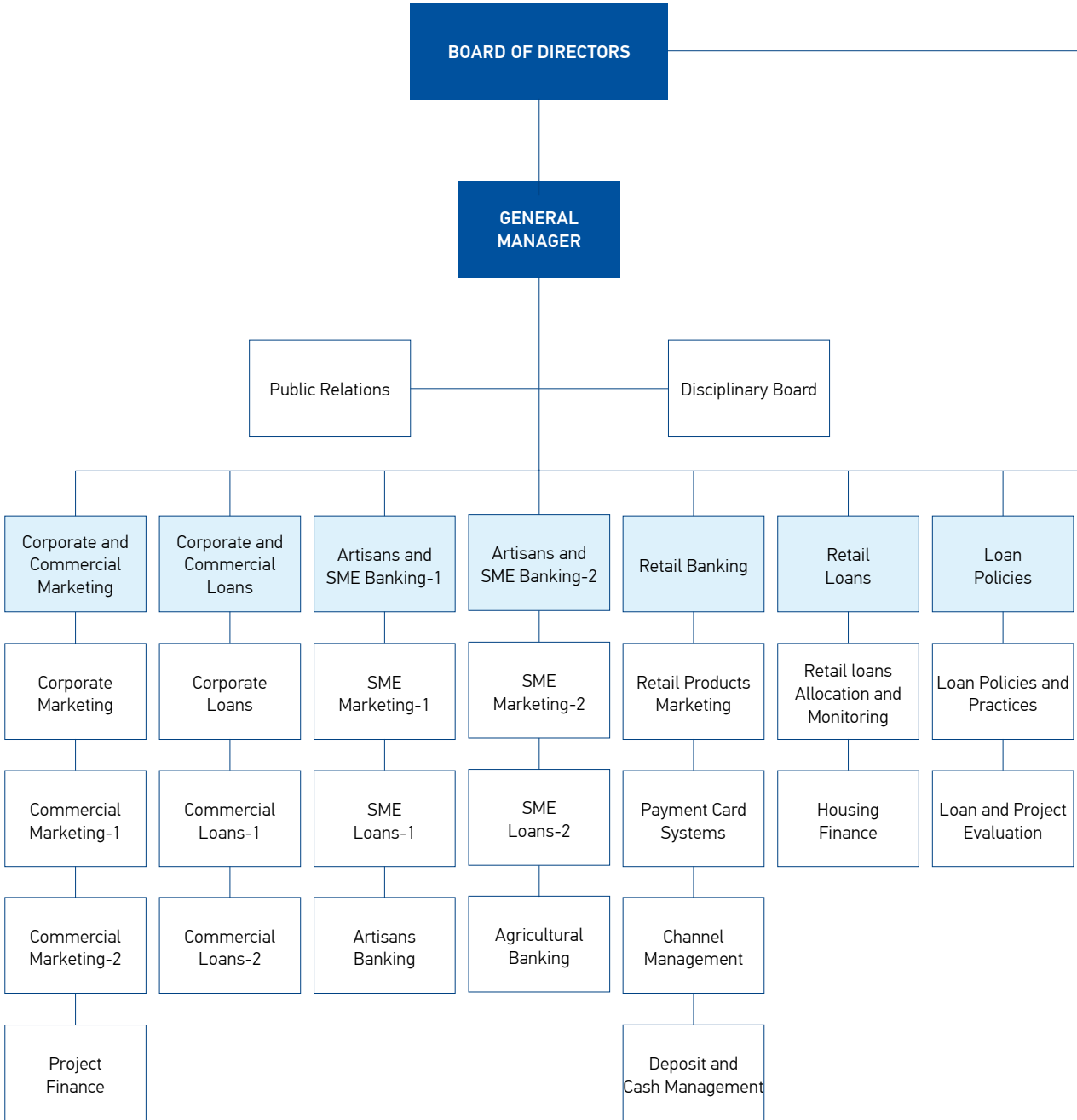
Ufuk Hacer Denizci Yüce was born in Rize in 1967 and is a graduate from the Department of Business Administration Engineering, Faculty of Business Administration at Istanbul Technical University. In 1988, she began her career as an Assistant Specialist at Yapı ve Kredi Bankası A.Ş. and subsequently worked as a Management Consultant at Anderson Consulting, Accenture BPM and as a Loan Marketing Officer at İktisat Bankası T.A.Ş. Since May, 1994 she first served as a Manager-Service Director and later as a Manager-Section Head at Pamukbank T.A.Ş. From November 12, 2004 until September 23, 2010 she served as the Head of the Department at BIM- at Türkiye Halk Bankası A.Ş. Since October 12, 2010, Yüce has been the Deputy General Manager responsible for Banking Operations.

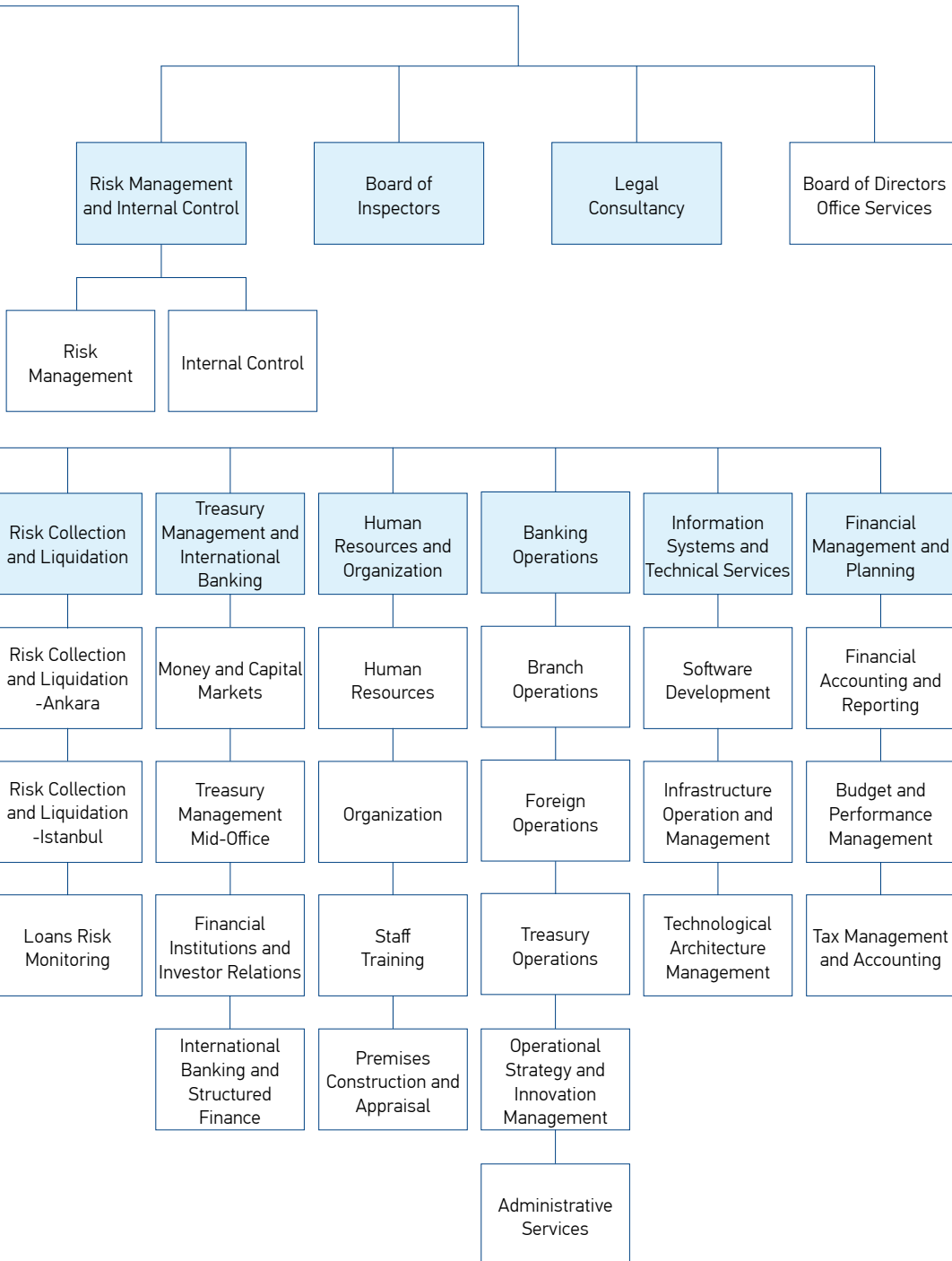


Ali İpek
Head of the Board of Inspectors

Ali İpek was born in Gerede, Bolu in 1966 and graduated from the Department of Public Administration, Faculty of Economic and Administrative Sciences, Gazi University in 1987. In 1989, he began his career at the Istanbul-Bayrampaşa Branch of Türkiye Halk Bankası A.Ş. His later positions at the Bank included Service Personnel, Assistant Inspector, Inspector, Branch Manager, Division Manager and Head of Department. In 2004, he was appointed Section Head at the Banking Regulation and Supervision Agency. İpek has been acting as the Head of the Board of Inspectors at Türkiye Halk Bankası A.Ş. since April 6, 2005.

ORGANIZATIONAL STRUCTURE





TÜRKİYE HALK BANKASI A.Ş.

COMMITTEES

The Audit Committee

The Audit Committee of Halkbank was formed in accordance with Board Resolution dated October 31, 2006, No. 34-01. The members of the Audit Committee effectively carry out their functions regarding the conduct of the internal auditing, risk management and internal control activities of the Bank.

The duties of the Audit Committee include

- Evaluating the efficiency of the internal control system implemented through the internal control and internal auditing units, monitoring compliance with the internal bank policies and implementing procedures approved by the Board and make recommendations to the Board about taking such precautions as may be deemed necessary.
- Monitoring and evaluating the internal auditing system of the Bank and monitoring the compliance of the internal auditing units with the liabilities set out by the regulations and internal policies. Reviewing the internal audit strategies, policies and programs along with the internal regulations related to the structure of the internal auditing unit, submitting these to the Board for approval when deemed appropriate.
- Evaluating the existence of the methods and implementation procedures required to identify, monitor and control the Bank's risks.
- Reviewing the evaluation of the independent auditing firm on the compliance of the Bank's accounting practices with laws, regulations and legislation.
- Serving as link between senior management and the independent auditors to resolve any issues relating to the results of independent audit and any other issues that cause concern for independent auditors.
- Evaluating the competence and adequacy of the independent auditing firms, rating companies and valuation corporations with which the Bank will sign agreements as well as those companies with which the Bank will sign agreements to receive support services. Reporting the results to the Board and repeating these studies at regular intervals not longer than three months during the term of the agreement under which such services are received.
- Monitoring whether the financial reports of the Bank reflect reality, covering all the information that needs to be covered and to reporting any finding to the relevant organs.
- Meeting with the independent auditors to discuss whether the financial reports of the Bank reflect accurately the financial standing of the Bank, the results of transactions and the cash flow and whether these reports were prepared in accordance with the procedures and principles set out in laws, regulations and other relevant legislation.
- Reporting its activities, the results of these activities and its opinions to the Board at intervals not longer than six months.

The Audit Committee met 15 times during 2010, during which time, the potential risks of the bank, stress tests, scenario analyses and risk management policies and implementation procedures were discussed. The members of the committee attended the meetings regularly.

Members of the Audit Committee	Position	Primary Position
Emin Süha ÇAYKÖYLÜ	Chairman	Board Member
Salim ALKAN	Member	Board Member

The Operational Risk Working Committee

This is a body responsible with identifying those transactions that may result in operational loss to the bank and to eliminate such losses. The Operational Risk Working Committee meets every month.

The Duties of the Operational Risk Working Committee are to:

- Define the procedures for creating databases required to measure the Bank's operational risk in coordination with the relevant units.
- Ensure collaboration between units to ensure that errors and deficiencies identified by the Board of Inspectors and other control units are entered into the records through a standardized coding system.
- Carry out the technical and administrative activities required to build a database of the operational loss belonging to previous periods.
- Form an opinion about the evaluation and rating of operational risk related to the functional activities of the Risk Evaluating Matrix.
- Carry out all the functions aimed at tracking, monitoring and eliminating all the operational risk incurred by the Bank.
- Perform such duties as may arise as a result of changes made to banking legislation.

The Operational Risk Working Committee met 12 times during 2010. In those meetings, decisions were taken regarding the identification of operations that caused operational loss and the elimination of such loss. The members of the committee attended the meetings regularly.

Members of the Operational Risk Working Committee	Position	Primary Position
Ali Ulvi SARGON	Chairman	Head of Risk Management Department
Alaaddin SARITAÇ	Member	Head of the Disciplinary Board
Mehmet TÜFEKÇİ	Member	Head of Internal Control Department
Ergin KAYA	Member	Head of Branch Operations Department
Levent BALKAN	Member	Head of Foreign Operations Department
Okan Hasan GÖR	Member	Head of Budget and Performance Management Department
Ali ALEV	Member	Head of Treasury Operations Department
Kadir YAYLAK	Member	Head of Tax Management and Accounting Department
Ayşegül SAYIN	Member	Head of Technological Architecture Management Department
Öngen AKIN	Member	Head of Channel Management Department
Mustafa Çağrı ÜNAL	Member	Assistant Head of the Board of Inspectors

Credit Committee

Credit Committee consists of a minimum of two members, elected by the General Manager and the Board of Directors, to perform the duties assigned to them by the Board of Directors. The members of the Committee should hold all the qualifications required of a General Manager, except for the term requirement. Two associate members should be elected among the members of the Board of Directors to replace any members of Credit Committee who are unable to attend a meeting. These individuals should hold all the qualifications required of a General Manager, except for the term requirement. The General Manager acts as the Chairman of Credit Committee. In the absence of the General Manager, a permanent member acts as the Chairman of the Committee. The Chairman of Credit Committee is responsible for ensuring that the activities of the Committee run smoothly and efficiently. Credit Committee meets at least once a week with the attendance of all members.

➔ TÜRKİYE HALK BANKASI A.Ş. COMMITTEES

The Duties of Credit Committee are to:

- Enforce the Board-approved policies regarding the loans of the Bank, the total size of the placement portfolio and its distribution by sectors, regions and loan types.
- Make recommendations to the Board of Directors for defining the procedures and principles regarding the Bank's loan policies and lending activities on the basis of the portfolio and individuals/legal entities,
- Ensure that the loan portfolio is managed in accordance with generally accepted risk management principles.
- Provided that the limit and scope are expressly set out, the Committee may transfer some of its duties and powers. However, it may not transfer its powers with regard to open credit transactions, except for retail loans. It will monitor and supervise the practices adopted by the organs to which it transfers its powers.

Credit Committee met 47 times and made 1644 decisions in 2010. The members of the Committee attended the meetings regularly.

Members of the Credit Committee	Position	Primary Position
Hüseyin AYDIN	Chairman	Board Member and General Manager
Mehmet Emin ÖZCAN	Member	Vice Chairman of the Board
Salim ALKAN	Member	Board Member
Ahmet YARIZ	Member	Board Member

The Assets and Liabilities Committee

The Committee was formed to identify policies regarding the management of the Bank's assets and liabilities and the movement of funds within that scope and to make and put into effect decisions regarding the management of the Bank's balance sheet, to be executed by the relevant units.

The duties of the Assets and Liabilities Committee are to:

- Discuss and evaluate the financial structure, portfolio, budget, loan and deposit interests of the Bank, developments in the money and capital markets and the developments taking place in the bank itself and other banks.

The Assets and Liabilities Committee meets regularly once a week; the minimum meeting interval is once a month. The date and place of the meetings are determined by the Chairman of the Committee and the agenda is drawn up by the Chairman who defines the activities to be carried out at the meetings of the Assets and Liabilities Committee. Upon invitation by the Committee, Deputy General Managers and other officials may attend these meetings to obtain information and/or submit opinions. The decisions and practices adopted in previous meetings are evaluated in these meetings, then the decisions to be made and the practices to be adopted are identified. Depending on the level of authority, these decisions and practices are submitted either to the relevant Deputy General Manager or to the General Manager for approval and submission to the Board of Directors.

The Assets and Liabilities Committee met 49 times in 2010. The members of the committee attended the meetings regularly.

Members of the Assets and Liabilities Committee	Position	Primary Position
Hüseyin AYDIN	Chairman	Member of the Board and General Manager
Osman ARSLAN	Member	Deputy General Manager-Financial Management and Planning
Taner AKSEL	Member	Deputy General Manager- Corporate and Commercial Marketing
M. Akif AYDEMİR	Member	Deputy General Manager- Corporate and Commercial Loans
Yunus ESMER	Member	Deputy General Manager- Artisans and SME Banking- I
Bilgehan KURU	Member	Deputy General Manager- Retail Banking
Dr. Şahap KAVCIOĞLU	Member	Deputy General Manager- Loan Policies
Süleyman ASLAN	Member	Deputy General Manager- Treasury Management and International Banking

Corporate Governance Committee

The Committee works to monitor the Bank's compliance with corporate governance principles. The Chairman of Corporate Governance Committee is appointed by the Board of Directors and should be a Board Member with no executive functions. In the absence of the Chairman, the Committee is lead by another Member of the Board. The date and place of Corporate Governance Committee meetings are determined by the Chairman. Upon invitation by the Chairman, other officials may attend these meetings to obtain information and/or submit opinions.

The duties of Corporate Governance Committee are to:

- Monitor the Bank's compliance with corporate governance principles, carry out activities to improve such compliance and to present opinions to the Board of Directors in line with the "Regulations on the Corporate Governance Principles for Banks" published by the Banking Regulation and Supervision Agency and the Corporate Governance Principles published by the Capital Markets Board.

Corporate Governance Committee met four times during 2010. The members of the Committee attended the meetings regularly.

Members of the Corporate Governance Committee	Position	Primary Position
Hasan CEBECİ	Chairman	Chairman of the Board of Directors
Dr. Nurzahit KESKİN	Member	Board Member
İbrahim Hakkı TUNCAY	Member	Board Member
Sabahattin BİRDAL	Member	Board Member
Osman ARSLAN	Member	Deputy General Manager- Financial Management and Planning
Süleyman ASLAN	Member	Deputy General Manager- Treasury Management and International Banking
Yakup DEMİRCİ	Member	Deputy General Manager- Human Resources and Organization
Erdal ÇELİK	Member	Head of Human Resources Department

↪ TÜRKİYE HALK BANKASI A.Ş. COMMITTEES

The Board of Directors

The Board of Directors of Halkbank is made up of a minimum number of seven members who hold the qualifications set out in the Banking Law. The maximum number of members is nine and they are elected by the General Assembly. The Board of Directors appoints one of the members to be Chairman of the Board of Directors and another, Vice Chairman of the Board of Directors. At least two members with no executive function are assigned the duty of forming the Audit Committee by the Board. The primary function of the Board is to administer and represent the Bank. In the absence of the Chairman, the Board of Directors is led by the Vice Chairman.

The Board of Directors convenes at the request of the Chairman or the Vice Chairman or a member of the Board. It is obligatory that the Board meets at least once a month.

As a rule, the Board Meetings are held in the city where the headquarters of the Bank is located. However, it is possible to have the meetings elsewhere if an absolute majority of total members agree to do so. The auditors are entitled to attend the Board Meetings to ensure compliance with open auditing and transparency principles. The Board of Directors may request that the Deputy General Managers and/or other managers of the Bank attend Board Meetings as necessary.

The meeting agenda of the Board is drawn up by the Chairman or Vice Chairman calling the meeting. The agenda should be determined at least three days prior to the meeting and distributed to the members with attachments thereto. In cases where an urgent Board meeting must be held, the agenda should be determined at least 24 hours prior to the meeting and distributed to the members with attachments thereto. In cases of emergency, items may be added to the agenda upon request of the Chairman; Board Members may propose a motion about the issues that require a Board decision to be made.

In order for the Board of Directors to convene to discuss the agenda and make decisions, a quorum requirement should be met. The quorums for meeting and decisions by number of Board members are as follows:

Total Members	Quorum for Meetings	Quorum for Decisions
7	5	5
8	5	5
9	6	6

A Board Decision may be made by obtaining the written approval of the members of a proposal made by a member. This shall be true as long as no Board member makes a negotiation request. In that case, there shall be a unanimity clause in order for decisions to be made.

The Board of Directors met 53 times and made 905 decisions in 2010.

TÜRKİYE HALK BANKASI A.Ş. HEADS OF THE UNITS UNDER INTERNAL CONTROL SYSTEMS

Deputy General Manager- Risk Management and Internal Control: Selahattin SÜLEYMANOĞLU

Term of Office	Professional Experience and Position	Education
3 months	20 years - T. Halk Bankası A.Ş. Deputy General Manager	Master's Degree in Turkey

* Halil Çelik, the former Deputy General Manager responsible for Risk Management and Internal Control left our Bank on May 31, 2010.

Chairman of the Board of Inspectors: Ali İPEK

Term of Office	Professional Experience and Position	Education
5 years 8 months	20 years -T. Halk Bankası A.Ş. Head of Board of Inspectors	BA in Turkey

Head of Internal Control Department: Mehmet TÜFEKÇİ

Term of Office	Professional Experience and Position	Education
2 years 10 months	26 years - T. Halk Bankası A.Ş. Head of Department	Master's Degree in Turkey

Head of Risk Management Department: Ali Ulvi SARGON

Term of Office	Professional Experience and Position	Education
6 years	20 years - T. Halk Bankası A.Ş. Head of Department	BA in Turkey

TÜRKİYE HALK BANKASI A.Ş.

BOARD OF DIRECTORS' REPORT

In 2010, effects of the recession were reduced despite varying risk in the global economy and the money and treasury policies put into force resulted in an improvement. The tendency of developing economies to improve was faster and stronger compared to that of developed countries. The developing economies constituted the driving force for improvement, while the monetary policies implemented by developed economies tended to contribute to the problems caused by the recession.

In 2010, Turkey's economy performed well as a result of production and employment-oriented investments, the financial discipline imposed and structural reforms. The growth strategy was sustained by decisions and precautions taken by institutions responsible for regulation and supervision of the economy. The high performance of the economy received positive responses from international credit rating agencies.

The effect of the implementation of steady policies allowed the Turkish Banking sector to maintain its strong structure in 2010. As part of its goals of profitability and productivity, Halkbank monitored developments in the economy and the sector closely and maintained a stable position and became one of the banks that increased its profitability the most. The growth in loans granted to the real sector played a significant part in that increase. Halkbank augmented its loan volume and expanded its loan base in line with its mission of being "productive Turkey's Bank" and with loans offered, continued to support all client groups from different segments, particularly tradesmen, artisans and SMEs.

As a trusted bank of choice in international markets, Halkbank offered as loans the funds it procured from international finance corporations in addition to its own resources. The Bank procured funds from the syndication loan market in 2010 and increased opportunities for the financing of foreign trade.

In 2010, Halkbank's assets increased by 20.3% to TL 72.9 billion. This figure was TL 60.7 billion in the same period of the previous year; 96.8% of the growth in assets resulted from the increase in loans.

The Bank increased its loan volume by directing a major proportion of its funds to loans by year end 2010. The ratio of Halkbank's loans on the balance sheet increased to 59.7% from 52.2%. The Bank continued to support the real sector by increasing its cash and non-cash loan volume to TL 56.2 billion from TL 41 billion, a 37.3% rise.

While the proportion of loans on the balance sheet increased in 2010, the share of the securities portfolio dropped to 26.4%. Compared to the previous year, there was a 5.9% decrease in the securities portfolio, resulting in a securities portfolio figure of TL 19.3 billion.

The total deposit volume of the Bank increased from TL 43.8 billion to TL 54.6 billion, a 24.7% increase compared to the previous year.

The Bank focused on salary payments made by companies. The size of average demand deposits was TL 5.8 billion in 2009. A steep rise of 44.7% increased deposits to TL 8.4 billion in 2010.

As one of the most profitable banks operating in the sector, Halkbank increased its 2010 year end profit by 23.3% compared to the previous year. It maintained its sustainable profitability and completed the year with a profit of TL 2,010 million.

With 72 years of experience, Halkbank had a profitable and productive operating period and continued to grow steadily in 2010. We would like to thank our employees for their dedicated work, without which we could not have achieved these results and to present the 2010 Board Report, the Auditors Report and the financial reports of Halkbank to our distinguished shareholders and representatives for evaluation.

Hüseyin AYDIN
Board Member and General Manager

Hasan CEBECİ
Chairman of the Board of Directors

TÜRKİYE HALK BANKASI A.Ş.

HUMAN RESOURCES PRACTICES

Recruitment and Hiring

The Human Resources Department is responsible for planning the Bank's work force needs for the coming year and how they will be utilized with internal/external resources, taking into account developments in the sector, developments that affect recruitment, qualitative changes to human resources and budget opportunities. Applicants should hold the following general qualifications, although special qualifications may be sought depending on the position for which a candidate applies.

- Turkish citizen or possessing a work permit obtained from the proper authorities in accordance with Law No. 4817 on Work Permits for Foreign Nationals,
- Not being devoid of public rights,
- No compulsory service obligations to any institutions or corporations,
- At least 18 years of age as of the date of the examination,
- Not more than 30 years of age at the time of the commencement of employment for the positions of Assistant Inspector, Assistant Specialist, Service Officer and below (for positions that require special qualifications, this age limit may be changed upon approval of the Board of Directors),
- Excluding negligent offences and suspended convictions apart from the offences listed below, not to have been sentenced with heavy imprisonment or imprisonment for more than six years, even if they have been pardoned, in relation to the following offences: crimes against the state, infamous or disgraceful offences such as embezzlement, peculation, commitment, bribery, theft, fraud, fraudulent acts, abuse of faith, fraudulent bankruptcy or smuggling except for or employment or consumption smuggling, bid or purchase and sale rigging, money laundering or disclosing state secrets,
- Not to have been banned from working at banks in accordance with the Banking Law,
- To have completed or deferred his military service as of the date of the exam or to be exempt from such military service obligation,
- Except for those who will be employed within the scope of the requirement set out by the Labor Law on the mandatory employment of disabled persons, be in good health as required by the position of employment and not have any mental or physical disabilities that may prevent the individual from doing permanent work in any part of Turkey,
- For Assistant Specialists and Officers, to have graduated from a four-year undergraduate program offered by a university or academy or to be a graduate of an equivalent school overseas. For lower-rank positions, the minimum requirement is to be a high school graduate or a graduate of a high-school equivalent institution,
- Hold the basic qualifications set out in the relevant article of the Banking Law.

Job Applications

Vacancies at the Bank are announced in newspapers and magazines and via Internet human resources websites and Halkbank's website. These announcements contain specific information about the examinations that will be held for the positions. Those who pass the examination may also be interviewed when necessary to determine whether or not they possess the knowledge and experience required by the position.

Promotion

There are two types of promotion at Halkbank: promotion in title and/or promotion in position. The minimum requirements to be met by the employees to be promoted to a higher title and/or position from their current title and/or position are:

- The availability of a vacant title and/or position to which the employee will be promoted,
- To have completed the minimum term of office in the current title and/or position, if applicable,
- To have achieved the necessary level of success at the end of the performance review,
- To hold the minimum education level and competence required by the position and/or title to which the employee will be promoted,
- To complete/have successfully completed the courses and/or seminars to which the employee will attend/attended in relation to the title and/or position to which the employee will be promoted,
- Not to have received a title/position demotion in accordance with a Disciplinary Board decision in the two years before the promotion exam/promotion evaluation.

TRANSACTIONS WITH THE RISK GROUP

The details and explanations on the 2010 transactions with the risk group of which the Bank is a part are contained in footnote VIII of Part Five of the Non-Consolidated Independent Auditor's Report.

COMPANIES FROM WHICH SUPPORT SERVICES ARE PROCURED

As required by the "Regulation concerning the Outsourcing of Support Services by Banks and the Authorization of Organizations Providing Such Services", the services received by the Bank and the companies providing these services are as follows:

- Side SafeWatch and Paygate software products maintenance services from Eastern Networks Çözümleri Ticaret A.Ş.
- Smart-Ha software maintenance service from Eastern Networks Çözümleri Ticaret A.Ş.
- Swift Alliance support service from Eastern Networks Çözümleri Ticaret A.Ş.
- ODM and mirroring support services from IBM Global Services, İş ve Teknoloji Hizmetleri ve Tic. Ltd. Şti.
- Software development and maintenance services for the Internet and telephone banking project from V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizmetleri Ticaret A.Ş.
- Halkbank Identity Project software maintenance service from Koç Sistem A.Ş.
- Professional Information Technology services from GMG Bilgi Teknolojileri Ltd. Şti.

TÜRKİYE HALK BANKASI A.Ş.

AUDIT BOARD'S REPORT

Türkiye Halk Bankası A.Ş.
AUDIT BOARD REPORT

The Audit Board attended the Board of Directors meetings held between January 1, 2010 and December 31, 2010, studying the relevant legislation, the Bank's activities and Board Resolutions as well as the documents that constitute a basis for the resolutions. The findings of the Audit Board are as follows:

As of 2010 year end, the asset size of the Bank increased to TL 72,942 million; a 20.3% rise. The loans increased to TL 43,559 million with a 37.6% rise and the total deposits increased to TL 54,587 million with a 24.7% rise. The ratio of non-performing loans to total loans dropped by 110 base points and decreased from 5% to 3.9%. A total of TL 608 million was collected from the Bank's non-performing loans. Of this, TL 130 billion was interest and TL 478 million was principal.

In 2010, total securities decreased by 5.9% amounting to TL 19,281 million. The special government debt securities given in May 2001 for duty losses incurred of TL 10.7 billion were fully cleared with the last principle and interest payments made in October 2010.

With the funds procured in 2010, the total funds that Halkbank obtained from international finance institutions in 2010 increased to an approximate figure of US\$ 1.7 billion and the number of SMEs using overseas-origin loans reached 1,357 in 2010.

The Bank's liquidity and capital adequacy ratios are above the legal limits defined by the Banking Regulation and Supervision Agency. In 2010, the return on equity ratio of the Bank was 30.5%, above the sector average. The Bank's net profit for the period of 2009 year end was TL 1,631 million. This figure increased by 23.3% and reached TL 2,010 million by year end 2010. The Bank continued to increase its profitability.

In conclusion, within the framework of the Audit Board's Report prepared in accordance with Article 354 of the Turkish Commercial Code, we present to the consideration of the General Assembly the approval of the Bank's 2010 balance sheet, profit/loss statement and other affiliated financial statements and the discharge of the 2010 activities of the Board of Directors.

Ankara, February 10, 2011

Respectfully yours,

Faruk ÖZÇELİK
Member of the Audit Board

Yusuf DAĞCAN
Member of the Audit Board

TÜRKİYE HALK BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Statement of Compliance with the Corporate Governance Principles

The Bank has implemented the principles set out in the Corporate Governance Principles published by the Capital Markets Board since the public offering of May 2007.

Corporate Governance Committee Regulations prepared within the framework of the Regulations on Corporate Governance Principles for Banks published by the Banking Regulation and Supervision Agency was changed in such a manner as to ensure compliance with the Capital Markets Law provisions following the public offering. They were adopted and put into force in accordance with the Resolution dated December 12, 2007 No.,49-07 of the Bank. The members and duties of the Corporate Governance Committee were reorganized accordingly. Article 3 of the Regulations on the Organization of the Corporate Governance Committee was changed in accordance with the Resolution dated August 12, 2008 No. 33-09 of the Board of Directors.

In the operating period which ended on December 31, 2010, Halkbank implemented and complied with the corporate governance principles commensurate with the explanations given below.

PART I -SHAREHOLDERS

2. Shareholder Relations Unit

24.98% of the Bank's shares began to be traded on the Istanbul Stock Exchange on May 10, 2007. The Bank carried out its activities in accordance with the Corporate Governance Principles published by the Capital Markets Board since that date. Within this scope, the shareholder relations functions of the Bank are executed by the Financial Institutions and Investor Relations Department and the Financial Accounting and Reporting Department, under the control of the General Management Office. The Financial Institutions and Investor Relations Department is responsible for establishing corporate relations with domestic and foreign investors. The second unit with responsibility for maintaining relations with shareholders is the Shares and Shareholders Unit, organized under the Financial Accounting and Reporting Department. Both departments are represented at Corporate Governance Committee and all information regarding the activities they carry out are reported to the Committee by them. The Bank monitors shareholder relations through its highly efficient structure.

Financial Accounting and Reporting Department:

Name Surname	Position	E-mail	Telephone
Yusuf Duran OCAK	Head of Department	YusufDuran.OCAK@halkbank.com.tr	(312) 289 30 01
Şebnem ÜLGİN	Division Manager	Sebnem.ULGIN@halkbank.com.tr	(312) 289 30 04
Zafer ERDEM	Specialist	Zafer.ERDEM@halkbank.com.tr	(312) 289 30 21

Major activities carried out by the Department:

- Activities that enable the shareholders to exercise their rights and maintain the relationship between the Board of Directors and the shareholders,
- Maintain and update shareholder records,
- Answer written requests made by shareholders,
- Actualize the Bank's capital increase transactions,
- Fulfill the legal requirements related to the General Assemblies.

Financial Institutions and Investor Relations Department:

Name Surname	Position	E-mail	Telephone
Mehmet Hakan ATILLA	Head of Department	Hakan.ATILLA@halkbank.com.tr	(212) 393 09 09
Lena ÇİTELi	Division Manager	Lena.CITELI@halkbank.com.tr	(212) 393 09 02
Aslı SERTTAŞ	Assistant Specialist	Asli.SERTTAS@halkbank.com.tr	(212) 393 09 10

Major activities carried out by the Department:

- Organize meetings with domestic and foreign investors and analysts, thus promoting a positive perception of the Bank,
- Contact relevant units to have the Investor Relations (English and Turkish) section of the Bank's website updated as necessary and publish the announcements about the developments taking place at the Bank,
- Inform investors and analysts about the quarterly financial structure; prepare presentations and documents about the financial structure and have them published on the website,
- Monitor developments in the banking sector and the performance of competitor banks and notify senior management of these developments,
- Monitor closely the share performance of the Bank and keep senior management notified,
- Track the daily news pertaining to the banking sector, global markets, economic developments, competitor banks and our Bank,
- Answer investor and analyst questions and classify correspondence,
- Organize teleconferences or individual meetings with investors and analysts,
- Attend roadshow events in Turkey and abroad.

3. Shareholders' exercise of their right to obtain information

In order to enable shareholders to exercise their right to obtain information effectively, all changes which may affect the financial and administrative structure of the Bank are announced on the Bank's website and the ISE-Public Disclosure Platform website. In addition, requests for information communicated through e-mail, mails or telephone calls are answered within the shortest time possible.

In 2010, approximately 100 information requests were responded to which the Shares and Shareholders Unit received either in printed form, through Diyalog (Call Center) or via e-mail. On average, between four and five calls were received daily from shareholders wishing to obtain information.

In 2010, the Investor Relations Department organized 3 international roadshows, 9 domestic and international one-on-one meetings with international participation, 17 wide-area teleconferences and 148 one-on-one meetings. Contacts were made with a total of 1,173 investors and analysts, 54 of them in international roadshows; 252 during one-on-one meetings, 395 at the Bank's headquarters; 208 by means of teleconference calls and 264 by e-mails and telephone. During all of which 7,165 questions were answered. The questions were predominantly about the financial structure of the Bank, profitability/productivity, the Bank's position in the sector, secondary public offering or block sales status, the Bank's growth strategies, administrative structure, future expectations and the economic and political structure of Turkey.

The appointment of special auditors is regulated by the Articles of Associations of the Bank and no requests regarding the appointment of special auditors have been received to date.

→ TÜRKİYE HALK BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

4. Information about General Meetings

An Ordinary General Meeting was convened on May 24, 2010 with a quorum of 77.56%. The announcements about the meeting were published in the Trade Registry Gazette of Turkey, two national newspapers, ISE-Public Disclosure Platform, the Central Registry Agency (CRA) and the Bank's website. The meeting announcements were made in accordance with the provisions of Law and the Articles of Association.

The Bank's Annual Report was submitted to the shareholders prior to the General Meetings for information and evaluation purposes. The shareholders exercised their right to ask questions at the General Meetings and these questions were answered by the Bank management. The Articles of Association do not contain any articles on the requirement to have a General Shareholders Meeting decision to purchase, sell or lease assets. In accordance with Article 5/2 of the Articles of Association, such powers remain with the Board of Directors.

In accordance with Article 15/2 of the Articles of Association, it shall be possible to vote by proxy. The Bank complies with the Capital Markets Board's regulations regarding this matter.

The minutes of the General Shareholders Meeting are disclosed to the shareholders on the Bank's website and at the Shares and Shareholders Unit. The Bank became publicly held on May 10, 2007. The minutes of the Ordinary General Shareholders Meeting held on May 24, 2010 have been published on the Bank's website and the ISE-PD website.

5. Voting Rights and Minority Rights

There are no privileged Halkbank shares. There are no mutual participation companies which have the right to vote in the General Shareholders Meeting. Minority rights are not represented in the management. The cumulative voting method is not incorporated in the Company's Articles of Association.

6. Dividend Payment Policy and Timing

Dividend distribution is governed by Article 27 of the Company's Articles of Association. In previous years, the portion of the distributable profit remaining after the legal reserve funds that was set aside was paid to the shareholders as a dividend. After the dividend distribution policy is determined by the Board of Directors and presented to the General Assembly for approval, the dividend is distributed to the shareholders within the legal periods as set out in the regulations. The dividend was paid to the shareholders in accordance with the decision made in the Ordinary Shareholders Meeting held on May 24, 2010. The dividend distribution policy of the Bank for the coming period will be determined in light of the changes to the equity structure and the prevailing circumstances.

7. Transferring Shares

The Articles of Association of the Bank do not contain any restrictions regarding the transfer of our shares.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy:

Pursuant to the "Communiqué on the Public Disclosure of Significant Developments" Series: VIII, No. 54 published by the Capital Markets Board, adjustments were made to the Bank's Disclosure Policy, which was prepared for the purpose of public disclosure within the framework of the Corporate Governance Principles, in accordance with the provisions contained in Article 23 and Article 8 of the Guide annexed thereto.

The Disclosure Policy, which sets out and defines four principal methods to ensure that investors obtain sufficient information about the Bank, has been published on the Bank's website.

The disclosure to be made by the Bank may affect the decision-making process of investors. Therefore, an indisputable rule for Halkbank is that such disclosure must contain the most updated, transparent, unbiased and accurate information. As part of this policy, the financial statements and financial performance presentations are reviewed by independent auditing firms on a quarterly basis and are made public through press releases and in the Investor Relations/Financial Information section of the Bank's website.

9. Disclosure of Material Events

The Bank's shares were listed on the Istanbul Stock Exchange on May 10, 2007. Since that date, all developments that may affect investor decisions have been immediately communicated to ISE-PD as Disclosure of Material Events. A total of 88 material event disclosures were made in 2010.

10. The Internet Site and its Content

The Bank's website address is www.halkbank.com.tr; it contains information such as trade registry information, shareholding and management structure, the Articles of Association, the Disclosure of Material Events, annual and interim reports, periodic financial statements and reports, the prospectus and the public offering circular, the agenda, lists of participants and minutes of the General Shareholders Meeting and the voting by proxy form as set out in Article 1.11.5 of Part II of the Corporate Governance Principles of the Capital Markets Board.

11. Disclosure of Ultimate Non-Corporate Controlling Shareholders

There are no ultimate non-corporate shareholder in our Bank. The shareholding structure of the Company is announced in the Annual Report published at the end of every period and on the website.

12. Public Disclosure of those who may have access to Insider Information

Halkbank carries out its activities within a very large organizational network. In carrying out their duties and responsibilities, the employees of the Bank act in accordance with Articles 73 and 159 of Banking Law No. 5411, which govern the scope of client and trade secrets.

PART III - STAKEHOLDERS

13. Keeping Stakeholders Informed

Any information that may affect the Bank's financial and administrative structure is published on ISE-PD and the Bank's website. In addition, questions about the Bank are answered through individual meetings, roadshows, one-on-one meetings, teleconference calls and e-mails. Any stakeholder can use the relevant sections of ISE-PD or the Bank's website or other tools of communication to obtain information.

↪ TÜRKİYE HALK BANKASI A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

14. Stakeholders' Participation in Management

Stakeholders' rights to participate in the Company's management are protected within the framework of the relevant laws, regulations and the Articles of Association. The Bank's working principles and client relationships are carried out in accordance with the defined principles of ethics. Opinions, recommendations and complaints about the products and services offered to the clients are communicated through phone calls, fax messages, mail and Internet channels. The relevant departments of the Bank evaluate the requests and suggestions that are communicated to the Bank through these channels and give feedback within the shortest time possible. Halkbank strives to carry out all banking transactions effectively and productively and to create continuous added value for its clients, shareholders and employees. As part of this, the Bank has developed a Quality Recommendation System with the intention of improving the business processes and offering more efficient services of higher quality. This system also encourages the employees to take part in management. The employees communicate their suggestions through this system; those suggestions that are in accord with the evaluation criteria are put into effect.

15. Human Resources Policy

The definition and implementation of Halkbank's Human Resources Policy is based on the following fundamental principles:

- Carry out activities to achieve the Bank's objectives with an optimum number of staff,
- Select and recruit staff whose level of competence fits the qualifications required for a position,
- Value and respect the individualities of the employers, to observe the protection of their moral and material rights,
- Create a safe working environment appropriate to the nature of the work being done,
- Offer a working environment and social relations opportunities that will increase employee's desire and capacity to work,
- Provide employees with fair and equal work, training and development opportunities,
- Establish a salary and personal rights system that will ensure that the number and qualifications of the staff meet the requirements of the services given and that staff members do not lose their interest and productivity during their term of employment,
- Provide the employees with opportunities to increase their knowledge and experience and reward successful employees within the bounds of possibility,
- Inform the employees about the issues that concern them and be open to communication in order to allow the personnel to easily communicate their ideas and views to management,
- Ensure that the employees work with dedication to the principles of productivity and profitability and in a cost-conscious manner,
- Promote creative thinking and encourage the employees to produce transaction ideas,
- Adopt the principle that appointments are made internally whenever possible, so that the Bank's corporate culture and identity are protected, giving priority to appointing employees from within the bank to vacant positions and to carry out the promotion process in consideration of the skills, success level, education background and term of office of employees,
- Evaluate the employees with objective criteria and on an equitable basis.

16. Relations with Clients and Suppliers

Our primary strategy is to offer customer-oriented and high-quality services. Our goal is to ensure customer satisfaction by offering the highest-quality services in the sector for all business processes. The new performance process of the Bank ensures that all customer requests are met on-sight. Within this framework, client needs are identified, different sector-oriented products are developed and systemic arrangements are made in response to the loan requests of clients. With the intention of enhancing the quality of the services offered to clients, the Bank organizes marketing, sales and technical training programs for its employees.

Halkbank clients can obtain information about banking services and products, complete their banking transactions and communicate their opinions and complaints through the Happy Customer Line and all other channels 24 hours a day, seven days a week.

Halkbank clients can call 444 0 400 Diyalog phone line to talk to the customer representatives or send their opinions or complaints through www.halkbank.com.tr or the Customer Care Center (e-mail: dialog@halkbank.com.tr, fax number: 0212 340 0999 or address: PK 37 34387 Mecidiyeköy/ISTANBUL) All online communications are responded to within 24 hours.

17. Social Responsibility

Halkbank embarked on its journey as the Bank of SMEs. For an interrupted period of 72 years, the Bank has been continuing its mission of providing financial support for all entrepreneurs who, through their production, can reduce Turkey's import-dependency, contribute to economic development and increase the employment opportunities in Turkey. Halkbank considers support given to SMEs as an investment in Turkey's future and feels that there is an aspect of social responsibility to its activities. As part of this, the Bank attaches importance to designing its social responsibility projects in accordance with its mission of foundation. With that understanding, Halkbank develops solutions for SMEs, a most important group of business partners, while also carrying out social responsibility projects which aim to contribute to their business processes, provide them with world-class production and expand their visions.

In cooperation with the French Development Agency, Halkbank implemented the SME Transformation Project in September 2008. This projects aims to raise the awareness of SMEs with regard to corporate social responsibility, the environment and workplace health and safety. The project is planned to continue until year end 2011.

In today's economy, where sustainable development has become a very important factor, it has become an obligatory criterion for SMEs to ensure that their activities comply with the legislation on the environment and workplace health and safety, which is especially true for international joint ventures. The projects Halkbank has successfully carried out for two years have aimed to equip SMEs with a vision and help them make the necessary transition in their workplaces.

2500 SME representatives and officials attended the training conferences Halkbank organized in ten different cities as part of its SME Transformation Project. Free training courses and consultancy on the environment and workplace health and safety were given at the workplaces of 96 companies operating in the cities where the conferences were held. A total of 1,400 employees from these companies earned their certificates upon completion of these free training programs. Four SMEs were given free consultations about establishing a one-year ISO 14001 or OHSAS 18001 standard.

Halkbank offers free consulting services to those SMEs that attend these conferences, during which detailed information about corporate social responsibility, the environment and workplace health and safety is shared. Consultations are offered to ensure that workplaces comply with legislation, establishing and obtaining certified ISO 14001 environment management and an OHSAS 18001 workplace health and safety system and energy efficiency. Halkbank also offers long-term loan support to SMEs that wish to invest in these fields.

Halkbank's project evaluation and financial analysis teams, branch managers and marketing personnel, who are in contact with SMEs and prepare reports on the evaluation of loan requests also benefit from these SME Transformation Project training programs.

As "productive Turkey's Bank", Halkbank carries out sponsorship activities for educational and cultural projects as well as projects in many other fields in addition to its social responsibility projects.

→ TÜRKİYE HALK BANKASI A.Ş.
CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART IV - THE BOARD OF DIRECTORS

18. The Structure and Formation of the Board of Directors; Non- Executive Directors

Name Surname	Position	Began *	Ended	Committee Assignment
Hasan CEBECİ	Chairman	28/03/2003	Cont.	Corporate Governance Committee
Mehmet Emin ÖZCAN	Vice Chairman	24/05/2010	Cont.	Credit Committee
Hüseyin AYDIN	Board Member and General Manager	28/03/2003	Cont.	Credit Committee Assets and Liabilities Committee
Emin Süha ÇAYKÖYLÜ	Board Member	28/03/2003	Cont.	Audit Committee
Dr. Nurzahit KESKİN	Board Member	13/04/2005	Cont.	Corporate Governance Committee Credit Committee (Associate Member)
İbrahim Hakkı TUNCAY	Board Member	09/04/2008	Cont.	Corporate Governance Committee
Ahmet YARIZ	Board Member	09/04/2008	Cont.	Credit Committee
Salim ALKAN	Board Member	24/05/2010	Cont.	Audit Committee Credit Committee
Sabahattin BİRDAL	Board Member	27/10/2010	Cont.	Corporate Governance Committee Credit Committee (Associate Member)
Yusuf DAĞCAN	Audit Board Member	28/03/2003	Cont.	
Faruk ÖZÇELİK	Audit Board Member	24/05/2010	Cont.	

* The starting date is the date on which the members were first elected.

Mr. Sabahattin BİRDAL was appointed to Mr.Mitat ŞAHİN's position who was appointed Member of the Board of Directors in the General Shareholders Meeting held on May 24, 2010 and left Halkbank on July 1, 2010.

All Board members (with the exception of Mr. Sabahattin Birdal) were elected during General Meetings. The Bank does not have an Executive Board or Executive Board Members.

No independent members were elected to the Board of Directors at the Extraordinary General Meeting held on May 24, 2010.

The members of the Board of Directors are elected for a period of three years and their terms of office are ongoing. The Board members are authorized to act in accordance with the relevant provisions of the Turkish Commercial Code.

19. Qualifications of the Board of Directors

All members of the Board of Directors hold the qualifications required for Board members as set out in the Corporate Governance Principles published by the Capital Markets Board.

20. The Mission, Vision and Strategic Goals of the Company

The Mission, Vision, Primary Goals and the Primary Strategies of the Bank were adopted in accordance with the Board of Directors Resolution dated December 27, 2006 No. 41-04 and disclosed to public via the Bank's website.

21. Risk Management and Internal Control Mechanisms

In accordance with Articles 29, 30, 31 and 32 of Banking Law No. 5411, banks shall be liable for establishing and maintaining adequate and effective internal control, risk management and internal auditing systems that cover all branches and the subsidiaries subject to consolidation. These systems should be compatible with the scope and structure of the activities and intend to monitor and control the risks that banks encounter.

In accordance with this, the Bank's Risk Management, Internal Control and Internal Auditing units carry out their activities in compliance with the above-mentioned articles and the Regulations on Internal Systems of Banks published in the Official Gazette dated November 1, 2006, No. 26333 by the Banking Regulation and Supervision Agency.

The internal systems units carry out their activities under the Audit Committee, which consists of Board members with no executive functions. These activities intend to measure and eliminate potential risk.

Of these Internal Systems units, the Departments of Internal Control and Risk Management work under the Deputy General Manager responsible for Internal Control and Risk management and the Board of Inspectors works under the Audit Committee, formed to provide support in carrying out the supervision and monitoring activities on behalf of the Board of Directors.

The Board of Inspectors ensures that the Bank carries out its activities in line with laws and other relevant legislation as well as internal strategies, policies, principles and goals. It ensures the smooth, adequate and effective running of the risk management and internal control systems.

The operations of the internal systems units for the measurement and elimination of risk and their findings regarding the safe operation of the Bank are evaluated by the Audit Committee every six months and are reported to the senior management of the Bank. In addition, the Audit Committee has regular meetings with the internal systems units throughout the year to analyze and evaluate the Bank's risk.

22. The Authorities and Responsibilities of the Board of Directors and Executives

The authorities and the responsibilities of the members of the Board of Directors are primarily set out in the Articles of Association of our company and also in the Regulations on Management Bodies adopted in accordance with the Board of Directors Resolution dated June 9, 2005, No. 17-32. The said Regulations set out in detail, the Bank's working principles and the duties and authorities of the Board of Directors, the Credit Committee and the General Manager of the Bank. Although the Regulations on Management Bodies include provisions on the Audit Committee, detailed regulations are contained in the Regulations on the Duties, Powers, Working Principles and Procedures of the Audit Committee adopted in accordance with the Board of Directors Resolution dated October 31, 2006, No. 34-01.

The duties and responsibilities of the Bank's managers are defined by the Regulations and furthermore, especially with regard to monetary issues, within the framework of both the authorities delegated by the Board of Directors and those authorities assigned to the General Manager, which were later reassigned by the General Manager to lower offices.

↪ TÜRKİYE HALK BANKASI A.Ş.
CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

23. Operating Principles of the Board of Directors

The Board of Directors convenes at the request of the Chairman or the Vice Chairman or a member of the Board at least once a month. The Board meeting agenda is drawn up by the Chairman or Vice Chairman calling the meeting. The agenda and a letter of convocation are communicated to the members by the Department of Board Office Services.

The Department of Board Office Services enters the Board Decisions into the decision book. All discussions and briefings that take place during the meetings are recorded and kept by the Department of Board's Office Services.

Neither the Articles of Association of the Bank nor the Regulations on Management Bodies gives any majority voting rights nor positive/negative veto rights to any Board member.

24. Prohibition on doing Business or Competing with the Company

The Articles of Associations of the Bank do not contain any clauses on this matter.

25. Code of Ethics

The code of ethics consists of the principles and the regulations on working order that Halkbank employees need to follow when performing their duties. These principles aim at preventing any disputes or conflicts of interest that may arise between the employees, the clients and the Bank. Attitudes and behavior in violation of these rules are evaluated in accordance with the discipline regulations. Halkbank expects its employees to use common sense and the rules of goodwill with regard to the issues and circumstances that fall outside the scope of these rules.

In line with the principles of business ethics, Halkbank employees are expected to act as follows:

- Demonstrate a dignified, honorable and honest demeanor in all business relations,
- Avoid all kinds of behavior and attitudes that may damage Halkbank's reputation during the course of performing their duties,
- Thoroughly know and adhere to the laws, regulations, rules and legislation with regard to their duties,
- Under no circumstances disclose insider information to parties other than those who need to have such information,
- Study, adhere to and be well-informed about the instructions, regulations, procedures and rules that may be made with regard to organizing the working order,
- Inform managers or the Human Resources Department of any known or suspected breach of rules before taking any personal precautions,
- Always avoid expressing political, social or religious views in the workplace,
- Always dress in a plain and stylish manner that fits the work environment and strictly avoid casual clothes and evening dresses that would conflict with a serious corporate environment or any outfit that may have a political or religious meaning or express a social view.
- Employees must avoid acting in such a manner as to violate the rules on the equality of sexes, respect, general ethics and generally accepted ethical behavior.

The Bank has a Code of Ethics attached to the Human Resources Regulations. This code lays out the main principles that cover the issues of conflict of interest, rules about the flow of information, relations with clients and human resources. More detailed explanations are given under each main principle heading.

The code of ethics is disclosed to the public on the Bank's website.

26. Number of Members, Structure and Independence of the Committees established by the Board of Directors

The members of the Board of Directors have duties in the Credit Committee, the Audit Committee and Corporate Governance Committee. In addition to these committees, there are many more executive and/or directing boards, committees and commissions in which the Board members do not take part.

In accordance with the Regulations on Loan Transactions of Banks published by the Banking Regulation and Supervision Agency, the Credit Committee of our Bank consists of three members of the Board of Directors and the General Manager. The General Manager acts as the Chairman of the Credit Committee. In the absence of the General Manager, the Credit Committee is led by a permanent member of that Committee. The Chairman of the Committee is responsible for the coordination of the Committee's activities to ensure that they are run in an effective and smooth manner.

The Department of Board Office Services acts as a Reporter at the Credit Committee meetings.

The Audit Committee of the Bank consists of two Members of the Board of Directors. These two Board members do not have any executive function.

Corporate Governance Committee of the Bank consists of four members of the Board, the Deputy General Manager responsible for Human Resources and Organization, the Deputy General Manager responsible for Financial Management and Planning, the Deputy General Manager responsible for Treasury Management and International Banking and the Head of the Human Resources Department. The Chairman of the Board of Directors acts as the Chairman of Corporate Governance Committee. The four members of the Board working on Corporate Governance Committee have no executive function.

Four of the members of the Board have no administrative function and are working on more than one Committee.

27. Financial Benefits provided to the Board of Directors

In accordance with Article 21 of the Articles of Association, the Bank pays a monthly salary to the members of the Board of Directors. The amount of such monthly salary is determined at the General Shareholders Meetings.

FINANCIAL INFORMATION AND ASSESSMENT ON RISK MANAGEMENT

Assessment of the Audit Committee of Türkiye Halk Bankası on the operation of the Internal Control, Internal Audit and Risk Management Systems and Information about Activities in 2010

The Board of Inspectors

The Board of Inspectors of Türkiye Halk Bankası A.Ş. reports to the Board of Directors through the Audit Committee and carries out its activities in accordance with the Internal Systems Regulations of the Banking Regulation and Supervision Agency. With its team of 202 inspectors and assistant inspectors, it carries out auditing, inspection and investigation activities with regard to the activities of the Bank and its subsidiaries subject to consolidation.

Within this scope, the activities are carried out without being subject to any restriction. All activities of all domestic and international units and branches and subsidiaries of the Bank are inspected from the perspectives of compliance with laws, other relevant legislation, the internal strategies, policies and the implementation procedures. These periodic inspections are carried out on-sight or at the head office depending on risk type.

The above-mentioned activities of the Board of Inspectors are carried out using three complementary methods; on-sight inspection, centralized inspection and IT inspection. A total of 80% of the inspectors of the Board carry out on-sight inspection activities; 10% are engaged in centralized inspection activities; 5% carry out IT Inspection and the remaining 5% carry out the examination/investigation or audit report review and revision activities.

Within the scope of the on-sight inspection activities carried out with a risk-oriented inspection approach, (3) Subsidiaries, (4) Regional Coordinator's Offices, (3) Overseas Financial Services Offices, (3) Overseas Offices, (1) Overseas Representation Office and (656) Branches were inspected in 2010. (9) audit processes at General Directorate units of the Bank were also carried out.

The central inspection and IT Inspection activities carried out in accordance with international practices and under the guidance of independent auditors and the Banking Regulation and Supervision Agency intends to obtain the following outcomes: focusing on the transactions with a high level of risk to ensure the early detection of irregularities and operational errors, inspecting the confidentiality and accuracy of the information produced in the IT systems and the internal control of the processes thus preventing actions that may damage deposit holders' and shareholders' interests.

Internal Control

The Internal Control activities are carried out under the Audit Committee, within the framework of the Banking Law and the Regulations on the Internal Systems of Banks of the Banking Regulation and Supervision Agency. These activities have the following goals: protecting the Bank's assets; ensuring that the activities are carried out in an efficient and productive manner and in accordance with the Law and other relevant legislation, the internal policies and rules of the Bank and banking conventions; carrying out objective and unbiased reporting activities using generally accepted professional standards and rules of business ethics and through proactive, preventive approaches to ensure the reliability, integrity and timeliness of accounting and financial reporting systems and to do this by monitoring through operational and other control points in a such a manner as to ensure synchronicity with evaluation and management structures.

As a result of risk-focused internal control activities regarding effects on the bank's balance sheet, branches with high concentration of loans, deposits and NPL, branches with high increases in financials and high-risk branches evaluated through statistical analysis and central audits of operational mistakes have separate working times and conditions.

The control activities carried out at the Head Office Units, branches and subsidiaries in a risk-oriented manner are supported by the reports generated by the database of the centralized system and cross-checks to build an effective internal control infrastructure.

The operational risk detected during inspections and the measurements of these risks are digitized to determine the risk levels of branches. In addition, business processes are analyzed and opinions and recommendations for increasing efficiency and productivity are communicated to the relevant departments. The Internal Control activities are carried out at the General Directorate Units, branches and subsidiaries and the results of these Internal Control Activities are periodically evaluated to measure and assess risk by branch and subject.

Compliance Control activities are carried out in accordance with the provisions contained in the Regulations on the Internal Systems of Banks. These activities are intended to control the conformity of the activities the Bank carries out or plans to carry out and the new transactions and products of the Bank with the Law, other relevant legislation, the internal policies and rules of the Bank and banking conventions.

Within that scope, legislation is scanned using relevant resources; laws, bylaws, regulations, circulars and other regulations are followed and the business processes are reviewed to inspect whether the practices of the Bank are carried out in accordance with these regulations.

The relevant units are informed about any changes to legislation and practices and are warned about any deficiencies detected.

As part of the digitization of operational risks, the Risk Warning Reports are entered into the database with a numerical code depending on the type of error and deficiency and risks are rated in accordance with the level of importance of errors. These numerical data are periodically measured and assessed by branch and subject.

Central control activities are carried out with the intention of shortening the on-sight control times to increase the efficiency of the controls carried out during that process and ensure that the operational risks are controlled from the headquarters. The data obtained from the central system database are analyzed. The transactions that may pose risks in accordance with the defined criteria are reported and the results are analyzed either on-sight or centrally.

Issues that arise as a result of the control activities carried out by Internal Control staff on request of the Senior Management of the Bank, the Members of the Board, the Board of Inspectors, the Head Office Units or the Regional Coordinator's Offices are subjected to a pre-inspection study and the results of such study are reported. Information and documents that constitute the subject of the inspection activities are evaluated in detail during the inspection. Those issues which require inspection by an inspector are referred to the Board of Inspectors and those issues that can be resolved by taking administrative measures are referred to the Head Office units.

The liability-incurring erroneous transactions that are identified by the Internal Control staff during centralized or on-sight inspection are referred to the Board of Inspectors for the determination of the administrative, financial and punitive liabilities. The Board of Inspectors also inspects the efficiency of the Internal Control activities.

In order to ensure that loan practice and business process related deficiencies are eliminated and operational risk is reduced, risk and results identified in the inspections and the audit reports are effectively controlled and monitored and the results are evaluated.

➔ FINANCIAL INFORMATION AND ASSESSMENT ON RISK MANAGEMENT

Risk Management

In accordance with the Regulations on the Internal Systems of Bank published in the Official Gazette Number 26333, dated November 1, 2006 by the Banking Regulation and Supervision Agency, the activities of the Department of Risk Management are carried out by the Audit Committee.

The Audit Committee has studied the reports on loan, market and operational risks prepared by the Department of Risk Management and the results of scenario analyses and stress tests.

- The results of the stress test and the scenario analyses have shown that the Bank holds sufficient equity to allow the safe running of the Bank's operations,
- The risks assumed by the Bank are within the risk appetite limits defined by the Board of Directors,
- The loan default rates are of a reasonable level,
- Taking into consideration the rating of companies to which loans are made available and the risk-reduction factors established, necessary importance is given to security with regard to placement activities,
- The results of the Quantitative Impact Studies carried out show that the Bank's Capital Adequacy Ratio is above the minimum ratios even if the Basel II provisions are applied,
- The results of the Vintage Analyses show that the ratio of loans opened to transfer to non-performing tracking as per periods is reasonable,
- Structural interest rate risk analyses carried out to measure the interest rate risk in the banking accounts show that the impact of interest changes on the economic value of the Bank are below the limits defined in the Risk Management Policies and Implementation Procedures document,
- The results of simulation studies carried out show that the Bank fully complies with the ratios and limits calculated within the framework of the Basel III regulations,
- The Value at Risk analysis which the Bank carried out to measure the market risk using an intrinsic model suggests that the market risk taken can easily be covered by the Bank's equity,
- The liquidity adequacy ratios calculated using the first and second term slices and the stock values contained in the Regulations on the Measurement and Evaluation of the Liquid Adequacy of Banks, which entered into force upon publication in Official Gazette dated November 1, 2006 and intended to ensure that banks and achieve and maintain an adequate level of liquidity that will allow them to cover the liabilities with regard to their assets, are above the thresholds defined by the Banking Regulation and Supervision Agency,
- In the light of the data entered into the operational risk loss database, the operational loss between January 2010 and December 2010 is within the tolerance interval defined in the Operational Risk Management Policies and Implementation Procedures with regard to losses that may be incurred as a result of the operational risk the Bank encounters within a period of one year.

TÜRKİYE HALK BANKASI A.Ş.

FINANCIAL STANDING, PROFITABILITY AND SOLVENCY

ASSET STRUCTURE

The total assets of the Bank increased to TL 72,942 million with a rise of 20.3% by year end 2010.

The Bank's principles placements consisted of loans (TL 44,296 million with a 60.7% share), investment securities (TL 20,207 million with a 27.7% share), liquid assets (TL 5,759 million with a 7.9% share) and other types of placement (with a 3.7% share).

Compared to the previous year, the most substantial increases in 2010 took place in loans (TL 11,838 million) and available for sale financial assets (TL 2,638 million). The most substantial asset decrease took place in the investments held to maturity (TL 3,838 million).

As of year end 2010, the Bank's loans increased by 36.5% while the loan increase rate in the sector was 33.9%. The Bank's market share with regard to loans rose from 8.1% to 8.3%. In 2010, the loan to deposits ratio went up by 700 basis points to 80.9%, indicating that the disparity between the sector and the Bank with regard to the said ratio continued to decrease.

Although the 2009 total non-performing loans of TL 1,668 million increased to TL 1,758 million by year end 2010, the ratio of non-performing loans to total loans decreased by 109 basis points compared to the previous year, dropping from 4.9% to 3.8%.

LIABILITY STRUCTURE

A substantial portion of the Bank's resources consists of deposit accounts (TL 54,782 million with a 75.1% share), non-deposit resources, (TL 8,275 million with an 11.3% share) shareholder's equity (TL 7,445 million with a 10.2% share) and other resources (with a 3.4% share).

Compared to the previous year, the most substantial increases in 2010 took place in deposits (TL 10,832 million) and funds borrowed (TL 1,793 million) and shareholders' equity.

The breakdown of total deposits, the most important resource for the Bank, shows that the increase in savings deposits was TL 3,718 million (a 40.4% share); the increase in government institutions' deposits was TL 1,376 million (a 6% share); the increase in commercial institutions' deposits was TL 4,162 million (a 17.7% share) and the increase in banks deposits was TL 1,302 million with (a 5.9% share). Other deposits increased by TL 856 million (a 5.7% share).

The majority of the Bank's deposits consisted of its TL accounts, with a share of 72.4%, and 27.6% of the deposits consisted of foreign currency account. The share of demand deposits in total deposits increase by 250 basis points compared to year end 2009 and reached 15.9%.

PROFITABILITY STRUCTURE

The Bank closed the 2010 operating period with a net profit of TL 2,010 million. The major income and expense items that constituted the profit for the period were as follows:

The most important income item of the Bank is shown to be the interest income derived from asset placements. The year end figure was TL 6,351 million.

Interest income totaling 67% (TL 4,256 million) was derived from loans; 31.7% (TL 2,014 million) was derived from securities and 1.1% (TL 71 million) was derived from banks.

Compared to the previous year, the interest income on securities portfolio decreased by TL 428 million and the interest income on loans increased by TL 30 million.

↪ TÜRKİYE HALK BANKASI A.Ş. FINANCIAL STANDING, PROFITABILITY AND SOLVENCY

The study of the accounts constituting interest income shows that the largest portion consists of the interest paid for deposits (TL 2,772 million with an 87.7% share). The interest paid for deposits, which constitute 75.1% of the Bank's resources, was the main expense item in 2010. Other interest expenses amounted to TL 388 million and total interest expenses amounted to TL 3,160 million.

The net interest income of the Bank at year end was TL 3,191 million.

The net fee and commission income increased to TL 526 million with a 14.2% rise.

The Bank set aside provisions of TL 458 million against its loan and other receivables related to its activities in 2010.

Personnel expenses increased by 12.6% compared to the previous year, reaching TL 670 million. Personnel expenses constitute a significant portion of the other operational expense items that amount to TL 1,495 million.

A pre-tax profit of TL 2,509 million was derived as a result of the Bank's activities in 2010; TL 499 million of this was set aside as tax provision, resulting in a net profit of TL 2,010 million. The Bank was able to increase its profitability despite the narrowing interest margins and the increasingly competitive market conditions.

SOLVENCY

Deposits were the most important resource for the Bank and acted as an efficient instrument for covering long-term debts due to the breadth of the depositor base and their strong structure. The existing customer base is the most important factor the Bank relies on for the procurement of the necessary resources. The Bank's core deposit rate is around 89.9%; this ratio makes a large contribution to the Bank's liquidity.

The 2010 year end capital adequacy ratio of the Bank was 15.94%, above the minimum legal ratio. The equity structure, which strengthened with increased profitability and the planned dividend distribution policy of the Bank, is on a level that can compensate sums subject to loan risk.

Halkbank is a Turkish government debt securities market maker and with the help of its strong capital and financial structure, it has a special position in the sector with regard to borrowing and fund procurement.

With long years of banking experience, Halkbank has a respectable position both in Turkey and in international markets. The Bank's relations with over one thousand correspondent banks, overseas representation offices and branches across Turkey shows the strength of its strong organizational structure in terms of fund procurement.

In 2010, Halkbank continued its efforts to increase the quality of its assets while enriching its existing and alternative funding sources.

TÜRKİYE HALK BANKASI A.Ş.

RISK MANAGEMENT POLICIES BY RISK TYPES

The risk policies and implementation principles of the Bank were developed in accordance with Article 36 of the Regulations on the Internal Systems of Banks published in the Official Gazette dated November 1, 2006 No. 26333.

The risk policies of the Bank aim to ensure that Halkbank carries out its activities in accordance with the procedures and principles set out in the Banking Law and in line with its mission and goals of profitability and productivity. These policies also aim to protect the interests of the depositors and the shareholders of the Bank to the maximum extent possible.

The Risk Management Policies and Implementation Procedures put into effect in accordance with a Board of Directors Resolution defines the following:

- The loan and concentration limits for the loans to be made available under the powers of the General Directorate, Regional Coordinator's Offices and Branches,
- The principles concerning the risk analyses to be carried out in relation to new products and services,
- The risk appetite of the Bank,
- The principles pertaining to the rating systems used in the lending process and the validation of these systems,
- The risk reduction techniques by rating groups,
- The reporting that needs to be made with respect to the Basel II/CRD process,
- The stop-loss limits with respect to capital market position and foreign currency position losses in treasury operations and the limits for capital market and money market transactions,
- The limits for the other parties' risks that may be incurred by the Bank with regard to foreign currency position and the transactions with correspondent banks,
- The limits for the Bank's liquidity and structural interest rate risk,
- The limits applicable to the restriction of the impact interest rate shocks may have on the economic value of the Bank,
- The limits applicable to the liquidity ratios followed in accordance with the Liquidity Emergency Action Plan,
- The tolerance limits applicable to losses that may result from operational risk.

Limits are checked periodically to determine whether or not they are being complied with.

TÜRKİYE HALK BANKASI A.Ş.

SUMMARY FINANCIAL INFORMATION ON THE FIVE-YEAR PERIOD

ASSETS (TL millions)	2006	2007	2008	2009	2010
Liquid Assets	3,630	4,683	5,129	4,552	5,759
Securities	18,139	15,945	18,334	21,373	20,207
Loans	11,646	18,121	25,836	32,458	44,296
Subsidiaries, Affiliates and Jointly Controlled Subsidiaries	135	347	325	321	740
Fixed Assets	729	749	1,061	1,234	1,061
Other	146	390	411	712	879
Total Assets	34,425	40,234	51,096	60,650	72,942

LIABILITIES (TL millions)	2006	2007	2008	2009	2010
Deposits	27,188	30,841	40,271	43,950	54,782
Money Markets	672	1,703	2,390	5,762	3,155
Borrowings	873	937	1,522	2,032	3,824
Funds	1,003	1,042	1,216	1,316	1,295
Other	909	1,328	1,408	1,830	2,441
Shareholders' Equity	3,780	4,383	4,289	5,760	7,445
Net Period Profit/Loss	863	1,131	1,018	1,631	2,010
Total Liabilities	34,425	40,234	51,096	60,650	72,942

**TÜRKİYE HALK BANKASI
ANONİM ŞİRKETİ**

**UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2010**

(CONVENIENCE TRANSLATION OF UNCONSOLIDATED
FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND
FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

WITH INDEPENDENT AUDITORS' REPORT THEREON



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

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

To the Board of Directors of
Türkiye Halk Bankası AŞ;

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

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

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

Disclosure for the Responsibility of the Authorized Audit Firm:

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

Independent Auditors' Opinion:

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

İstanbul,
11 February 2011

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik Anonim Şirketi

Erdal Tıkmak
Partner

Additional paragraph for convenience translation to English:

As explained in Note 1 in Third Section, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

TÜRKİYE HALK BANKASI AŞ THE UNCONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

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

Ankara, 11 February 2011

Hasan Cebeci
Chairman of the
Board of Directors

Hüseyin Aydın
Member of the Board of Directors,
Chief Executive Officer

Emin Süha Çayköylü
Member of the Board of Directors,
Member of the Audit Committee

Salim Alkan
Member of the Board of Directors,
Member of the Audit Committee

Osman Arslan
Financial Management and Planning
Vice Chief Executive Officer

Yusuf Duran Ocak
Financial Accounting and
Reporting Department Head

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

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

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General Information about the Bank

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TÜRKİYE HALK BANKASI A.Ş.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

SECTION I: GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

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

Shareholders	31.12.2010	%	31.12.2009	%
Prime Ministry Privatization Administration ⁽¹⁾	937.276	74,98	937.276	74,98
Public shares	312.261	24,98	312.250	24,98
Other shareholders	463	0,04	474	0,04
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.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan CEBECİ	Chairman of the Board of Directors	13.04.2005	Ankara Eco. and Com. Science (ECS) Academy-Economy&Finance	30
Mehmet Emin ÖZCAN(*)	Vice Chairman of the Board of Directors	24.05.2010	Ankara University-Faculty of Political Science-Economy&Finance	27
Hüseyin AYDIN	Member of the Board of Directors, Chief Executive Officer	01.06.2005	Ankara Eco. and Com. Science (ECS) Academy-Economy&Finance.	27
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.03.2003	Doctor's Degree: Washington International University-Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU – Faculty of Engineering-Mechanical Engineering.	27
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.04.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree in Finance; Marmara Uni. Banking and Insurance Ins. – International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	20
İbrahim Hakkı TUNCAI	Member of the Board of Directors	09.04.2008	Bachelor Degree: METU Business Administration.	30
Ahmet YARIZ	Member of the Board of Directors	09.04.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins.-Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Bachelor Degree: Istanbul Uni.-Business Administration.	19
Salim ALKAN(*)	Member of the Board of Directors	24.05.2010	Ankara Uni. Faculty of Political Science-Business Administration.	38
Sabahattin BİRDAL(*)	Member of the Board of Directors	27.10.2010	Istanbul Uni. Faculty of Economics Business Administration-Finance	25
Faruk ÖZÇELİK(*)	Member of the Audit Committee	24.05.2010	Master's Degree: Selcuk University Social Sciences Ins.-International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	-
Yusuf DAĞCAN	Member of the Audit Committee	28.03.2003	Eskişehir Economics and Trade Academy-Economy&Finance.	31
Yakup DEMİRCİ	Executive Vice President	11.06.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	21
Mustafa SAVAŞ	Executive Vice President	12.08.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	19
Erol GÖNCÜ	Executive Vice President	09.03.2005-13.06.2005 By proxy 14.06.2005 Principal	METU Faculty of Arts and Sciences-Mathematics Department.	22
Yunus ESMER	Executive Vice President	17.06.2005	Ankara ECS Academy Business Administration-Accounting Department.	31
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.06.2005	Doctor's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	19
Süleyman ASLAN	Executive Vice President	17.06.2005	METU Faculty of Economic and Administrative Sciences-International Relations Department.	18
Selahattin SÜLEYMANOĞLU	Executive Vice President	01.07.2007	Master Degree: Selcuk University Social Sciences Ins.-International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	20
Osman ARSLAN	Executive Vice President	01.07.2007	Master's Degree: METU Business Administration for Executives. Bachelor's Degree: METU Faculty of Arts and Sciences-Department of Statistics.	15
Bilgehan KURU	Executive Vice President	01.07.2007	Master's Degree: METU Faculty of Arts and Sciences Bachelor's Degree: METU Faculty of Engineering-Mining Engineering.	24
Mehmet Akif AYDEMİR(*)	Executive Vice President	04.03.2010	Ankara University, Political Sciences Faculty –Economics.	24
Taner AKSEL(*)	Executive Vice President	26.03.2010	Anadolu University, Faculty of Economic and Administrative Sciences-Economics.	24
Ufuk Hacer DENİZCI YÜCE (*)	Executive Vice President	12.10.2010	Istanbul Technical University Business Administration Faculty-Business Engineering.	21
Mürsel ERTAŞ (*)	Executive Vice President (By proxy)	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences-Foreign Trade & Exchange.	24

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

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

Name	Title	Assignment Date
Mehmet Akif AYDEMİR	Executive Vice President	04 March 2010
Taner AKSEL	Executive Vice President	26 March 2010
Mehmet Emin ÖZCAN	Vice Chairman of the Board of Directors	24 May 2010
Salim ALKAN	Member of the Board of Directors	24 May 2010
Mitat ŞAHİN	Member of the Board of Directors	24 May 2010
Faruk ÖZÇELİK	Member of the Audit Committee	24 May 2010
Ufuk Hacer DENİZCİ YÜCE	Executive Vice President	12 October 2010
Mürsel ERTAŞ	Executive Vice President (by proxy)	12 October 2010
Sabahattin BİRDAL	Member of the Board of Directors	27 October 2010

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

Name	Title	Leaving Date
Ömer Muzaffer BAKTIR	Executive Vice President	01 March 2010
Hasan SEZER	Vice Chairman of the Board of Directors	19 March 2010
Burhaneddin TANYERİ	Member of the Board of Directors	24 May 2010
Mustafa ÇELİK	Member of the Board of Directors	24 May 2010
Şeref EFE	Member of the Audit Committee	24 May 2010
Halil ÇELİK	Executive Vice President	24 May 2010
Mehmet Cengiz GÖĞEBAKAN	Executive Vice President	31 May 2010
Mitat ŞAHİN	Member of the Board of Directors	01 July 2010

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.

TÜRKİYE HALK BANKASI A.Ş.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

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

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

As of 31 December 2010, the Bank operates with a total of 709 branches consisting of 705 domestic and 4 foreign branches that are 3 in Cyprus and 1 in Bahrain. Domestic Branches include 16 satellite branches, 8 private processing center. The Bank has also 3 financial service branches in Germany and 1 representative office in Iran.

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	Note	Audited Current period 31 December 2010			Audited Prior period 31 December 2009		
		TRY	FC	Total	TRY	FC	Total
ASSETS							
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	2.782.644	1.866.916	4.649.560	2.116.670	1.299.045	3.415.715
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	46.003	43.356	89.359	26.900	28.959	55.859
2.1 Trading financial assets		46.003	43.356	89.359	26.900	28.959	55.859
2.1.1 Public sector debt securities		44.169	8.958	53.127	25.216	8.337	33.553
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Financial assets held for trading		3	34.304	34.307	-	20.528	20.528
2.1.4 Other marketable securities		1.831	94	1.925	1.684	94	1.778
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. BANKS	(3)	80.058	909.336	989.394	84.984	1.051.046	1.136.030
IV. MONEY MARKET PLACEMENTS		120.025	-	120.025	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		120.025	-	120.025	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	5.832.717	1.565.336	7.398.053	3.431.583	1.328.473	4.760.056
5.1 Share certificates		3.899	8.861	12.760	4.272	7.214	11.486
5.2 Public sector debt securities		5.828.818	1.556.475	7.385.293	3.427.311	1.321.259	4.748.570
5.3 Other marketable securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	(5)	32.227.015	12.069.472	44.296.487	23.576.324	8.881.747	32.458.071
6.1 Loans and receivables		31.933.792	12.069.472	44.003.264	23.266.840	8.881.747	32.148.587
6.1.1 Loans extended to risk group of the Bank		9.130	66.574	75.704	921	57.690	58.611
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		31.924.662	12.002.898	43.927.560	23.265.919	8.824.057	32.089.976
6.2 Loans under follow-up		1.757.753	-	1.757.753	1.667.912	-	1.667.912
6.3 Specific provisions (-)		1.464.530	-	1.464.530	1.358.428	-	1.358.428
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	10.807.707	1.911.472	12.719.179	13.921.344	2.635.458	16.556.802
8.1 Public sector debt securities		10.807.707	1.911.472	12.719.179	13.921.344	2.635.458	16.556.802
8.2 Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	68.811	74.716	143.527	48.743	191.052	239.795
9.1 Accounted under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		68.811	74.716	143.527	48.743	191.052	239.795
9.2.1 Financial investments		67.759	74.716	142.475	47.691	191.052	238.743
9.2.2 Non-financial investments		1.052	-	1.052	1.052	-	1.052
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	596.081	-	596.081	81.133	-	81.133
10.1 Unconsolidated financial subsidiaries		596.081	-	596.081	81.133	-	81.133
10.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
XI. JOINT VENTURES (Net)	(9)	-	-	-	-	-	-
11.1 Accounted with equity method		-	-	-	-	-	-
11.2 Unconsolidated joint ventures		-	-	-	-	-	-
11.2.1 Financial joint ventures		-	-	-	-	-	-
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	(11)	-	-	-	-	-	-
13.1 Fair value risk hedging		-	-	-	-	-	-
13.2 Cash flow risk hedging		-	-	-	-	-	-
13.3 Net abroad investment risk hedging		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	945.321	47	945.368	1.138.918	44	1.138.962
XV. INTANGIBLE ASSETS (Net)	(13)	17.665	-	17.665	10.959	-	10.959
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		17.665	-	17.665	10.959	-	10.959
XVI. INVESTMENT PROPERTIES (Net)	(14)	-	-	-	-	-	-
XVII. TAX ASSET	(15)	221.471	-	221.471	207.189	-	207.189
17.1 Current assets for tax		-	-	-	-	-	-
17.2 Deferred assets for tax		221.471	-	221.471	207.189	-	207.189
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	98.131	-	98.131	84.091	-	84.091
ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	98.131	-	98.131	84.091	-	84.091
18.1 Held for sale purpose		98.131	-	98.131	84.091	-	84.091
18.2 Held from discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	623.249	34.836	658.085	440.507	64.917	505.424
TOTAL ASSETS		54.466.898	18.475.487	72.942.385	45.169.345	15.480.741	60.650.086

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

I. LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Audited Current period 31 December 2010			Audited Prior period 31 December 2009		
		TRY	FC	Total	TRY	FC	Total
I. DEPOSITS							
1.1 Deposits Held by the Risk Group of the Bank	(1)	39,675,710	15,106,304	54,782,014	29,429,137	14,520,566	43,949,703
1.2 Other		275,948	8,078	284,026	100,532	15,053	115,585
		39,999,762	15,098,226	54,497,988	29,328,605	14,505,513	43,834,118
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	7	39,144	39,151	-	88,956	88,956
III. FUNDS BORROWED	(3)	201,729	3,622,658	3,824,387	201,722	1,829,795	2,031,517
IV. MONEY MARKET BALANCES		2,540,899	614,156	3,155,055	5,213,752	547,976	5,761,728
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Takasbank takings		-	-	-	-	-	-
4.3 Funds from repurchase agreements		2,540,899	614,156	3,155,055	5,213,752	547,976	5,761,728
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Treasury bills		-	-	-	-	-	-
5.2 Asset-backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS	(4)	1,295,232	-	1,295,232	1,315,802	-	1,315,802
6.1 Borrower Funds		121,084	-	121,084	204,776	-	204,776
6.2 Other		1,174,148	-	1,174,148	1,111,026	-	1,111,026
VII. SUNDRY CREDITORS		724,281	18,154	742,435	518,912	16,363	535,275
VIII. OTHER LIABILITIES	(5)	392,985	140,658	533,643	163,850	95,988	259,838
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES	(6)	565	1	566	137	2	139
10.1 Finance lease payables		830	1	831	194	2	196
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		265	-	265	57	-	57
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(7)	-	-	-	-	-	-
11.1 Fair value risk hedging		-	-	-	-	-	-
11.2 Cash flow risk hedging		-	-	-	-	-	-
11.3 Net abroad investment risk hedging		-	-	-	-	-	-
XII. PROVISIONS	(8)	840,813	15,869	856,682	715,450	15,499	730,949
12.1 General loan provisions		390,121	-	390,121	275,695	-	275,695
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Employee benefits provisions		275,039	-	275,039	242,845	-	242,845
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		175,653	15,869	191,522	196,910	15,499	212,409
XIII. TAX LIABILITY	(9)	268,539	1	268,540	216,631	1	216,632
13.1 Current tax liability		268,539	1	268,540	216,631	1	216,632
13.2 Deferred tax liability		-	-	-	-	-	-
XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(10)	-	-	-	-	-	-
14.1 Held for sale purpose		-	-	-	-	-	-
14.2 Held from discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED CAPITAL	(11)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(12)	7,504,470	(59,790)	7,444,680	5,713,842	45,705	5,759,547
16.1 Paid-in capital		1,250,000	-	1,250,000	1,250,000	-	1,250,000
16.2 Capital Reserves		1,400,217	(59,790)	1,340,427	1,264,161	45,705	1,309,866
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities revaluation fund		175,514	(59,790)	115,724	74,177	45,705	119,882
16.2.4 Tangible assets revaluation reserves		-	-	-	-	-	-
16.2.5 Intangible assets revaluation reserves		-	-	-	-	-	-
16.2.6 Revaluation reserves of real estates for investment purpose		-	-	-	-	-	-
16.2.7 Non-paid-up shares of subsidiaries, associates and joint ventures		4,252	-	4,252	61	-	61
16.2.8 Hedging Funds (effective portion)		-	-	-	(30,528)	-	(30,528)
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other capital reserves		1,220,451	-	1,220,451	1,220,451	-	1,220,451
16.3 Profit reserves		2,843,860	-	2,843,860	1,568,590	-	1,568,590
16.3.1 Legal reserves		610,282	-	610,282	507,495	-	507,495
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		2,186,397	-	2,186,397	1,013,914	-	1,013,914
16.3.4 Other profit reserves		47,181	-	47,181	47,181	-	47,181
16.4 Profit/Loss		2,010,393	-	2,010,393	1,631,091	-	1,631,091
16.4.1 Prior years income/loss		-	-	-	-	-	-
16.4.2 Period profit/loss		2,010,393	-	2,010,393	1,631,091	-	1,631,091
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		53,445,230	19,497,155	72,942,385	43,489,235	17,160,851	60,650,086

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010U

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

III. STATEMENT OF INCOME			Audited	Audited
			Current period	Prior period
INCOME AND EXPENSES		Note	1 January-31 December 2010	1 January-31 December 2009
I.	INTEREST INCOME	(1)	6.350.615	6.816.704
1.1	Interest on loans		4.256.255	4.226.042
1.2	Interest received from reserve deposits		177	304
1.3	Interest received from banks		71.414	126.342
1.4	Interest received from money market placements		89	4.489
1.5	Interest income on marketable securities		2.014.419	2.442.237
1.5.1	Financial assets held for trading		3.361	4.135
1.5.2	Financial assets at fair value through profit and loss		-	-
1.5.3	Financial assets available-for-sale		614.122	538.116
1.5.4	Investments held-to-maturity		1.396.936	1.899.986
1.6	Finance lease income		-	-
1.7	Other interest income		8.261	17.290
II.	INTEREST EXPENSE	(2)	3.159.601	3.707.996
2.1	Interest on deposits		2.772.055	3.212.254
2.2	Interest on borrowings		66.207	74.367
2.3	Interest on money market borrowings		271.819	331.373
2.4	Interest on marketable securities issued		-	-
2.5	Other interest expense		49.520	90.002
III.	NET INTEREST INCOME [I - II]		3.191.014	3.108.708
IV.	NET FEES AND COMMISSIONS INCOME		525.864	460.590
4.1	Fees and commissions income		623.440	543.394
4.1.1	Non-cash loans		78.769	63.379
4.1.2	Other	(12)	544.671	480.015
4.2	Fees and commissions expenses		97.576	82.804
4.2.1	Non-cash loans		17	3
4.2.2	Other		97.559	82.801
V.	DIVIDEND INCOME	(3)	55.935	10.774
VI.	NET TRADING PROFIT (NET)	(4)	114.756	15.854
6.1	Profit/loss from capital market operations		221.661	135.063
6.2	Profit/loss from financial derivative transactions		(72.856)	(75.805)
6.3	Foreign exchange gains/losses		(34.049)	(43.404)
VII.	OTHER OPERATING INCOME	(5)	575.420	261.065
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		4.462.989	3.856.991
IX.	LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	458.434	646.132
X.	OTHER OPERATING EXPENSES(-)	(7)	1.495.270	1.193.659
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		2.509.285	2.017.200
XII.	AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-
XIII.	PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XIV.	GAIN/(LOSS) ON NET MONETARY POSITION		-	-
XV.	INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	2.509.285	2.017.200
XVI.	TAX INCOME PROVISION (±)	(9)	(498.892)	(386.109)
16.1	Current tax provision		(531.855)	(548.097)
16.2	Deferred tax provision		32.963	161.988
XVII.	NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	2.010.393	1.631.091
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Property and equipment income held for sale		-	-
18.2	Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-
18.3	Other income from terminated operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Property and equipment expense held for sale		-	-
19.2	Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-
19.3	Other expenses from discontinued operations		-	-
XX.	INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	-	-
XXI.	PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)	(9)	-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)	(11)	2.010.393	1.631.091
XXIII.	NET PROFIT/(LOSS) (XVII+XXII)	(10)	-	-
		(11)	2.010.393	1.631.091
	Earnings/losses per share (Full TRY)		1,60831	1,30487

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Audited Current period	Audited Prior period
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	1 January- 31 December 2010	1 January- 31 December 2009
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	104.786	177.255
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)	-	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)	38.160	3.550
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS	(93.497)	(30.707)
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(18.888)	(28.890)
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	30.561	121.208
XI. PROFIT/LOSS	2.010.393	1.631.091
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	31.486	58.272
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	-	-
11.3 Transfer of hedge of net investments in foreign operations to income statement	(30.528)	-
11.4 Other	2.009.435	1.572.819
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X+XI)	2.040.954	1.752.299

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid in capital	Effect of inflation adjustments on paid in capital	Share premium	Share certificate cancellation	Share profit	Statutory reserves	Extra-ordinary reserves	Other reserves	Current period net income (loss)	Prior period net income (loss)	Valuation changes in marketable sec.	Revaluation changes in prop. and equip. and int. assets	Bonus shares from shareholders	Hedging funds	Total shareholders' equity
I. Balance at end of prior period	2009	1,250,000	1,220,451	-	-	-	434,671	333,180	33,337	1,018,315	16,822	15,419	-	-	(33,368)	4,288,827
II. Corrections according to IAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 The effect of corrections of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. The effects of changes in accounting policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I + II)		1,250,000	1,220,451	-	-	-	434,671	333,180	33,337	1,018,315	16,822	15,419	-	-	(33,368)	4,288,827
IV. Increase/decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-	-	118,222	-	-	-	118,222
VI. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	2,840	2,840
6.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	2,840	2,840
6.2 Hedges for investments made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	2,840	2,840
VII. Revaluation changes of property and equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-	-	-	-	-	-	-	-	61	-	61
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	85	-	-	-	85
XI. Changes after disposal of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Adjustment to paid-in-capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	13,844	-	-	(13,844)	-	-	-	-
XIX. Net profit or losses		-	-	-	-	-	-	-	-	1,631,091	-	-	-	-	-	1,631,091
XX. Profit distribution		-	-	-	-	-	72,824	680,734	-	(1,018,315)	(16,822)	-	-	-	-	(281,579)
20.1 Dividends distributed		-	-	-	-	-	72,824	680,734	-	(553,558)	-	-	-	-	-	(281,579)
20.2 Transfers to legal reserves		-	-	-	-	-	-	-	-	(464,734)	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	(1,018,315)	1,018,315	-	-	-	-	-
Closing balance		1,250,000	1,220,451	-	-	-	507,495	1,013,914	47,181	1,631,091	-	119,882	-	61	(30,528)	5,759,547
I. Balance at end of prior period	2010	1,250,000	1,220,451	-	-	-	507,495	1,013,914	47,181	1,631,091	-	119,882	-	61	(30,528)	5,759,547
II. Increase or decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-	-	(4,158)	-	-	-	(4,158)
IV. Hedging Funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	30,528	30,528
4.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	30,528	30,528
4.2 Hedges for investments made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	30,528	30,528
V. Revaluation changes of property and equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-	-	-	-	-	-	-	-	4,191	-	4,191
VIII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes after disposal of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to paid-in-capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Net profit or losses		-	-	-	-	-	-	-	-	2,010,393	-	-	-	-	-	2,010,393
XVIII. Profit distribution		-	-	-	-	-	102,787	1,172,483	-	(1,631,091)	(16,822)	-	-	-	-	(955,821)
18.1 Dividends distributed		-	-	-	-	-	102,787	1,172,483	-	(1,276,270)	-	-	-	-	-	(955,821)
18.2 Transfers to legal reserves		-	-	-	-	-	-	-	-	(354,821)	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	(1,631,091)	1,631,091	-	-	-	-	-
Closing balance		1,250,000	1,220,451	-	-	-	610,282	2,186,397	47,181	2,010,393	-	115,724	-	4,252	-	7,444,680

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION TABLE FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

VI. STATEMENT OF CASH FLOWS	Note	Audited Current period 31 December 2010	Audited Prior period 31 December 2009
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities	2.132.132	2.039.189
1.1.1	Interest received	6.560.045	7.381.236
1.1.2	Interest paid	(3.112.100)	(3.926.662)
1.1.3	Dividend received	16.111	3.260
1.1.4	Fees and commissions received	623.440	543.394
1.1.5	Other income	356.002	99.410
1.1.6	Collections from previously written off loans	477.630	380.472
1.1.7	Cash payments to personnel and service suppliers	(698.519)	(634.933)
1.1.8	Taxes paid	(555.927)	(501.107)
1.1.9	Other	(1.534.550)	(1.305.881)
1.2	Assets and Liabilities Subject to Banking Operations	(2.581.366)	731.835
1.2.1	Net decrease in financial assets held for sale	(19.005)	(682)
1.2.2	Net (increase) decrease in financial assets at fair value through profit or loss	-	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions	-	-
1.2.4	Net (increase) decrease in loans	(11.983.097)	(7.215.071)
1.2.5	Net (increase) decrease in other assets	(943.777)	(171.748)
1.2.6	Net increase (decrease) in bank deposits	1.304.598	659.195
1.2.7	Net increase (decrease) in other deposits	9.493.726	3.356.111
1.2.8	Net increase (decrease) in loans borrowed	1.781.890	520.733
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	(2.215.701)	3.583.297
I.	Net cash provided from banking operations	(449.234)	2.771.024
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II.	Net cash provided from/(used in) investing activities	1.470.292	(3.000.396)
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	(10.912)	(17.476)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	-	-
2.3	Fixed assets purchases	(324.544)	(189.460)
2.4	Fixed assets sales	486.530	133.060
2.5	Cash paid for purchase of financial assets available for sale	(8.820.055)	(7.150.973)
2.6	Cash obtained from sale of financial assets available for sale	6.344.419	5.974.917
2.7	Cash paid for purchase of investment securities	(2.612.078)	(3.707.229)
2.8	Cash obtained from sale of investment securities	6.408.307	1.966.809
2.9	Other	(1.375)	(10.044)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash used in financing activities	(355.633)	(281.724)
3.1	Cash obtained from loans borrowed and securities issued	-	-
3.2	Cash used for repayment of loans borrowed and securities issued	-	-
3.3	Marketable securities issued	-	-
3.4	Dividends paid	(355.821)	(281.579)
3.5	Payments for finance leases	(106)	(145)
3.6	Other	294	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(1)	76.658
V.	Net increase/(decrease) in cash and cash equivalents	742.083	(549.506)
VI.	Cash and cash equivalents at beginning of the period	(4)	3.696.253
VII.	Cash and cash equivalents at end of the period	(5)	4.438.336

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION TABLE FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

VII. STATEMENT OF PROFIT DISTRIBUTION TABLE	Audited Current period 31 December 2010 (*)	Audited Prior period 31 December 2009
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1. CURRENT PERIOD PROFIT	2.509.285	2.017.200
1.2. TAXES AND LEGAL DUTIES PAYABLE (-)	498.892	386.109
1.2.1. Corporate tax (Income tax)	531.855	548.097
1.2.2. Withholding tax	-	-
1.2.3. Other taxes and duties	(32.963)	(161.988)
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	2.010.393	1.631.091
1.3. ACCUMULATED LOSSES (-)	-	-
1.4. FIRST LEGAL RESERVES (-)	-	73.455
1.5. OTHER STATUTORY RESERVES (-)	-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	2.010.393	1.557.636
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	62.500
1.6.1. To owners of ordinary shares	-	62.500
1.6.2. To owners of privileged shares	-	-
1.6.3. To owners of redeemed shares	-	-
1.6.4. To profit sharing bonds	-	-
1.6.5. To holders of profit and loss sharing certificates	-	-
1.7. DIVIDENDS TO PERSONNEL (-)	-	62.000
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)	-	231.321
1.9.1. To owners of ordinary shares	-	231.321
1.9.2. To owners of privileged shares	-	-
1.9.3. To owners of redeemed shares	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To holders of profit and loss sharing certificates	-	-
1.10. SECOND LEGAL RESERVES (-)	-	29.332
1.11. STATUS RESERVES (-)	-	-
1.12. EXTRAORDINARY RESERVES	-	1.172.483
1.13. OTHER RESERVES	-	-
1.14. SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1. APPROPRIATED RESERVES	-	-
2.2. SECOND LEGAL RESERVES (-)	-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of privileged shares	-	-
2.3.3. To owners of redeemed shares	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To holders of profit and loss sharing certificates	-	-
2.4. DIVIDENDS TO PERSONNEL (-)	-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1. TO OWNERS OF ORDINARY SHARES	-	0.24
3.2. TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3. TO OWNERS OF PRIVILEGED SHARES	-	-
3.4. TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1. TO OWNERS OF ORDINARY SHARES	-	0.24
4.2. TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3. TO OWNERS OF PRIVILEGED SHARES	-	-
4.4. TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) As of the report date, Board of Directors meeting was not held.

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

Additional paragraph for convenience translation to English

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

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

1. The Bank's strategy on financial instruments:

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

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

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

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

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

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

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.

TÜRKİYE HALK BANKASI A.Ş.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

IV. INTEREST INCOME AND EXPENSES

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

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

V. FEES AND COMMISSION INCOME AND EXPENSES

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

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

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

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.

TÜRKİYE HALK BANKASI A.Ş.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

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

Financial Assets Held For Trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. Valuation gains or losses are recognized in the profit/loss accounts. Interests gained from the retention of held for trading financial assets are recognized under the interest income and dividends gained is recognized under the dividend income in the income statement. If these assets are disposed of prior to their maturity periods, loss or gain from the disposal is recognized in the income statement by using interest income/expense accounts under profit/loss from the capital market operations.

2.2. Financial assets at fair value through profit and loss

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

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

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.

TÜRKİYE HALK BANKASI A.Ş.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Consumer and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

Non-performing loans are classified in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No: 26333 dated 1 November 2006 and amended with the regulation published in the Official Gazette No: 27119 dated 23 January 2009 and specific provisions are allocated for those loans. Specific provisions are reflected to "820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses" account. Provisions released in same year are recognized as a credit movement under the "Provision Expenses", released portion of the previous period provisions are recognized under the "Other Operating Income" account.

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of 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.

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.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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%.

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.

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.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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.

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

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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.

In accordance with the principles set out by the Council of Ministers' decision, numbered 2006/11345 published in the Official Gazette numbered 26377 and dated 15 December 2006 regarding the determination of procedures and principles for the application of transfer requirements and based on the technical balance sheet report prepared using a 10,24% of technical interest rate, for Türkiye Halk Bankası AŞ Employee Pension Fund TRY 9.251 of technical provision has been allocated as of 31 December 2006 and kept in financial statements as of 31 December 2007. As of 31 March 2008, part of the related technical provision was set as provision for possible risks and the remaining amount was cancelled. Based on the results of the actuarial report prepared as of 31 December 2010 and 31 December 2009, no technical deficit has been reported. Besides, no technical deficit for T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported.

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

XVI. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 31 December 2009 has been paid in April 2010, accrued advance tax as of 31 December 2010 will be paid in February 2011.

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

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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 are higher than the corporate tax payable, the difference is deducted from income tax payable.

Bahrain

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

XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

There are no convertible bonds or debt instruments issued.

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XVIII. EXPLANATIONS ON SHARES AND SHARE ISSUE

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

The Bank has not issued any shares in the current and prior period. In accordance with the decree of the Privatization High Council dated 5 February 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration was completed and the Bank shares were registered to the Board with the decree of the Capital Markets Board dated 26 April 2007 and numbered 16/471, and the shares were traded on the Istanbul Stock Exchange as of 10 May 2007.

XIX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXI. EXPLANATIONS ON SEGMENT REPORTING

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Bank. The Bank operates mainly in corporate, commercial, entrepreneur banking and investment banking.

The report concerning parts of Bank's business segmentation and related information is explained in section four, disclosure numbered VIII.

XXII. EXPLANATION ON OTHER MATTERS

Associates and subsidiaries:

For TRY associates and subsidiaries, the additions of funds (such as revaluation fund) are deducted from the cost of the associate and subsidiary (the additions of these funds to the capital is permitted for statutory purposes) and later, these costs are indexed based on the capital increase payment dates until 31 December 2004. The Bank has terminated the application of net investment hedge for its foreign currency associate Demirhalkbank NV, operating in Netherlands and transferred the valuation difference due to net investment hedge transaction as hedging funds followed under equity to profit and loss.

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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 December 2010, the Bank's unconsolidated capital adequacy ratio calculated based on the essentials of the related communiqué is 15,94% (31 December 2009: 16,03%).

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

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

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

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

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

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1. Information on the unconsolidated capital adequacy ratio:

	Risk weights						
	0%	10%	20%	50%	100%	150%	200%
Credit risk base amount							
Balance sheet items (Net)	24.372.608	-	1.820.760	14.578.435	24.278.496	22.597	1.067
Cash	379.280	-	12	-	-	-	-
Matured marketable securities	-	-	-	-	-	-	-
Balances at the Central Bank of Turkey	2.949.703	-	-	-	-	-	-
Domestic, foreign banks, head office and overseas branches balances	-	-	987.832	-	1.509	-	-
Money market placements	-	-	-	-	-	-	-
Receivables from reverse repos transactions	-	-	120.000	-	-	-	-
Reserve deposits	1.317.067	-	-	-	-	-	-
Loans	6.670.187	-	517.926	14.443.249	21.903.916	22.597	1.067
Non-performing loans (Net)	-	-	-	-	293.223	-	-
Finance lease receivables	-	-	-	-	-	-	-
Financial assets available-for-sale	-	-	-	-	-	-	-
Investments held to maturity	12.218.461	-	-	-	-	-	-
Receivables from the asset sale on credit terms	-	-	-	-	40.467	-	-
Miscellaneous receivables	36.224	-	15.875	-	82.217	-	-
Interest and Income accruals	555.218	-	4.925	135.186	253.287	-	-
Subsidiaries, associates and jointly controlled entities (joint ventures) (Net)	-	-	-	-	733.027	-	-
Property and equipment	-	-	-	-	950.795	-	-
Other assets	246.468	-	174.190	-	20.055	-	-
Off-balance sheet items	119.562	-	301.754	669.877	7.401.448	-	-
Non-cash loans and commitments	119.562	-	213.070	669.877	7.399.862	-	-
Derivative instruments	-	-	88.684	-	1.586	-	-
Non-risk weighted accounts	-	-	-	-	-	-	-
Total risk-weighted assets	24.492.170	-	2.122.514	15.248.312	31.679.944	22.597	1.067

2. Capital adequacy ratio summary:

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

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3. Information on equity items:

	Current period	Prior period
CORE CAPITAL		
Paid-in capital	1.250.000	1.250.000
Nominal capital	1.250.000	1.250.000
Capital commitments (-)	-	-
Adjustment to paid-in capital	1.220.451	1.220.451
Share premium	-	-
Share repeal	-	-
Legal reserves	610.282	507.495
First legal reserve (Turkish Commercial Code 466/1)	297.127	223.672
Second legal reserve (Turkish Commercial Code 466/2)	312.163	283.120
Other legal reserve per special legislation	992	703
Status reserves	-	-
Extraordinary reserves	2.233.578	1.047.336
Reserves allocated by the General Assembly	2.186.397	1.013.914
Retained earnings ⁽¹⁾	47.181	47.181
Accumulated loss	-	-
Foreign currency share capital exchange difference	-	(13.759)
Adjustment to legal, status and extraordinary reserves	-	-
Profit	1.970.569	1.631.091
Net current period profit	1.970.569	1.631.091
Prior period profit	-	-
Provisions for possible losses up to 25% of core capital	7.600	7.000
Profit on sale of associates, subsidiaries and buildings	-	-
Primary subordinated loans up to 15% of core capital	-	-
Loss that is not covered with reserves (-)	-	-
Net current period loss	-	-
Prior period loss	-	-
Leasehold improvements (-)	66.169	51.945
Prepaid expenses (-)	262.019	156.378
Intangible assets (-)	17.665	10.959
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-
Total Core Capital	6.946.627	5.444.091
SUPPLEMENTARY CAPITAL		
General reserves	390.121	275.695
45% of increase in revaluation fund of movables	-	-
45% of increase in revaluation fund of fixed assets	-	-
Bonus shares from investment and associates, subsidiaries and joint ventures (business partners) ⁽²⁾	44.076	61
Primary subordinated loans which are ignored in the calculation of core capital	-	-
Secondary subordinated loans	-	-
45% of marketable securities and investment securities value increase fund	52.076	46.401
Associates and subsidiaries	-	30.222
Financial assets available for sale	52.076	16.179
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal, status and extraordinary reserves)	-	-
Total Supplementary Capital	486.273	322.157
TIER III CAPITAL		
CAPITAL	7.432.900	5.766.248
DEDUCTIONS FROM THE CAPITAL	33.116	60.589
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	6.581	47.690
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank	-	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	-	-
Loans extended being noncompliant with articles 50 and 51 of the Law	-	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	26.535	12.899
Other	-	-
TOTAL SHAREHOLDERS' EQUITY	7.399.784	5.705.659

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

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

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II. EXPLANATIONS RELATED TO THE CREDIT RISK

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

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

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

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

When the Bank is exposed to significant credit risks, it has the tendency to cease its forward or similar type of transactions by using rights, fulfilling the requirements of the acquisitions or disposing of the acquisitions to mitigate the risk total. The Bank is not an active participant of the international banking sector.

As of 31 December 2010, the receivables of the Group from its top 100 cash loan customers is 23,99% of its total cash loans.

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

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

As of 31 December 2010, general loan loss provision related to the credit risk incurred by the Bank in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 390.121 TL (31 December 2009: TRY 275.695).

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Credit risk by types of borrowers and geographical concentrations:

	Loans to real person and legal entities ⁽⁴⁾		Loans to banks and other financial institutions ⁽⁴⁾		Marketable Securities ⁽¹⁾		Other Loans ⁽²⁾	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Loans according to borrowers								
Private Sector	28.466.360	22.402.819	2.074.764	1.058.788	12.760	11.486	660.862	286.198
Public Sector	1.630.707	867.815	-	-	20.193.831	21.361.231	174.796	185.128
Banks	-	-	60.927	29.600	-	-	989.341	1.135.955
Retail	11.326.183	7.306.663	-	-	-	-	-	-
Share Certificates	-	-	-	-	-	-	-	-
Total	41.423.250	30.577.297	2.135.691	1.088.388	20.206.591	21.372.717	1.824.999	1.607.281
Information according to geographical concentration								
Domestic	41.237.747	30.368.164	2.095.185	1.058.788	20.195.805	21.363.726	1.542.104	369.289
EU countries	66.885	132.477	-	-	8.636	6.990	231.805	1.162.648
OECD Countries ⁽³⁾	-	6.061	-	-	-	-	6.172	6.691
Offshore banking regions	-	-	-	-	-	-	-	-
USA, Canada	-	172	-	-	-	-	13.471	47.448
Other Countries	118.618	70.423	40.506	29.600	2.150	2.001	31.447	21.205
Total	41.423.250	30.577.297	2.135.691	1.088.388	20.206.591	21.372.717	1.824.999	1.607.281

⁽¹⁾ Includes marketable securities designated at fair value through profit or loss, available for sale and held-to-maturity. Re-discount of marketable securities amounting TRY 889.252 are not included to the table above.

⁽²⁾ Includes the on balance sheet transactions classified in the Uniform Chart of Accounts except the ones in the first three categories and the transactions defined as loan in the Article 48 of the Banking Act No: 5411.

⁽³⁾ OECD Countries other than EU Countries, USA and Canada.

⁽⁴⁾ Interest and income accruals for the loans amounting TRY 444.323 (31 December 2009: TRY 482.902) are not included in the table above.

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Information according to geographical concentration:

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

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

⁽²⁾ Total of assets and equity investments represents the total assets in the balance sheet.

⁽³⁾ Shareholders' equity components are not included in liabilities.

⁽⁴⁾ Assets and liabilities that cannot be allocated on a coherent basis.

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Sector concentrations for cash loans:

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

⁽¹⁾ Accruals are included in other line.

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

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

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

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

⁽¹⁾ Loans for which the risk does not belong to the Bank amounting TRY 1.146.241 are not included the table above.

⁽²⁾ Specific provision amounting TRY 1.464.530 is made for overdue and impaired assets amounting TRY 1.757.753.

⁽³⁾ The above amounts include only the overdue installments of SME, corporate loans and individual loans. The principles of these loans amounting TRY 861.852 and TRY 423.124 respectively.

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

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

⁽¹⁾ Loans for which the risk does not belong to the Bank amounting TRY 1.082.768 are not included the table above.

⁽²⁾ Specific Provision amounting 1.358.428 is made for overdue and impaired assets amounting TRY 1.667.912.

⁽³⁾ The above amounts include only the overdue installments of SME, corporate loans and individual loans. The principles of these loans amounting TRY 718.922 and TRY 711 respectively.

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

⁽¹⁾ Loans for which the risk does not belong to the Bank amounting TRY 1.146.241 are not included the table above.

⁽²⁾ Prepared in accordance with the internal grading results of the Bank.

⁽³⁾ Only graded firms are included.

⁽⁴⁾ Includes the total of cash and non cash loans.

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

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

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

⁽¹⁾ Accruals amounting TRY 1.616 are not included to the table above (31 December 2009: TRY 2.527)

⁽²⁾ Presents loans accounted under in restructured or rescheduled loan accounts.

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

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

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

⁽²⁾ Income accruals are not included in the table.

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

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

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

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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	103.419
(II) Capital requirement to be employed for specific risk-Standard method	1.105
(III) Capital requirement to be employed for currency risk-Standard method	19.361
(IV) Capital requirement to be employed for commodity risk-standard method	-
(V) Capital requirement to be employed for settlement risk-Standard method	-
(VI) Total capital requirement to be employed for market risk resulting from options-Standard method	143
(VII) Total capital requirement to be employed for market risk in banks using risk measurement model	-
(VIII) Total capital requirement to be employed for market risk (I+II+III+IV+V+VI)	124.028
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	1.550.350

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

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

Other price risks

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

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IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK

In the calculation of the Bank's operational risk, "Basic Indicator Method" is used. The amount subject to operational risk is calculated in accordance with Section 4 of the Communiqué on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 26333 on 1 November 2006 and this section is named as "Calculation of Operational Risk Base Amount" which came into effect as of 1 June 2007. The calculation is performed parallel to the practice within the country, by multiplying 15% of the Bank's last three years' average gross revenue with 12,5. Amount subject to operational risk is TRY 5.120.983 for the current period.

V. EXPLANATIONS RELATED TO THE CURRENCY RISK

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

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

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

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

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

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

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Information related to currency risk:

Current period	EURO	USD	JPY	OTHER	TOTAL
Assets					
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	1.831.074	31.234	32	4.576	1.866.916
Banks and financial institutions	144.411	727.885	1.644	35.396	909.336
Financial assets at fair value through profit and loss ⁽³⁾	886	28.451	-	294	29.631
Money market placements	-	-	-	-	-
Financial assets available-for-sale	797.240	759.236	-	-	1.556.476
Loans ⁽²⁾	4.754.139	7.302.958	429	71.554	12.129.080
Subsidiaries, associates and entities under common control	-	-	-	-	-
Held-to-maturity investments	875.896	1.035.576	-	-	1.911.472
Derivative financial assets held for risk management	-	-	-	-	-
Tangible assets	40	-	-	7	47
Intangible assets	-	-	-	-	-
Other assets ⁽³⁾	13.896	19.027	1.809	2	34.734
Total assets	8.417.582	9.904.367	3.914	111.829	18.437.692
Liabilities					
Bank deposits	1.216.575	612.543	1.078	8.959	1.839.155
Foreign currency deposits	5.726.281	6.963.709	553	576.606	13.267.149
Money market balances	-	614.156	-	-	614.156
Funds provided from other financial institutions	2.584.461	1.036.569	428	1.200	3.622.658
Marketable securities issued	-	-	-	-	-
Sundry creditors	1.960	16.164	6	24	18.154
Derivative financial liabilities held for risk management	-	-	-	-	-
Other liabilities ⁽³⁾	41.852	127.791	523	1.346	171.512
Total liabilities	9.571.129	9.370.932	2.588	588.135	19.532.784
Net balance sheet position	(1.153.547)	533.435	1.326	(476.306)	(1.095.092)
Net off-balance sheet position	924.144	(623.219)	-	485.200	786.125
Financial derivative assets ⁽⁴⁾	987.958	702.391	-	561.481	2.251.830
Financial derivative liabilities ⁽⁴⁾	63.814	1.325.610	-	76.281	1.465.705
Non-cash loans ⁽¹⁾	1.973.961	3.899.018	29.407	76.153	5.978.539
Prior period					
Total assets	7.191.668	8.245.862	1.751	101.968	15.541.249
Total liabilities	9.580.414	7.111.320	1.389	378.197	17.071.320
Net balance sheet position	(2.388.746)	1.134.542	362	(276.229)	(1.530.071)
Net off-balance sheet position	2.314.355	(1.287.660)	(1.625)	267.536	1.292.606
Financial derivative assets	2.565.883	734.540	216.775	309.855	3.827.053
Financial derivative liabilities	251.528	2.022.200	218.400	42.319	2.534.447
Non-cash loans ⁽¹⁾	1.803.456	3.730.247	26.089	32.185	5.591.977

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

(2) Includes TRY 59.608 of foreign currency indexed loans and their accruals.

(3) In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position/ Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 13.725), prepaid expenses (TRY 102) in assets; and derivative financial instruments foreign currency expense accruals (TRY 24.161) and shareholders' equity negative (TRY 59.790) in liabilities are not taken into consideration in the currency risk measurement.

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

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

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Foreign currency sensitivity:

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

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

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

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

VI. EXPLANATIONS RELATED TO THE INTEREST RATE RISK

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

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

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

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

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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	-	-	-	-	-	4.649.560	4.649.560
Banks and financial institutions	913.003	-	-	-	-	76.391	989.394
Financial assets at fair value through profit and loss	817	28.064	26.970	25.484	8.024	-	89.359
Money market placements	120.025	-	-	-	-	-	120.025
Financial assets available-for-sale	1.287.224	972.680	788.634	3.252.003	1.084.752	12.760	7.398.053
Loans	14.931.731	6.601.889	9.898.339	10.147.610	1.664.774	758.921	44.003.264
Held-to-maturity investments	3.262.196	3.824.793	1.568.526	2.883.288	1.180.376	-	12.719.179
Other assets	36.352	-	-	-	-	2.937.199	2.973.551
Total assets	20.551.348	11.427.426	12.282.469	16.308.385	3.937.926	8.434.831	72.942.385
Liabilities							
Bank deposits	1.974.261	52.911	21.077	-	-	1.175.579	3.223.828
Other deposits	31.152.080	10.526.245	2.373.468	2.469	-	7.503.924	51.558.186
Money market balances	2.430.599	337.188	387.268	-	-	-	3.155.055
Sundry creditors	14.779	-	-	-	-	727.656	742.435
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	1.072.743	1.830.161	711.700	93.338	115.650	795	3.824.387
Other liabilities	1.162.042	76.225	85.326	-	-	9.114.901	10.438.494
Total liabilities	37.806.504	12.822.730	3.578.839	95.807	115.650	18.522.855	72.942.385
Balance sheet long position	-	-	8.703.630	16.212.578	3.822.276	-	28.738.484
Balance sheet short position	(17.255.156)	(1.395.304)	-	-	-	(10.088.024)	(28.738.484)
Off-balance sheet long position	70.776	230.923	-	-	-	-	301.699
Off-balance sheet short position	(35.363)	(37.586)	-	(198.070)	-	-	(271.019)
Total position	(17.219.743)	(1.201.967)	8.703.630	16.014.508	3.822.276	(10.088.024)	30.680

(1) TRY 221.471 of deferred tax assets is disclosed under the non interest bearing column in other assets.

(2) TRY 293.223 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

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Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	2.744.429	-	-	-	-	671.286	3.415.715
Banks and financial institutions	1.085.140	-	-	-	-	50.890	1.136.030
Financial assets at fair value through profit and loss	35	5.438	5.907	29.937	7.842	6.700	55.859
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	489.682	884.783	442.203	2.427.715	504.187	11.486	4.760.056
Loans	11.259.035	5.282.456	7.180.659	6.484.221	946.682	995.534	32.148.587
Held-to-maturity investments	5.255.585	6.029.805	1.606.675	1.966.409	1.698.328	-	16.556.802
Other assets	-	-	-	-	-	2.577.037	2.577.037
Total assets	20.833.906	12.202.482	9.235.444	10.908.282	3.157.039	4.312.933	60.650.086
Liabilities							
Bank deposits	1.660.704	47.079	-	-	-	215.341	1.923.124
Other deposits	24.045.614	10.795.181	1.548.256	1.014	-	5.636.514	42.026.579
Money market balances	4.912.826	588.018	260.884	-	-	-	5.761.728
Sundry creditors	9.919	-	-	-	-	525.356	535.275
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	39.283	1.091.357	831.924	20.318	2.419	46.216	2.031.517
Other liabilities	1.026.645	63.127	95.090	42.052	123.125	7.021.824	8.371.863
Total liabilities	31.694.991	12.584.762	2.736.154	63.384	125.544	13.445.251	60.650.086
Balance sheet long position	-	-	6.499.290	10.844.898	3.031.495	-	20.375.683
Balance sheet short position	(10.861.085)	(382.280)	-	-	-	(9.132.318)	(20.375.683)
Off-balance sheet long position	59.200	481.000	-	-	-	-	540.200
Off-balance sheet short position	-	-	-	(505.160)	-	-	(505.160)
Total position	(10.801.885)	98.720	6.499.290	10.339.738	3.031.495	(9.132.318)	35.040

⁽¹⁾ TRY 207.189 of deferred tax assets is disclosed under the non-interest bearing column in other assets.

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

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

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

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2. Average interest rates applied to financial instruments:

Current period	EURO	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-
Due from other banks and financial institutions ⁽¹⁾	0,52	1,18	-	7,19
Financial assets at fair value through profit and loss	-	3,93	-	11,30
Money market placements	-	-	-	-
Available-for-sale financial assets	5,00	4,64	-	10,03
Loans ⁽²⁾	3,61	3,03	3,50	11,69
Held-to-maturity investments	6,33	6,85	-	13,62
Liabilities				
Bank deposits	0,28	0,85	-	7,02
Other deposits	2,07	2,52	-	8,29
Money market borrowings	-	1,73	-	6,76
Sundry creditors ⁽³⁾	-	-	-	4,50
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions ⁽⁴⁾	1,68	1,18	-	6,77
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	5,20
Due from other banks and financial institutions ⁽¹⁾	0,20	0,27	-	7,50
Financial assets at fair value through profit and loss	4,73	5,11	-	9,68
Money market placements	-	-	-	-
Available-for-sale financial assets	5,33	5,46	-	11,72
Loans ⁽²⁾	5,17	5,18	-	14,98
Held-to-maturity investments	6,33	6,69	-	11,18
Liabilities				
Bank deposits	0,42	0,26	-	7,20
Other deposits	1,95	2,38	-	8,86
Money market borrowings	-	1,87	-	7,14
Sundry creditors	-	-	-	5,06
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions ⁽⁴⁾	1,81	1,48	-	11,55

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

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

⁽³⁾ 100% of the declared maximum deposit interest rate with a maturity of six months as of 31 December 2010.

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

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Interest rate sensitivity:

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

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

VII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK

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

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

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

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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	869.845	1.431.186	1.895.188	437.200	15.311	273	557	4.649.560
Banks and financial institutions	76.391	913.003	-	-	-	-	-	989.394
Financial assets at fair value through profit and loss	-	11.801	12.331	21.285	35.918	8.024	-	89.359
Money market placements	-	120.025	-	-	-	-	-	120.025
Financial assets available-for-sale	-	606.036	166.728	310.970	4.414.957	1.886.602	12.760	7.398.053
Loans	763.451	6.602.538	3.451.949	12.189.567	17.746.214	3.249.545	-	44.003.264
Held-to-maturity investments	-	146.552	307.483	739.518	9.988.304	1.537.322	-	12.719.179
Other assets	312.132	13.037	10.244	139	12.932	-	2.625.067	2.973.551
Total assets	2.021.819	9.844.178	5.843.923	13.698.679	32.213.636	6.681.766	2.638.384	72.942.385
Liabilities								
Bank deposits	1.175.579	1.974.261	52.911	21.077	-	-	-	3.223.828
Other deposits	7.503.924	31.150.702	10.522.768	2.302.765	76.634	1.393	-	51.558.186
Funds provided from other financial institutions	801	91.281	218.836	1.365.391	772.041	1.376.037	-	3.824.387
Money market balances	-	2.430.599	337.188	387.268	-	-	-	3.155.055
Marketable securities issued	-	-	-	-	-	-	-	-
Sundry creditors	727.656	14.779	-	-	-	-	-	742.435
Other liabilities	2.097.103	135.332	118.804	265.845	215.417	161.313	7.444.680	10.438.494
Total liabilities	11.505.063	35.796.954	11.250.507	4.342.346	1.064.092	1.538.743	7.444.680	72.942.385
Liquidity gap	(9.483.244)	(25.952.776)	(5.406.584)	9.356.333	31.149.544	5.143.023	(4.806.296)	-
Previous period								
Total assets	1.976.132	6.906.425	6.059.773	14.626.111	23.849.000	4.909.103	2.323.542	60.650.086
Total liabilities	7.876.249	30.828.215	11.707.272	2.415.085	862.243	1.201.475	5.759.547	60.650.086
Liquidity gap	(5.900.117)	(23.921.790)	(5.647.499)	12.211.026	22.986.757	3.707.628	(3.436.005)	-

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

(2) TRY 293.223 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

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

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

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

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

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

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

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

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

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

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

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

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.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

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

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury/investment column. In this context net of property, plant and equipment amounting TRY 945.368 (net) and deferred tax assets amounting TRY 221.471 in other assets are presented under the Treasury/Investment column.

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

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Prior Period	Corporate	Commercial	SME/ Intagrated	Treasury/ Investment ⁽¹⁾	Elimination ⁽²⁾	Total
OPERATING INCOME/EXPENSES						
Interest income	679.248	501.979	6.675.653	6.089.215	(7.129.391)	6.816.704
Interest on loans	373.903	308.957	3.240.958	302.224	-	4.226.042
Interest income on marketable securities	-	-	-	2.442.237	-	2.442.237
Interest received from banks	-	-	-	126.342	-	126.342
Other interest income ⁽²⁾	305.345	193.022	3.434.695	3.218.412	(7.129.391)	22.083
Interest expense	519.919	347.237	5.151.785	4.818.446	(7.129.391)	3.707.996
Interest on deposits	213.416	125.504	2.712.007	161.327	-	3.212.254
Interest on borrowings	1.951	10.256	6.149	56.011	-	74.367
Interest on money market borrowings	-	-	-	331.373	-	331.373
Other interest expense ⁽²⁾	304.552	211.477	2.433.629	4.269.735	(7.129.391)	90.002
Net interest income	159.329	154.742	1.523.868	1.270.769	-	3.108.708
Net fees and commissions income	30.276	27.196	369.288	33.830	-	460.590
Net trading profit/(loss)	-	-	-	15.854	-	15.854
Dividend income	-	-	-	10.774	-	10.774
Other income	3.838	16.368	163.095	77.764	-	261.065
Loans and other receivables' impairment loss	2.629	54.388	328.356	260.759	-	646.132
Other expenses	11.798	37.968	528.568	615.325	-	1.193.659
Income before taxes	179.016	105.950	1.199.327	532.907	-	2.017.200
Income tax provision	-	-	-	(386.109)	-	(386.109)
Net profit for the period	179.016	105.950	1.199.327	146.798	-	1.631.091
SEGMENT ASSETS						
Marketable securities	-	-	-	21.352.189	-	21.352.189
Derivative financial assets held for trading	-	-	-	20.528	-	20.528
Banks and money market receivables	-	-	-	1.136.030	-	1.136.030
Associates and subsidiaries (net)	-	-	-	320.928	-	320.928
Loans	4.262.748	3.179.019	20.904.779	4.111.525	-	32.458.071
Other assets	280	5.237	427.392	4,929.431	-	5,362,340
TOTAL ASSETS	4.263.028	3.184.256	21.332.171	31.870.631	-	60.650.086
SEGMENT LIABILITIES						
Deposits	3,886,374	1,993,233	32,174,263	5,895,833	-	43,949,703
Derivative financial liabilities held for trading	-	-	-	88,956	-	88,956
Money market balances	-	-	-	5,761,728	-	5,761,728
Borrowing funding loans	19,780	101,008	102,957	1,807,772	-	2,031,517
Other liabilities	19,395	80,787	1,627,937	382,935	-	2,111,054
Provisions and tax payable	4,485	8,152	71,573	863,371	-	947,581
Shareholders' equity	-	-	-	5,759,547	-	5,759,547
TOTAL LIABILITIES	3,930,034	2,183,180	33,976,730	20,560,142	-	60,650,086
OFF BALANCE SHEET ITEMS						
Guarantees and suretyships	5,412,387	1,475,628	2,424,866	2,061	-	9,314,942
Commitments	15,335	50,528	1,924,573	3,827,150	-	5,817,586
Derivative financial instruments	-	25,228	16,846	7,635,943	-	7,678,017

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury/investment column. In this context net of property, plant and equipment amounting TRY 1.138.962 (net) and deferred tax assets amounting TRY 207.189 in other assets are presented under the Treasury/Investment column.

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

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

IX. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

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

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

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

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

i-The fair value of the held to maturity assets is determined by market places, when the market prices are not available, quoted market prices of other marketable securities which are subject to redemption with the same terms of interest maturity and other similar conditions have been used.

ii-The applicable interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial institutions and sundry creditors.

Classification of Fair Value Measurement

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

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

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

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

Classification requires using observable market data if possible.

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

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

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

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

The Bank does not engage in transaction based on trust.

TÜRKİYE HALK BANKASI A.Ş.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	316.631	62.649	205.185	51.525
Central Bank of Turkey	2.466.013	1.804.255	1.911.485	1.247.493
Other	-	12	-	27
Total	2.782.644	1.866.916	2.116.670	1.299.045

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

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

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

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

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

None.

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

None.

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

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

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

(3) Information on banks and other financial institutions:

a) Information on banks:

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

b) Information on foreign banks:

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

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

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

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

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

None.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

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

b) Information on financial assets available for sale portfolio:

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

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	97.620	-	83.872	-
Total	97.620	-	83.872	-

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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	33.945.891	90.348	730.740	23.695
Discount notes	12.936	-	-	-
Export loans	2.558.504	-	4.103	-
Import loans	-	-	-	-
Loans given to financial sector	2.095.185	-	-	-
Overseas loans	225.884	-	115	9
Consumer loans(1)	10.432.009	66	183.029	19.839
Credit cards ⁽²⁾	702.754	32	26.092	3.518
Precious metals loans	-	-	-	-
Other	17.918.619	90.250	517.401	329
Specialized lending	8.571.391	44.426	152.446	4
Other receivables	-	-	-	-
Accruals	433.698	1.371	9.009	245
Total	42.950.980	136.145	892.195	23.944

⁽¹⁾ Includes TRY 69.117 of personnel loans.

⁽²⁾ Includes TRY 28.503 of personnel credit cards.

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

c) Loans according to their maturity structure:

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

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

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

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

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

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

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

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

f) Loan according to type of borrowers:

	Current period	Prior period
Public	1.647.341	867.815
Private	42.355.923	31.280.772
Total	44.003.264	32.148.587

g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	43.746.012	31.863.954
Foreign loans	257.252	284.633
Total	44.003.264	32.148.587

h) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	75.704	58.611
Indirect loans granted to subsidiaries and associates	-	-
Total	75.704	58.611

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

i) Specific provisions provided against loans:

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

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

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

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables withdoubtful collectibility	V. Group Uncollectible loans and receivables
Current period	44.297	20.564	286.518
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	44.297	20.564	286.518
Prior period	70.647	22.594	122.302
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	70.647	22.594	122.302

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

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

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

None.

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

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current period (Net)	67.736	30.831	194.656
Loans to granted real persons and legal entities (Gross)	194.110	106.510	1.419.636
Specific provisions (-)	126.374	75.679	1.224.980
Loans to granted real persons and legal entities (Net)	67.736	30.831	194.656
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	915	2	36.580
Specific provisions (-)	915	2	36.580
Other loans and receivables (Net)	-	-	-
Prior period (Net)	82.186	32.454	194.844
Loans to granted real persons and legal entities (Gross)	234.344	115.329	1.281.512
Specific provisions (-)	152.158	82.875	1.086.668
Loans to granted real persons and legal entities (Net)	82.186	32.454	194.844
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	1.026	2	35.699
Specific provisions (-)	1.026	2	35.699
Other loans and receivables (Net)	-	-	-

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

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

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

l) Explanations on write-off policy:

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

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

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

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

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

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

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

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

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills	-	-	-	-
Government bonds and similar securities	2.272.031	86.107	1.700.157	706.769
Other	-	-	-	-
Total	2.272.031	86.107	1.700.157	706.769

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Treasury bills, government bonds and similar securities	2.537.984	722.386	5.416.526	604.461
Other	-	-	-	-
Total	2.537.984	722.386	5.416.526	604.461

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

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

c) Information on held-to-maturity investments:

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

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

	Current period	Prior period
Beginning balance	16.556.802	15.858.882
Foreign currency differences on monetary assets	(14.112)	(17.115)
Purchases during the year ⁽¹⁾	3.112.796	3.727.323
Disposals through sales and redemptions ⁽²⁾	(6.936.307)	(3.028.343)
Impairment provision (-)/provision reversal (+)	-	16.055
Balance at the of the period	12.719.179	16.556.802

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

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

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

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

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of Treasury of Republic of Turkey ⁽²⁾	5.641.848	-	5.920.059	-	5.597.148	883.342	5.732.145	904.383
Obtained with the transfer	2.340.938	-	2.388.965	-	2.340.938	-	2.392.831	-
Reclassified from other securities portfolios ⁽¹⁾	2.396.216	1.839.459	2.498.683	1.911.472	5.535.196	1.672.176	5.796.368	1.731.075
Other	-	-	-	-	-	-	-	-
Total	10.379.002	1.839.459	10.807.707	1.911.472	13.473.282	2.555.518	13.921.344	2.635.458

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

⁽²⁾ The Bank has not reclassified any financial assets from other portfolios to held to maturity investment portfolio during 2010. The additions for the period and financial assets amounting TRY 427.510 which are subject to bond swap are shown under "Obtained from Under Secretariat of Treasury of Republic of Turkey" row.

(7) Information on associates (Net):

a) Information on associates:

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

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b) Information related to the associates as sorted in (a):

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
3.601.525	420.801	56.417	41.620	(13.235)	2.234	9.455	608.730
408.647	101.580	4.266	615	-	10.860	10.507	104.000
42.059	41.854	236	1.734	-	744	1.423	33.292
12.412	4.149	109	170	36	269	275	-
18.479	9.010	2.496	125	-	3.397	2.571	-
40.927	32.578	1.703	1.834	-	9.905	6.802	-
19.837	16.925	6.018	661	-	2.525	(536)	-
138.091	133.547	2.235	4.510	-	5.437	7.394	-

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

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

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

c) Movement of associates:

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

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

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

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

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

TÜRKİYE HALK BANKASI A.Ş.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

d) Sectoral information and related carrying amounts of associates:

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

e) Associates quoted to a stock exchange:

None.

(8) Information on subsidiaries (Net):

a) Information on subsidiaries:

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

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

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

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

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

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

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

c) Movement of the subsidiaries:

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

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

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

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

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

e) Subsidiaries quoted in the stock exchange:

None.

(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.

TÜRKİYE HALK BANKASI A.Ş.
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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

(12) Information on tangible assets:

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

TÜRKİYE HALK BANKASI A.Ş.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

(13) Information on intangible assets:

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

(14) Information on investment property:

None.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

(15) Information on deferred tax assets:

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

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

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

(17) Information on other assets:

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

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

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

a.2. Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months- 1 year	1 year and over	Cumulative deposits	Total
Saving deposits	1.180.145	-	3.975.059	12.663.864	293.895	137.856	41.876	43.528	18.336.223
Foreign currency deposits	1.694.033	-	2.894.452	7.162.518	722.972	786.124	400.989	8.624	13.669.712
Residents in Turkey	1.628.603	-	2.803.326	5.208.785	496.421	550.051	353.826	8.613	11.049.625
Residents abroad	65.430	-	91.126	1.953.733	226.551	236.073	47.163	11	2.620.087
Public sector deposits	846.764	-	267.943	739.761	70.985	194	150	-	1.925.797
Commercial inst. deposits	1.430.088	-	1.655.116	2.337.955	40.071	45.322	1.444	-	5.509.996
Other inst. deposits	299.857	-	136.220	1.570.269	232.496	2.956	655	-	2.242.453
Precious metals	185.269	-	-	-	-	-	-	-	185.269
Interbank deposits	215.341	-	1.599.467	106.926	-	-	-	-	1.921.734
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	25.714	-	1.383.208	80.066	-	-	-	-	1.488.988
Foreign banks	99.216	-	216.259	26.860	-	-	-	-	342.335
Participation banks	90.411	-	-	-	-	-	-	-	90.411
Other	-	-	-	-	-	-	-	-	-
Accruals	358	-	43.890	102.473	5.671	4.054	1.856	217	158.519
Total	5.851.855	-	10.572.147	24.683.766	1.366.090	976.506	446.970	52.369	43.949.703

TÜRKİYE HALK BANKASI A.Ş.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

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	11.452.490	9.536.031	10.655.063	8.862.514
Foreign currency saving deposits	2.419.516	2.264.490	4.002.148	3.904.828
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	53.080	40.530	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

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

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

	Current period	Prior period
Foreign branches' saving deposits and other accounts	152.388	176.219
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	2.141	930
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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

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

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

TÜRKİYE HALK BANKASI A.Ş.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	126.442	128.796	123.730	100.005
Foreign banks, institutions and funds	75.287	3.493.862	77.992	1.729.790
Total	201.729	3.622.658	201.722	1.829.795

b) Maturity structure of funds borrowed:

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

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

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

Main liability of the Bank is deposit, which is composed of 40% of saving deposits and 23% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Bank's 57% of banks deposits and 26% of other deposits consist of foreign currency deposits.

Information on funds provided from repurchase agreement transactions:

	Current period		Prior period	
	TRY	FC	TRY	FC
From domestic transactions	2.527.844	-	5.201.549	-
Financial institutions and organizations	2.423.650	-	5.127.868	-
Other institutions and organizations	70.940	-	36.631	-
Real persons	33.254	-	37.050	-
From overseas transactions	69	611.411	281	544.540
Financial institutions and organizations	-	611.411	-	544.540
Other institutions and organizations	-	-	-	-
Real persons	69	-	281	-
Accruals	12.986	2.745	11.922	3.436
Total	2.540.899	614.156	5.213.752	547.976

(4) Explanations to the funds:

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

TÜRKİYE HALK BANKASI A.Ş.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

a) Maturity structure of funds:

Current period		Prior Period	
Short-term	Long-term	Short-term	Long-term
75.832	1.219.400	134.485	1.181.317

(5) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 533.643 and does not exceed 10% of the balance sheet total (31 December 2009: TRY 259.838).

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

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

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

b) Explanation on finance lease payables:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	831	566	196	139
Between 1-4 years	-	-	-	-
More than 4 years	-	-	-	-
Total	831	566	196	139

c) Explanations regarding operational leases:

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

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

None.

(8) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior Period
General provisions	390.121	275.695
Provisions for first group loans and receivables	339.845	227.302
Provisions for second group loans and receivables	9.553	21.720
Provisions for non cash loans	40.723	26.673

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

None.

TÜRKİYE HALK BANKASI A.Ş.

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

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

As of 31 December 2010, the Bank's specific provisions for unindemnified non-cash loans balance is TRY 46.665 (31 December 2009: TRY 43.618). The Bank provides 50% of provision for these non cash loans. TRY 2.538 (31 December 2009: TRY 2.580) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

d) Information on other provisions:

Total other provision balance amounting to TRY 191.522 (31 December 2009: TRY 212.409) consists of TRY 46.665 (31 December 2009: TRY 43.618) for specific provisions for unindemnified non cash loans, TRY 22.493 (31 December 2009: TRY 21.518) for legal cases filed against the Bank, TRY 27.064 of provision for close monitoring loans (31 December 2009: TRY 50.269), TRY 69.390 of provision for restructured from Group I loans (31 December 2009: TRY 69.390) and TRY 25.910 of other provisions (31 December 2009: TRY 27.614).

Provision balance for possible risks:

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

d.1. Movement of employee termination benefits

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

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

Calculated amounts as a result of actuarial conjectures are as follows

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

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

e) Liabilities on pension rights

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

None.

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

Based on the results of the actuarial report prepared as of 31 December 2010 and 31 December 2009, no technical deficit has been reported. Besides, no technical deficit for T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported as of 31 December 2010 and 31 December 2009.

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

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

a.2. Information on taxes payable:

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

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	6	6
Social insurance premiums-employer	9	8
Bank social aid pension fund premium-employee	3.235	2.643
Bank social aid pension fund premium-employer	4.507	3.678
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	-	-
Unemployment insurance-employer	-	-
Other	700	571
Total	8.457	6.906

b) Explanations regarding deferred tax liability:

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

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

None.

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

None.

(12) Information on shareholders' equity:

a) Presentation of paid-in capital:

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

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

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.

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h) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	-	-	-	97.688
Revaluation difference	175.514	(59.790)	87.936	(51.983)
Exchange rate difference	-	-	(13.759)	-
Total	175.514	(59.790)	74.177	45.705

i) Information on legal reserves:

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

j) Information on the extraordinary reserves

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

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

⁽¹⁾ In the current period, the Bank has TRY 2.000 of capital commitment for its associate Kredi Garanti Fonu AŞ.

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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	149.594	138.242
Letters of credit	3.377.338	2.243.228
Other guarantees	256.403	158.159
Total	3.783.335	2.539.629

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

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

b.3. Total non-cash loans:

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

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

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

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

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

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c) Information on derivative financial instruments:

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

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

d) Information on contingent liabilities and assets:

The Bank has provided TRY 22.493 (31 December 2009: TRY 21.518) of provision for the disputed legal cases filed by various persons and institutions.

e) Services supplied on behalf of others:

None.

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IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans ⁽¹⁾				
Short term loans	1.530.571	155.357	1.816.911	197.693
Medium and long term loans	2.066.429	381.689	1.812.043	271.938
Interest on non-performing loans	122.201	8	127.456	1
Premiums from resource utilization support fund	-	-	-	-
Total	3.719.201	537.054	3.756.410	469.632

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

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	66.622	-	115.994	80
Domestic banks	174	343	201	147
Overseas banks	930	3.345	2.186	7.734
Head office and branches	-	-	-	-
Total	67.726	3.688	118.381	7.961

c) Interest income from marketable securities:

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

d) Interest income from subsidiaries and associates:

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

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

(2) Information on interest expenses:

a) Information on interest expense on borrowings:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	16.947	48.971	23.975	50.360
Central Bank of Turkey	-	-	-	-
Domestic banks	9.844	3.623	15.192	3.633
Overseas banks	7.103	45.348	8.783	46.727
Overseas head office and branches	-	-	-	-
Other institutions	287	2	32	-
Total	17.234	48.973	24.007	50.360

b) Interest expenses to subsidiaries and associates:

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

c) Information on interest expenses to marketable securities issued:

None.

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits						Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
TRY								
Bank deposits	2.074	82.993	8.643	78	53	-	-	93.841
Saving deposits	2.397	382.553	1.073.436	25.912	11.978	3.661	4.251	1.504.188
Public deposits	439	32.450	80.931	6.885	96	21	-	120.822
Commercial deposits	4.691	254.582	284.744	39.611	2.532	112	-	586.272
Other deposits	15	19.969	139.930	31.004	627	42	-	191.587
7 days call accounts	-	-	-	-	-	-	-	-
Total	9.616	772.547	1.587.684	103.490	15.286	3.836	4.251	2.496.710
Foreign currency								
Deposits	1.440	81.869	135.166	22.859	20.933	7.849	-	270.116
Bank deposits	-	5.229	-	-	-	-	-	5.229
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
Total	1.440	87.098	135.166	22.859	20.933	7.849	-	275.345
Grand total	11.056	859.645	1.722.850	126.349	36.219	11.685	4.251	2.772.055

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(3) Information on dividend income:

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	411	663
Other	55.524	10.111
Total	55.935	10.774

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

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

b) Information on derivative financial instruments:

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

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(5) Information on other operating income:

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

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

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

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	316.369	434.354
Group-III loans and receivables	134.190	169.502
Group-IV loans and receivables	33.615	35.051
Group-V loans and receivables	148.564	229.801
General loan provision expenses	114.567	60.999
Provision expenses for possible losses	600	7.000
Marketable securities impairment losses	12.133	-
Financial assets at fair value through profit and loss	-	-
Financial assets available for sale	12.133	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
Associates	-	-
Subsidiaries	-	-
Jointly controlled entities (joint ventures)	-	-
Investments held-to-maturity	-	-
Other	14.765	143.779
Total	458.434	646.132

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(7) Information on other operating expenses:

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

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

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

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

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

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

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

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

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

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

- a. Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Bank's performance for the period between 1 January 2010 and 31 December 2010.
- b. Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.

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

Other fees and commissions:

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

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.

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

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

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

(2) Items of cash and cash equivalents, accounting policies used in the determination of those items:

Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.

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

None.

TÜRKİYE HALK BANKASI A.Ş.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

(4) Period beginning cash and cash equivalents balance:

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

⁽¹⁾ Others items include precious metals.

(5) Period ending cash and cash equivalents balance:

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

⁽¹⁾ Other items include precious metals.

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK

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

a) Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	58.611	22.311	-	-	-	-
Closing balance	75.704	36.366	-	-	-	-
Interest and commissions income	3.160	134	-	-	-	-

b) Prior period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	80.146	6.861	-	-	-	-
Closing balance	58.611	22.311	-	-	-	-
Interest and commissions income	3.085	1.269	-	-	-	-

TÜRKİYE HALK BANKASI A.Ş.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Beginning balance	115.585	108.628	-	-	-	-
Closing Balance	284.026	115.585	-	-	-	-
Interest expense on deposits	12.712	12.964	-	-	-	-

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

None.

(2) Disclosures for risk group:

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

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

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

	Amount	% compared to the amounts in the financial statements
Cash loans	75.704	0,17%
Non-cash loans	36.366	0,29%
Deposits	284.026	0,52%
Forward and option contracts	-	-
Banks and financial institutions	-	-

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

TÜRKİYE HALK BANKASI A.Ş.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

Explained in b).

d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 4.145 as of 31 December 2010 (31 December 2009: TRY 3.824).

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

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

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

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

The Bank opened 40 domestic branches during the year.

TÜRKİYE HALK BANKASI A.Ş.

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

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

IX. SUBSEQUENT EVENTS

Changes in required reserves ratio

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

a) Turkish lira required reserve ratio

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

b) FX required reserve ratio is 11%

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

The ratios are below:

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

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

SECTION VII: INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

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

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2010**

(CONVENIENCE TRANSLATION OF CONSOLIDATED
FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND
FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

WITH INDEPENDENT AUDITORS' REPORT THEREON



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**

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Büyükdere Caddesi
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Internet www.kpmg.com

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

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

To the Board of Directors of
Türkiye Halk Bankası AŞ;

We have audited the consolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") and its financial affiliates (together "the Group") as of 31 December 2010 and the related consolidated income statement, statement of cash flows, statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements. The consolidated financial statements of the Group for the year ended 31 December 2009 have been audited by other auditors whose report, dated 3 March 2010, expressed an unqualified opinion.

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

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

Disclosure for the Responsibility of the Authorized Audit Firm:

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

Independent Auditors' Opinion:

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ and its financial affiliates as of 31 December 2010 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 and Article 38 of (Turkish) Banking Law No 5411 and the statements, communiqués and guidances published by the BRSA on accounting and financial reporting principles.

İstanbul,
3 March 2011

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik Anonim Şirketi

Erdal Tıkmak
Partner

Additional paragraph for convenience translation to English:

As explained in Note 1 in Third Section, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

TÜRKİYE HALK BANKASI A.Ş. THE CONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

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

Subsidiaries	Associates
1. Halk Yatırım Menkul Değerler AŞ	1. Demir-Halkbank NV
2. Halk Sigorta AŞ	2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3. Halk Hayat ve Emeklilik AŞ	3. Halk Finansal Kiralama AŞ
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	

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

Ankara, 3 March 2011

Hasan Cebeci
Chairman of the
Board of Directors

Hüseyin Aydın
Member of the Board of Directors,
Chief Executive Officer

Emin Süha Çayköylü
Member of the Board of Directors,
Member of the Audit Committee

Salim Alkan
Member of the Board of Directors,
Member of the Audit Committee

Osman Arslan
Financial Management and Planning
Vice Chief Executive Officer

Yusuf Duran Ocak
Financial Accounting and
Reporting Department Head

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

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

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TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan CEBECİ	Chairman of the Board of Directors	13.04.2005	Ankara Eco. and Com. Science (ECS) Academy-Economy&Finance	30
Mehmet Emin ÖZCAN(*)	Vice Chairman of the Board of Directors	24.05.2010	Ankara University-Faculty of Political Science-Economy&Finance	27
Hüseyin AYDIN	Member of the Board of Directors, Chief Executive Officer	01.06.2005	Ankara Eco. and Com. Science (ECS) Academy-Economy&Finance.	27
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.03.2003	Doctor's Degree: Washington International University-Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU – Faculty of Engineering-Mechanical Engineering.	27
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.04.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree in Finance; Marmara Uni. Banking and Insurance Ins. – International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	20
Ibrahim Hakkı TUNCAV	Member of the Board of Directors	09.04.2008	METU Business Administration.	30
Ahmet YARIZ	Member of the Board of Directors	09.04.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins.-Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Bachelor Degree: Istanbul Uni.-Business Administration.	19
Salim ALKAN(*)	Member of the Board of Directors	24.05.2010	Ankara Uni. Faculty of Political Science-Business Administration.	38
Sabahattin BIRDAL(*)	Member of the Board of Directors	27.10.2010	Istanbul Uni. Faculty of Economics Business Administration-Finance	25
Faruk ÖZÇELİK(*)	Member of the Audit Committee	24.05.2010	Master's Degree: Selcuk University Social Sciences Ins.-International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	-
Yusuf DAĞCAN	Member of the Audit Committee	28.03.2003	Eskişehir Economics and Trade Academy-Economy&Finance.	31
Yakup DEMİRCİ	Executive Vice President	11.06.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	21
Mustafa SAVAŞ	Executive Vice President	12.08.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	20
Erol GÖNCÜ	Executive Vice President	09.03.2005-13.06.2005 By proxy 14.06.2005 Principal	METU Faculty of Arts and Sciences-Mathematics Department.	22
Yunus ESMER	Executive Vice President	17.06.2005	Ankara ECS Academy Business Administration-Accounting Department.	32
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.06.2005	Doctor's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	19
Süleyman ASLAN	Executive Vice President	17.06.2005	METU Faculty of Economic and Administrative Sciences-International Relations Department.	18
Selahattin SÜLEYMANOĞLU	Executive Vice President	01.07.2007	Master Degree: Selcuk University Social Sciences Ins.-International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	20
Osman ARSLAN	Executive Vice President	01.07.2007	Master's Degree: METU Business Administration for Executives. Bachelor's Degree: METU Faculty of Arts and Sciences-Department of Statistics.	15
Bilgehan KURU	Executive Vice President	01.07.2007	Master's Degree: METU Faculty of Arts and Sciences Bachelor's Degree: METU Faculty of Engineering-Mining Engineering.	24
Mehmet Akif AYDEMİR(*)	Executive Vice President	04.03.2010	Ankara University, Political Sciences Faculty –Economics.	24
Taner AKSEL(*)	Executive Vice President	26.03.2010	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.	21
Mürsel ERTAŞ (*)	Executive Vice President	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences-Foreign Trade & Exchange.	24

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

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

Name	Title	Assignment Date
Mehmet Akif AYDEMİR	Executive Vice President	04 March 2010
Taner AKSEL	Executive Vice President	26 March 2010
Mehmet Emin ÖZCAN	Vice Chairman of the Board of Directors	24 May 2010
Salim ALKAN	Member of the Board of Directors	24 May 2010
Mitat ŞAHİN	Member of the Board of Directors	24 May 2010
Faruk ÖZÇELİK	Member of the Audit Committee	24 May 2010
Ufuk Hacer DENİZCİ YÜCE	Executive Vice President	12 October 2010
Mürsel ERTAŞ	Executive Vice President	12 October 2010
Sabahattin BİRDAL	Member of the Board of Directors	27 October 2010

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

Name	Title	Leaving Date
Ömer Muzaffer BAKTIR	Executive Vice President	01 March 2010
Hasan SEZER	Vice Chairman of the Board of Directors	19 March 2010
Burhaneddin TANYERİ	Member of the Board of Directors	24 May 2010
Mustafa ÇELİK	Member of the Board of Directors	24 May 2010
Şeref EFE	Member of the Audit Committee	24 May 2010
Halil ÇELİK	Executive Vice President	24 May 2010
Mehmet Cengiz GÖĞEBAKAN	Executive Vice President	31 May 2010
Mitat ŞAHİN	Member of the Board of Directors	01 July 2010

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

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

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

a) General information about the Parent Bank:

Türkiye Halk Bankası Anonim Şirketi 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 Parent Bank revised its charter of establishment, elected a new board of directors and increased its nominal capital from TRY 250.000 to TRY 1.250.000 in the extraordinary general assembly held on 14 April 2001. Within the scope of the restructuring process, the Parent Bank received government bonds in settlement of the accumulated specific duty losses and the Parent Bank's whole specific duty loss receivable was thus eliminated as at 30 April 2001. In addition, a significant number of personnel were encouraged to sign new contracts or transferred to other government institutions.

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Parent Bank were to be concluded under the provisions of Law No: 4046 based on the "Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law". The procedures relating to restructuring and sale of the shares were to be completed within three years (until 25 November 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term "3 years" in Article 2.2. of Law numbered 4603 was previously amended to "5 years" and by Law No: 5572 dated 10 January 2007 the related term was extended to "10 years". As a result of this amendment, the privatization period of

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

the Parent Bank was prolonged. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended this five year period by the half of that period with the Decree numbered 2005/9841 and dated 27 December 2005. When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Parent Bank shares were decided to be sold before 25 May 2008 using the block sale method. By the Privatization High Council's decree numbered 2006/4258 and dated 11 August 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 was executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on 11 August 2006, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Parent Bank corresponding to 24.98% was completed in the first week of May 2007 and Halkbank shares were traded on Istanbul Stock Exchange ("ISE") as of 10 May 2007 with the base price of TRY full 8,00.

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

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

As of 31 December 2010, the Parent Bank operates with a total of 709 branches consisting of 705 domestic and 4 foreign branches that are 3 in Cyprus and 1 in Bahrain. Domestic Branches include 16 satellite branches, 8 private processing center. The Parent Bank has also 3 financial service branches in Germany and 1 representative office in Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

- Halk Yatırım Menkul Değerler AŞ
- Hayat Sigorta AŞ
- Halk Hayat ve Emeklilik AŞ
- Halk Gayrimenkul Yatırım Ortaklığı AŞ

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

The Parent Bank's associates;

- Demir-Halkbank NV
- Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
- Halk Finansal Kiralama AŞ

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

Halk Gayrimenkul Yatırım Ortaklığı AŞ ("the Company"), a subsidiary of the Parent Bank established in the current period, was registered on 18 October 2010. The Company's main line of business is, to form and improve real estate portfolios and to invest in real estate based capital market instruments. The Company's main operative target is, based on the Capital Markets Board's ("CMB") regulation regarding the investment properties, to invest in capital market instruments based on real estates, real estate projects and rights based on real estates.

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

SECTION II: CONSOLIDATED FINANCIAL STATEMENTS

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

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note	Audited Current period 31 December 2010			Audited Prior period 31 December 2009		
		TRY	FC	Total	TRY	FC	Total
ASSETS							
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	2.782.649	1.866.916	4.649.565	2.116.679	1.299.045	3.415.724
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	46.631	43.356	89.987	27.003	28.959	55.962
2.1 Trading financial assets		46.631	43.356	89.987	27.003	28.959	55.962
2.1.1 Public sector debt securities		44.720	8.958	53.678	25.227	8.337	33.564
2.1.2 Share certificates		77	-	77	92	-	92
2.1.3 Financial assets held for trading		3	34.304	34.307	-	20.528	20.528
2.1.4 Other marketable securities		1.831	94	1.925	1.684	94	1.778
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. BANKS	(3)	103.332	909.336	1.012.668	120.758	1.051.151	1.171.909
IV. MONEY MARKET PLACEMENTS		216.125	-	216.125	203	-	203
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market placements		95.719	-	95.719	199	-	199
4.3 Receivables from reverse repurchase agreements		120.406	-	120.406	4	-	4
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	5.929.654	1.565.336	7.494.990	3.562.401	1.328.473	4.890.874
5.1 Share certificates		4.774	8.861	13.635	4.405	7.214	11.619
5.2 Public sector debt securities		5.924.880	1.556.475	7.481.355	3.557.996	1.321.259	4.879.255
5.3 Other marketable securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	(5)	32.227.015	12.069.472	44.296.487	23.576.324	8.881.747	32.458.071
6.1 Loans and receivables		31.933.792	12.069.472	44.003.264	23.266.840	8.881.747	32.148.587
6.1.1 Loans extended to risk group of the Bank		9.130	66.574	75.704	921	57.690	58.611
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		31.924.662	12.002.898	43.927.560	23.265.919	8.824.057	32.089.976
6.2 Loans under follow-up		1.757.753	-	1.757.753	1.667.912	-	1.667.912
6.3 Specific provisions (-)		1.464.530	-	1.464.530	1.358.428	-	1.358.428
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	10.838.368	1.911.472	12.749.840	13.938.090	2.635.458	16.573.548
8.1 Public sector debt securities		10.838.368	1.911.472	12.749.840	13.938.090	2.635.458	16.573.548
8.2 Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	72.356	115.566	187.922	48.743	127.922	176.665
9.1 Accounted under equity method		64.723	115.566	180.289	-	127.922	127.922
9.2 Unconsolidated associates		7.633	-	7.633	48.743	-	48.743
9.2.1 Financial investments		6.581	-	6.581	47.691	-	47.691
9.2.2 Non-financial investments		1.052	-	1.052	1.052	-	1.052
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	-	-	-	-	-	-
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
XI. JOINT VENTURES (Net)	(9)	-	-	-	-	-	-
11.1 Accounted with equity method		-	-	-	-	-	-
11.2 Unconsolidated joint ventures		-	-	-	-	-	-
11.2.1 Financial joint ventures		-	-	-	-	-	-
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1 Fair value risk hedging		-	-	-	-	-	-
13.2 Cash flow risk hedging		-	-	-	-	-	-
13.3 Net abroad investment risk hedging		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	1.234.390	47	1.234.437	1.141.486	44	1.141.530
XV. INTANGIBLE ASSETS (Net)	(13)	18.655	-	18.655	12.090	-	12.090
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		18.655	-	18.655	12.090	-	12.090
XVI. INVESTMENT PROPERTIES (Net)	(14)	-	-	-	489	-	489
XVII. TAX ASSET	(15)	222.820	-	222.820	207.562	-	207.562
17.1 Current assets for tax		-	-	-	-	-	-
17.2 Deferred assets for tax		222.820	-	222.820	207.562	-	207.562
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	98.131	-	98.131	84.091	-	84.091
18.1 Held for sale purpose		98.131	-	98.131	84.091	-	84.091
18.2 Held from discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	714.198	41.054	755.252	529.156	64.917	594.073
TOTAL ASSETS		54.504.324	18.522.555	73.026.879	45.365.075	15.417.716	60.782.791

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note	Audited Current period 31 December 2010			Audited Prior period 31 December 2009		
		TRY	FC	Total	TRY	FC	Total
LIABILITIES AND SHAREHOLDERS' EQUITY							
I. DEPOSITS	(1)	39,449,915	15,104,500	54,554,415	29,364,171	14,515,075	43,879,246
1.1 Deposits Held by the Risk Group of the Parent Bank		50,153	6,274	56,427	35,566	9,562	45,128
1.2 Other		39,399,762	15,098,226	54,497,988	29,328,605	14,505,513	43,834,118
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	7	39,144	39,151	-	88,956	88,956
III. BORROWING FUNDING LOANS	(3)	203,429	3,622,658	3,826,087	201,722	1,829,795	2,031,517
IV. MONEY MARKET BALANCES		2,666,667	614,156	3,280,823	5,229,113	547,976	5,777,089
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Takasbank takings		125,768	-	125,768	19,422	-	19,422
4.3 Funds from repurchase agreements		2,540,899	614,156	3,155,055	5,209,691	547,976	5,757,667
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Treasury bills		-	-	-	-	-	-
5.2 Asset-backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS	(4)	1,295,232	-	1,295,232	1,315,802	-	1,315,802
6.1 Borrower Funds		121,084	-	121,084	204,776	-	204,776
6.2 Other		1,174,148	-	1,174,148	1,111,026	-	1,111,026
VII. SUNDRY CREDITORS		755,869	19,362	775,231	549,528	16,363	565,891
VIII. OTHER LIABILITIES	(5)	392,985	140,658	533,643	163,850	95,988	259,838
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES	(6)	565	1	566	137	2	139
10.1 Finance lease payables		830	1	831	194	2	196
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		265	-	265	57	-	57
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(7)	-	-	-	-	-	-
11.1 Fair value risk hedging		-	-	-	-	-	-
11.2 Cash flow risk hedging		-	-	-	-	-	-
11.3 Net abroad investment risk hedging		-	-	-	-	-	-
XII. PROVISIONS	(8)	1,059,388	15,869	1,075,257	853,744	15,499	869,243
12.1 General loan provisions		390,121	-	390,121	275,695	-	275,695
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Employee benefits provisions		276,605	-	276,605	243,822	-	243,822
12.4 Insurance technical reserves (Net)		216,750	-	216,750	136,567	-	136,567
12.5 Other provisions		175,912	15,869	191,781	197,660	15,499	213,159
XIII. TAX LIABILITY	(9)	274,148	1	274,149	218,919	1	218,920
13.1 Current tax liability		274,148	1	274,149	218,919	1	218,920
13.2 Deferred tax liability		-	-	-	-	-	-
XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(10)	-	-	-	-	-	-
14.1 Held for sale purpose		-	-	-	-	-	-
14.2 Held from discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED CAPITAL	(11)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(12)	7,436,636	(64,311)	7,372,325	5,828,133	(51,983)	5,776,150
16.1 Paid-in capital		1,250,000	-	1,250,000	1,250,000	-	1,250,000
16.2 Capital Reserves		1,398,353	(64,311)	1,334,042	1,288,854	(51,983)	1,236,871
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities revaluation fund		177,841	(64,311)	113,530	78,429	(51,983)	26,446
16.2.4 Tangible assets revaluation reserves		-	-	-	-	-	-
16.2.5 Intangible assets revaluation reserves		-	-	-	-	-	-
16.2.6 Revaluation reserves of real estates for investment purpose		-	-	-	-	-	-
16.2.7 Non-paid-up shares of subsidiaries, associates and joint ventures		61	-	61	61	-	61
16.2.8 Hedging Funds (effective portion)		-	-	-	(10,087)	-	(10,087)
16.2.9 Value Increase on Non-current Assets Held for Sale and Discontinued Operations		-	-	-	-	-	-
16.2.10 Other capital reserves		1,220,451	-	1,220,451	1,220,451	-	1,220,451
16.3 Profit reserves		2,893,106	-	2,893,106	1,610,916	-	1,610,916
16.3.1 Legal reserves		620,349	-	620,349	515,312	-	515,312
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		2,225,576	-	2,225,576	1,048,423	-	1,048,423
16.3.4 Other profit reserves		47,181	-	47,181	47,181	-	47,181
16.4 Profit/Loss		1,888,693	-	1,888,693	1,671,769	-	1,671,769
16.4.1 Prior years income/loss		45,998	-	45,998	7,104	-	7,104
16.4.2 Period profit/loss		1,842,695	-	1,842,695	1,664,665	-	1,664,665
16.5 Minority shares		6,484	-	6,484	6,594	-	6,594
TOTAL LIABILITIES AND EQUITY		53,534,841	19,492,038	73,026,879	43,725,119	17,057,672	60,782,791

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

	Note	Audited Current period 31 December 2010			Audited Prior period 31 December 2009		
		TRY	FC	Total	TRY	FC	Total
OFF BALANCE SHEET							
A. COMMITMENTS AND CONTINGENCIES (I-III)							
I. GUARANTEES AND SURETSHIPS	(1)	17,089,689	10,385,583	27,475,272	10,028,306	12,782,239	22,810,545
1.1 Letters of guarantee		6,747,813	5,978,539	12,726,352	3,722,945	5,591,977	9,314,942
1.1.1 Guarantees subject to public procurement law		5,140,511	3,802,506	8,943,017	3,680,889	3,094,424	6,775,313
1.1.2 Guarantees given for foreign trade operations		477,740	3,006,494	3,484,234	353,921	2,375,248	2,729,169
1.1.3 Other letters of guarantee		4,662,771	796,012	5,458,783	3,326,968	719,176	4,046,144
1.2 Bank loans		-	149,594	149,594	-	138,242	138,242
1.2.1 Import acceptances		-	88,531	88,531	-	74,508	74,508
1.2.2 Other bank acceptances		-	61,063	61,063	-	63,734	63,734
1.3 Letters of credit		1,521,453	1,855,885	3,377,338	-	2,243,228	2,243,228
1.3.1 Documentary letters of credit		1,521,453	1,855,885	3,377,338	-	2,243,228	2,243,228
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed prefinancings		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to Central Bank of Turkish Republic		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		85,619	170,554	256,173	41,846	116,083	157,929
1.9 Other suretships		230	-	230	230	-	230
II. COMMITMENTS	(1)	9,198,369	689,509	9,887,878	4,988,824	828,762	5,817,586
2.1 Irrevocable commitments		9,195,150	689,509	9,884,659	4,985,605	828,762	5,814,367
2.1.1 Forward asset purchase commitments		248,007	383,194	631,201	169,106	510,342	679,448
2.1.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		2,000	-	2,000	2,250	-	2,250
2.1.4 Loan granting commitments		296,308	306,315	602,623	722,229	318,420	1,040,649
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for cheques		3,604,999	-	3,604,999	1,255,978	-	1,255,978
2.1.8 Tax and fund liabilities from export commitments		34,849	-	34,849	11,284	-	11,284
2.1.9 Commitments for credit card expenditure limits		4,089,791	-	4,089,791	2,793,507	-	2,793,507
2.1.10 Commitments for credit cards and banking services promotions		26,217	-	26,217	27,446	-	27,446
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		892,979	-	892,979	3,805	-	3,805
2.2 Revocable commitments		3,219	-	3,219	3,219	-	3,219
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		3,219	-	3,219	3,219	-	3,219
III. DERIVATIVE FINANCIAL INSTRUMENTS	(1)	1,143,507	3,717,535	4,861,042	1,316,517	6,361,500	7,678,017
3.1 Derivative financial instruments for hedging		-	-	-	-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-	-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-	-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-	-	-	-
3.2 Transactions for trading		1,143,507	3,717,535	4,861,042	1,316,517	6,361,500	7,678,017
3.2.1 Forward foreign currency buy/sell transactions		43,389	61,207	104,596	22,859	523,002	545,861
3.2.1.1 Forward foreign currency transactions-buy		15,883	36,443	52,326	6,012	266,585	272,597
3.2.1.2 Forward foreign currency transactions-sell		27,506	24,764	52,270	16,847	256,417	273,264
3.2.2 Currency and interest rate swaps		814,044	2,365,756	3,179,800	1,095,588	5,318,678	6,414,266
3.2.2.1 Currency swap-buy		154,773	1,451,293	1,606,066	-	2,871,470	2,871,470
3.2.2.2 Currency swap-sell		659,271	914,463	1,573,734	788,498	2,129,008	2,917,506
3.2.2.3 Interest rate swap-buy		-	-	-	-	318,200	318,200
3.2.2.4 Interest rate swap-sell		-	-	-	307,090	-	307,090
3.2.3 Currency, interest rate and marketable securities options		88,004	104,185	192,189	-	-	-
3.2.3.1 Currency call options		43,922	52,174	96,096	-	-	-
3.2.3.2 Currency put options		44,082	52,011	96,093	-	-	-
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Marketable securities call options		-	-	-	-	-	-
3.2.3.6 Marketable securities put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-buy		-	-	-	-	-	-
3.2.4.2 Currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		198,070	1,186,387	1,384,457	198,070	519,820	717,890
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		357,507,925	151,968,388	509,476,313	266,734,789	107,979,743	374,714,532
IV. CUSTODIES		65,622,963	6,599,017	72,221,980	56,546,837	5,412,880	61,959,717
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		27,486,898	279,199	27,766,097	27,988,177	271,653	28,259,830
4.3 Cheques in collection process		4,208,585	2,885,911	7,094,496	2,859,578	1,845,612	4,705,190
4.4 Commercial notes in collection process		19,368,036	191,272	19,559,308	9,685,107	178,807	9,863,914
4.5 Other assets in collection process		1,099	-	1,099	679	-	679
4.6 Underwritten securities		129	-	129	321	6,956	7,277
4.7 Other custodies		3,114	7,881	10,995	2,440	8,072	10,512
4.8 Custodians		14,555,102	3,234,754	17,789,856	16,010,535	3,101,780	19,112,315
V. PLEDGED ASSETS		291,884,962	145,369,371	437,254,333	210,187,952	102,566,863	312,754,815
5.1 Marketable securities		1,356,594	184,735	1,541,329	802,955	209,987	1,012,942
5.2 Collateral notes		3,483,737	166,385	3,650,122	2,729,862	170,390	2,900,252
5.3 Commodity		25,830	-	25,830	25,830	-	25,830
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		56,223,803	17,792,541	74,016,344	40,485,819	11,866,210	52,352,029
5.6 Other pledged assets		228,225,320	127,085,348	355,310,668	164,097,650	89,571,870	253,669,520
5.7 Pledges		2,569,678	140,362	2,710,040	2,045,836	748,406	2,794,242
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		374,597,614	162,353,971	536,951,585	276,763,095	120,761,982	397,525,077

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010U

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

III. CONSOLIDATED STATEMENT OF INCOME			Audited	Audited
		Note	Current period	Prior period
INCOME AND EXPENSES			1 January-31 December 2010	1 January-31 December 2009
I.	INTEREST INCOME	(1)	6.363.935	6.829.199
1.1	Interest on loans		4.256.240	4.225.937
1.2	Interest received from reserve deposits		177	304
1.3	Interest received from banks		73.470	126.483
1.4	Interest received from money market placements		263	4.498
1.5	Interest income on marketable securities		2.019.832	2.451.134
1.5.1	Financial assets held for trading		3.372	4.135
1.5.2	Financial assets at fair value through profit and loss		-	-
1.5.3	Financial assets available-for-sale		616.755	546.417
1.5.4	Investments held-to-maturity		1.399.705	1.900.582
1.6	Finance lease income		-	-
1.7	Other interest income		13.953	20.843
II.	INTEREST EXPENSE	(2)	3.151.775	3.700.152
2.1	Interest on deposits		2.763.395	3.204.498
2.2	Interest on borrowings		66.207	74.367
2.3	Interest on money market borrowings		272.513	331.285
2.4	Interest on marketable securities issued		-	-
2.5	Other interest expense		49.660	90.002
III.	NET INTEREST INCOME [I - II]		3.212.160	3.129.047
IV.	NET FEES AND COMMISSIONS INCOME		509.975	453.796
4.1	Fees and commissions income		615.500	535.854
4.1.1	Non-cash loans		78.714	63.333
4.1.2	Other	(12)	536.786	472.521
4.2	Fees and commissions expenses		105.525	82.058
4.2.1	Non-cash loans		58	3
4.2.2	Other		105.467	82.055
V.	DIVIDEND INCOME	(3)	1.223	6.595
VI.	NET TRADING PROFIT (NET)	(4)	133.355	18.151
6.1	Profit/loss from capital market operations		221.758	137.156
6.2	Profit/loss from financial derivative transactions		(72.840)	(75.805)
6.3	Foreign exchange gains/losses		(15.563)	(43.200)
VII.	OTHER OPERATING INCOME	(5)	597.805	395.105
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		4.454.518	4.002.694
IX.	LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	458.470	646.144
X.	OTHER OPERATING EXPENSES(-)	(7)	1.653.949	1.301.569
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		2.342.099	2.054.981
XII.	AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-
XIII.	PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES		10.911	3.792
XIV.	GAIN/(LOSS) ON NET MONETARY POSITION		-	-
XV.	INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	2.353.010	2.058.773
XVI.	TAX INCOME PROVISION (±)	(9)	(509.719)	(393.404)
16.1	Current tax provision		(544.120)	(557.911)
16.2	Deferred tax provision		34.401	164.507
XVII.	NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	1.843.291	1.665.369
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Property and equipment income held for sale		-	-
18.2	Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-
18.3	Other income from terminated operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Property and equipment expense held for sale		-	-
19.2	Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-
19.3	Other expenses from discontinued operations		-	-
XX.	INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	-	-
XXI.	PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)	(9)	-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)	(10)	-	-
XXIII.	NET PROFIT/(LOSS) (XVII+XXII)	(11)	-	-
	Group's profit/loss		1.842.695	1.664.665
	Minority shares profit/loss		596	704
	Earnings/losses per share (Full TRY)		1.47416	1.33230

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE HALK BANKASI AŞ

CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

IV. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

	Audited Current period 1 January- 31 December 2010	Audited Prior period 1 January- 31 December 2009
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	97.648	184.622
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	69	708
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)	-	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)	12.609	10.557
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS	-	61
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(13.212)	(35.151)
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	97.114	160.797
XI. PROFIT/LOSS	1.843.291	1.665.369
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	31.486	58.272
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	-	-
11.3 Transfer of hedge of net investments in foreign operations to income statement	(10.087)	-
11.4 Other	1.821.892	1.607.097
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	1.940.405	1.826.166

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE HALK BANKASI AŞ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

	Note	Paid-in capital	Effect of inflation adjustments on paid-in capital	Share premium	Share cancellation	Share certificate profit	Legal reserves	Statutory reserves	Extra-ordinary reserves	Current period net income (loss)	Prior period net income (loss)	Valuation changes in marketable securities	Revaluation changes in prop. and eqip. of associates	Free shares shareholders	Hedging funds	Value change in prop. and eqip. held for sale excluding purp. term. gp.	Total equity
I. 1. January 2009 – 31. December 2009		1.250.000	1.220.451	-	-	-	434.471	333.180	32.739	1.014.297	35.042	(11.037)	-	-	(18.533)	-	4.190.810
II. Balance at the beginning of prior period		1.250.000	1.220.451	-	-	-	434.471	333.180	32.739	1.014.297	35.042	(11.037)	-	-	(18.533)	-	4.190.810
2.1 The effects of corrections of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New issues (i.e. in)		-	-	-	-	-	7.544	13.573	-	29.409	(9.875)	1.435	-	-	-	-	-
IV. Share decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-	151.582	-	-	-	-	-	48.894
VI. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	(7.423)	623	-	8.446	-	-	151.582
VI.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	(7.423)	623	-	8.446	-	-	151.582
VI.2 Hedges for investments made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Revaluation changes of property and equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Free shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	85	-	-	-	-	-	85
XI. Changes after disposal of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of changes in shareholders' equity of investments and associates to bank's shareholders' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(720)
XIV. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	14.442	-	-	-	(14.442)	-	-	-	-	-
XIX. Net profit or losses		-	-	-	-	-	-	701.670	-	1.664.665	-	-	-	-	-	-	1.664.665
XX. Profit distribution		-	-	-	-	-	73.097	-	-	(1.045.706)	(10.640)	-	-	-	-	-	(81.579)
20.1 Dividends distributed		-	-	-	-	-	73.097	-	-	(1,045,706)	(10,640)	-	-	-	-	-	(81,579)
20.2 Transfers to legal reserves		-	-	-	-	-	-	701.670	-	-	(712.767)	-	-	-	-	-	(81,579)
20.3 Other		-	-	-	-	-	-	-	-	(1,045,706)	1,045,706	-	-	-	-	-	-
XI. Closing balance		1.250.000	1.220.451	-	-	-	515.312	1.048.423	47.181	1.664.665	7.104	26.446	-	61	(10.087)	-	5.776.150
I. 1. January 2010 – 31. December 2010		1.250.000	1.220.451	-	-	-	515.312	1.048.423	47.181	1.664.665	7.104	26.446	-	61	(10.087)	-	5.776.150
II. Increase or decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-	87.001	-	-	-	-	-	87.001
IV. Hedging Funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	10.087	-	-	10.087
4.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedges for investments made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation changes of property and equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Free shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	69	-	-	-	-	-	69
IX. Changes after disposal of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of changes in shareholder's equity of investments and associates to bank's shareholders' equity		-	-	-	-	-	35	-	-	-	14	-	-	-	-	-	49
XII. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other (*)		-	-	-	-	-	-	-	-	-	14.205	-	-	-	-	-	14.205
XVII. Net profit or losses		-	-	-	-	-	-	-	-	1,842,695	-	-	-	-	-	-	1,842,695
XVIII. Profit distribution		-	-	-	-	-	105.002	1.177.153	-	(1,664,665)	24,689	-	-	-	-	-	(357,821)
18.1 Dividends distributed		-	-	-	-	-	105,002	1,177,153	-	(1,664,665)	24,689	-	-	-	-	-	(357,821)
18.2 Transfers to legal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Closing balance		1.250.000	1.220.451	-	-	-	620.349	2.225.576	47.181	1.842.695	48.998	113.530	-	61	-	-	7.365.841
(*) Effect of the financial associates taken into consolidation due to communiqué published in official gazette numbered 27824 on 23.01.2011 related to the "Communiqué related to the Change in Communiqué on Preparation of Consolidated Financial Statements of Banks" in the current period.																	

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION TABLE FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

VI.	CONSOLIDATED STATEMENT OF CASH FLOWS		Audited Current period 31 December 2010	Audited Prior period 31 December 2009
		Note		
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities		2.175.697	2.174.874
1.1.1	Interest received		6.564.846	7.364.446
1.1.2	Interest paid		(3.104.103)	(3.918.818)
1.1.3	Dividend received		1.223	2.679
1.1.4	Fees and commissions received		615.500	535.854
1.1.5	Other income		378.135	233.450
1.1.6	Collections from previously written off loans		477.630	380.472
1.1.7	Cash payments to personnel and service suppliers		(718.169)	(648.096)
1.1.8	Taxes paid		(562.814)	(526.468)
1.1.9	Other		(1.476.551)	(1.248.645)
1.2	Assets and Liabilities Subject to Banking Operations		(2.252.756)	644.052
1.2.1	Net decrease in financial assets held for sale		(19.427)	11.534
1.2.2	Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions		-	-
1.2.4	Net (increase) decrease in loans		(11.983.097)	(7.215.071)
1.2.5	Net (increase) decrease in other assets		(626.339)	(180.187)
1.2.6	Net increase (decrease) in bank deposits		1.304.598	659.195
1.2.7	Net increase (decrease) in other deposits		9.336.559	3.329.212
1.2.8	Net increase (decrease) in loans borrowed		1.783.419	520.733
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities		(2.048.469)	3.518.636
I.	Net cash provided from banking operations		(77.059)	2.818.926
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES			
II.	Net cash provided from/(used in) investing activities		1.183.025	(3.011.833)
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries		(944)	(1.989)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries		-	-
2.3	Fixed assets purchases		(328.588)	(190.809)
2.4	Fixed assets sales		184.137	133.266
2.5	Cash paid for purchase of financial assets available for sale		(8.872.143)	(7.177.505)
2.6	Cash obtained from sale of financial assets available for sale		6.431.573	5.974.917
2.7	Cash paid for purchase of investment securities		(2.624.557)	(3.721.412)
2.8	Cash obtained from sale of investment securities		6.408.587	1.982.864
2.9	Other		(15.040)	(11.165)
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash used in financing activities		(357.394)	(282.098)
3.1	Cash obtained from loans borrowed and securities issued		-	-
3.2	Cash used for repayment of loans borrowed and securities issued		-	-
3.3	Marketable securities issued		-	-
3.4	Dividends paid		(357.821)	(281.579)
3.5	Payments for finance leases		(106)	(519)
3.6	Other		533	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(1)	76.689	(38.410)
V.	Net increase/(decrease) in cash and cash equivalents		825.261	(513.415)
VI.	Cash and cash equivalents at beginning of the period	(4)	3.732.344	4.245.759
VII.	Cash and cash equivalents at end of the period	(5)	4.557.605	3.732.344

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION TABLE FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

VII. STATEMENT OF PROFIT DISTRIBUTION TABLE	Audited Current period 31 December 2010	Audited Prior period 31 December 2009
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1. CURRENT PERIOD PROFIT	2.509.285	2.017.200
1.2. TAXES AND LEGAL DUTIES PAYABLE (-)	498.892	386.109
1.2.1. Corporate tax (Income tax)	531.855	548.097
1.2.2. Withholding tax	-	-
1.2.3. Other taxes and duties	(32.963)	(161.988)
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	2.010.393	1.631.091
1.3. ACCUMULATED LOSSES (-)	-	-
1.4. FIRST LEGAL RESERVES (-)	-	73.455
1.5. OTHER STATUTORY RESERVES (-)	-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	2.010.393	1.557.636
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	62.500
1.6.1. To owners of ordinary shares	-	62.500
1.6.2. To owners of privileged shares	-	-
1.6.3. To owners of redeemed shares	-	-
1.6.4. To profit sharing bonds	-	-
1.6.5. To holders of profit and loss sharing certificates	-	-
1.7. DIVIDENDS TO PERSONNEL (-)	-	62.000
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)	-	231.321
1.9.1. To owners of ordinary shares	-	231.321
1.9.2. To owners of privileged shares	-	-
1.9.3. To owners of redeemed shares	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To holders of profit and loss sharing certificates	-	-
1.10. SECOND LEGAL RESERVES (-)	-	29.332
1.11. STATUS RESERVES (-)	-	-
1.12. EXTRAORDINARY RESERVES	-	1.172.483
1.13. OTHER RESERVES	-	-
1.14. SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1. APPROPRIATED RESERVES	-	-
2.2. SECOND LEGAL RESERVES (-)	-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of privileged shares	-	-
2.3.3. To owners of redeemed shares	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To holders of profit and loss sharing certificates	-	-
2.4. DIVIDENDS TO PERSONNEL (-)	-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1. TO OWNERS OF ORDINARY SHARES	-	0.24
3.2. TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3. TO OWNERS OF PRIVILEGED SHARES	-	-
3.4. TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1. TO OWNERS OF ORDINARY SHARES	-	0.24
4.2. TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3. TO OWNERS OF PRIVILEGED SHARES	-	-
4.4. TO OWNERS OF PRIVILEGED SHARES (%)	-	-

⁽¹⁾ Due to regulations in Turkey, profit is not distributed over consolidated figures. Therefore, above table only includes the profit distribution of the Parent Bank. Profit distribution decisions are only made by Parent Bank's general assembly. General assembly has not been held yet as of the date when the Parent Bank's financial statements are formed.

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

Additional paragraph for convenience translation to English

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

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

1. The Group's strategy on financial instruments:

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

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

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

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

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

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

III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION

1. Basis of consolidation:

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

a. Basis of consolidation of subsidiaries:

The Parent Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ and Halk Gayrimenkul Yatırım Ortaklığı AŞ are included in the scope of consolidation.

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

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

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

b. Basis of consolidation of associates:

Demir-Halkbank NV ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Halk Finansal Kiralama AŞ, which are qualified as investments in associates, are presented in the accompanying financial statements based on the equity method of accounting.

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

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

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

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

Accounting principles used by Demir Halkbank NV, Kobi Girişim Sermayesi AŞ and Halk Finansal Kiralama AŞ which is a consolidated associate by the equity method of accounting, has the same accounting principles of the Parent Bank.

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures.

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

None.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

V. INTEREST INCOME AND EXPENSES

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

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

VI. FEES AND COMMISSION INCOME AND EXPENSES

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

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

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

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

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

1. Cash and banks

Cash and bank balances in foreign currencies are valued by using the Parent 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

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

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

2.2. Financial assets at fair value through profit and loss

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

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

3. Investments held to maturity

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

4. Financial assets available for sale

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

5. Loans and receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return at the subsequent recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Consumer and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

Non-performing loans are classified in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No: 26333 dated 1 November 2006 and amended with the regulation published in the Official Gazette No: 27119 dated 23 January 2009 and specific provisions are allocated for those loans. Specific provisions are reflected to "820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses" account. Provisions released in same year are recognized as a credit movement under the "Provision Expenses", released portion of the previous period provisions are recognized under the "Other Operating Income" account.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

For loans and receivables; the Parent 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 Parent Bank does not limit the provision amount for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. The Parent Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting 100% provision for the outstanding follow-up risk amount excluding the suretyship type of collaterals defined in the Article 9 of the related legislation. Specific provision rate for the standing non-cash loans extended to follow-up entities in order to cash ensuring is 100%, specific provision rate for other non-cash loans is 50%. Collections made related to those loans are offset against the capital and interest collections are recognized under the "Interest Received from Non-performing Loans" item of the income statement.

Other than specific allowances, the Parent 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 Parent 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 Parent 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%.

IX. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS (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 Group's portfolio and they are valued according to the valuation principles of the related portfolios.

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

Reverse repo transactions are recognized under the "Receivables from Reverse Repo Transactions" account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method.

XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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A discontinued operation is a component of the Group 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.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the consolidated balance sheet of the Group.

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. Amortisation method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortised 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, amortisation period or residual value.

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Leasehold improvements are depreciated over the lower of the periods of the respective leases and useful lives, on a straight-line basis. 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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

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

The Group does not participate in the financial leasing transactions as a "lessor".

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

XV. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

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

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

XVI. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

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

The provision for unearned premiums consists of the gross overlapping portion of accrued premiums for insurance contracts that are in effect to the subsequent period or periods of balance sheet date on a daily basis without a commission or any other discount.

In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision is recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer.

Claim provision is recognized for the accrued claims which are not paid in the current period or in the prior periods or for the claims realized with the expected costs but not reported.

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

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

Effective 1 January 2005, the Group's insurance subsidiaries adopted TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts has more fully addressed. TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts.

Contracts with significant insurance risk are considered as insurance contracts.

Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 revised.

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

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

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

XVII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

XVIII. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

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In accordance with the principles set out by the Council of Ministers' decision, numbered 2006/11345 published in the Official Gazette numbered 26377 and dated 15 December 2006 regarding the determination of procedures and principles for the application of transfer requirements and based on the technical balance sheet report prepared using a 10,24% of technical interest rate, for Türkiye Halk Bankası AŞ Employee Pension Fund TRY 9.251 of technical provision has been allocated as of 31 December 2006 and kept in financial statements as of 31 December 2007. As of 31 March 2008, part of the related technical provision was set as provision for possible risks and the remaining amount was cancelled. Based on the results of the actuarial report prepared as of 31 December 2010 and 31 December 2009, no technical deficit has been reported. Besides, no technical deficit for T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported.

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

XIX. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 31 December 2009 has been paid in April 2010, accrued advance tax as of 31 December 2010 has been paid in February 2011.

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

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 utilized.

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

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

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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.

Tax practices for the subsidiaries which are subject to consolidation

The Parent Bank's subsidiary, Halk Gayrimenkul Yatırım Ortaklığı AŞ, is established in the current period. Income derived from the operations related with the investment properties is exempt from corporate tax in accordance with the Article 5/1(d) (4) of the Corporate Tax Law No: 5520. This exemption is also used for the accrued advanced tax terms.

Other subsidiaries which are subject to consolidation are subject to same tax practices with the Parent Bank.

XX. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

There are no convertible bonds or debt instruments issued.

XXI. EXPLANATIONS ON SHARES AND SHARE ISSUE

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

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

XXII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

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XXIII. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Group.

XXIV. EXPLANATIONS ON SEGMENT REPORTING

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Group. The Parent Bank operates mainly in corporate, commercial, entrepreneur banking and investment banking.

The report concerning parts of Group's business segmentation and related information is explained in section four, disclosure numbered VIII.

XXV. EXPLANATION ON OTHER MATTERS

Associates and subsidiaries:

For TRY associates and subsidiaries, the additions of funds (such as revaluation fund) are deducted from the cost of the associate and subsidiary (the additions of these funds to the capital is permitted for statutory purposes) and later, these costs are indexed based on the capital increase payment dates until 31 December 2004.

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO

Risk measurement methods used in the determination of consolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio calculation is performed in accordance with the Communiqué on "Measurement and Assessment of the Capital Adequacy of Banks", which was published in the Official Gazette numbered 26333 on 1 November 2006. As of 31 December 2010, the Bank's consolidated capital adequacy ratio calculated based on the essentials of the related communiqué is 15,48 % (31 December 2009: 15,83%).

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

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

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

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

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

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1. Information on the consolidated capital adequacy ratio:

	Risk weights													
	Bank Only					Consolidated								
	0%	10%	20%	100%	150%	200%	0%	10%	20%	100%	150%	200%		
Credit risk base amount														
Balance sheet items (Net)	24.372.608	-	1.820.760	14.578.435	24.278.496	22.597	1.067	24.500.342	-	1.844.415	14.578.435	23.928.115	22.597	1.067
Cash	379.280	-	12	-	-	-	-	379.285	-	12	-	-	-	-
Matured marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the Central Bank of Turkey	2.949.703	-	-	-	-	-	-	2.949.703	-	-	-	-	-	-
Domestic, foreign banks, head office and overseas branches balances	-	-	987.832	-	1.509	-	-	-	-	1.011.106	-	1.509	-	-
Money market placements	-	-	-	-	-	-	-	95.719	-	-	-	-	-	-
Receivables from reverse repos transactions	-	-	120.000	-	-	-	-	-	-	120.271	-	-	-	-
Reserve deposits	1.317.067	-	-	-	-	-	-	1.317.067	-	-	-	-	-	-
Loans	6.670.187	-	517.926	14.443.249	21.903.916	22.597	1.067	6.670.187	-	517.926	14.443.249	21.903.916	22.597	1.067
Non-performing loans (Net)	-	-	-	-	293.223	-	-	-	-	-	-	293.223	-	-
Finance lease receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments held to maturity	12.218.461	-	-	-	-	-	-	12.246.808	-	-	-	-	-	-
Receivables from the asset sale on credit terms	-	-	-	-	40.467	-	-	-	-	-	-	40.467	-	-
Miscellaneous receivables	36.224	-	15.875	-	82.217	-	-	36.224	-	15.875	-	82.217	-	-
Interest and income accruals	555.218	-	4.925	135.186	253.287	-	-	557.532	-	5.035	135.186	253.442	-	-
Subsidiaries, associates and jointly controlled entities (joint ventures) (Net)	-	-	-	-	733.027	-	-	-	-	-	-	1.052	-	-
Property and equipment	-	-	-	-	950.795	-	-	-	-	-	-	1.237.389	-	-
Other assets	246.468	-	174.190	-	20.055	-	-	247.817	-	174.190	-	114.900	-	-
Off-balance sheet items	119.562	-	301.754	669.877	7.401.448	-	-	119.562	-	301.754	669.877	7.401.448	-	-
Non-cash loans and commitments	119.562	-	213.070	669.877	7.399.862	-	-	119.562	-	213.070	669.877	7.399.862	-	-
Derivative instruments	-	-	88.684	-	1.586	-	-	-	-	88.684	-	1.586	-	-
Non-risk weighted accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total risk-weighted assets	24.492.170	-	2.122.514	15.248.312	31.679.944	22.597	1.067	24.619.904	-	2.146.169	15.248.312	31.329.563	22.597	1.067

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2. Capital adequacy ratio summary:

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Credit risk base amount (CRBA)	39.764.632	30.393.342	39.418.982	30.208.231
Market risk base amount (MRBA)	1.550.350	836.688	1.514.638	903.613
Operational risk base amount (ORBA)	5.120.983	4.369.727	5.212.748	4.369.929
Shareholders' Equity	7.399.784	5.705.659	7.142.715	5.615.972
Shareholders' Equity/(CRBA+MRBA+ORBA)*100	15,94	16,03	15,48	15,83

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3. Information on equity items:

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
CORE CAPITAL				
Paid-in Capital	1.250.000	1.250.000	1.250.000	1.250.000
Nominal capital	1.250.000	1.250.000	1.250.000	1.250.000
Capital commitments (-)	-	-	-	-
Inflation Adjustment for Paid-in Capital	1.220.451	1.220.451	1.220.451	1.220.451
Share Premium	-	-	-	-
Share Cancellation Profits	-	-	-	-
Legal Reserves	610.282	507.495	620.349	515.312
I. Degree Legal Reserve (Turkish Commercial Code 466/1)	297.127	223.672	301.942	227.784
II. Degree Legal Reserve (Turkish Commercial Code 466/2)	312.163	283.120	317.415	286.825
Reserves per Specific Acts	992	703	992	703
Statutory Reserves	-	-	-	-
Extraordinary Reserves	2.233.578	1.047.336	2.272.757	1.081.870
Reserves allocated per General Assembly Minute	2.186.397	1.013.914	2.225.576	1.048.423
Retained Earnings ⁽¹⁾	47.181	47.181	47.181	47.181
Accumulated Loss	-	-	-	-
Foreign Currency Share Capital Exchange Difference	-	(13.759)	-	(13.734)
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-	-	-	-
Profit	1.970.569	1.631.091	1.888.693	1.671.769
Net period profit	1.970.569	1.631.091	1.842.695	1.664.665
Retained Earnings	-	-	45.998	7.104
Portion of Provisions Allocated for Potential Risk up to 25% of Core Capital Amount	7.600	7.000	7.600	7.000
Subsidiary and Associate Shares and Gains on Sale of Properties to Be Added to Capital	-	-	-	-
Portion of Primary Tier-II Capital up to 15% of Core Capital	-	-	-	-
Minority Interest	-	-	6.484	6.594
Losses that cannot be covered by reserves (-)	-	-	-	-
Net period loss	-	-	-	-
Accumulated Loss	-	-	-	-
Leasehold Improvements (-)	66.169	51.945	68.644	52.543
Prepaid Expenses (-)	262.019	156.378	264.186	167.630
Intangible Assets(-)	17.665	10.959	18.655	12.090
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-	-	-
Excess Amount defined in 3rd Clause, 56th Article of the Banking Act (-)	-	-	-	-
Total Core Capital	6.946.627	5.444.091	6.914.849	5.520.733

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	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
SUPPLEMENTARY CAPITAL				
General Loan Provisions	390.121	275.695	390.121	275.695
45% of Movable Assets Revaluation Fund	-	-	-	-
45% of Tangible Assets Revaluation Fund	-	-	-	-
Non-cash Shares of Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	44.076	61	61	61
Proportion of Primary Tier-II Capital excluded from the Core Capital Calculation	-	-	-	-
Secondary Tier –II Capital	-	-	-	-
45% of Marketable Securities Revaluation Fund	52.076	46.401	51.089	7.994
From Subsidiaries and Associates	-	30.222	-	(10.087)
From Financial Assets Available for Sale	52.076	16.179	51.089	18.081
Inflation adjustments for capital reserves, profit reserves and retained earnings/accumulated losses (Except inflation adjustments for legal reserves, statutory reserves and extraordinary reserves)	-	-	-	-
Minority Interest	-	-	-	-
Total Supplementary Capital	486.273	322.157	441.271	283.750
TIER-III CAPITAL				
CAPITAL	7.432.900	5.766.248	7.356.120	5.804.483
DEDUCTIONS FROM CAPITAL	33.116	60.589	213.405	188.511
Equity Shares in Banks and Financial Institutions Which Are Excluded from the Consolidation	6.581	47.690	6.581	47.690
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated debt and debt instruments purchased from such parties qualified as primary or secondary subordinated debt	-	-	-	-
Shareholdings in the banks and financial institutions which are accounted for under the equity pick up method but the assets and liabilities are not consolidated	-	-	180.289	127.922
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-	-	-	-
The net book value of properties exceeding 50% of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	26.535	12.899	26.535	12.899
Other	-	-	-	-
TOTAL EQUITY	7.399.784	5.705.659	7.142.715	5.615.972

⁽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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II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK

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

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

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

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

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

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

As of 31 December 2010, the receivables of the Parent Bank from its top 100 cash loan customers is 23,99% of its total cash loans.

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

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

As of 31 December 2010, general loan loss provision related to the credit risk incurred by the Bank in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 390.121 (31 December 2009: TRY 275.695).

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Credit risk by types of borrowers and geographical concentrations:

	Loans to real person and legal entities		Loans to banks and other financial institutions		Marketable Securities ⁽¹⁾		Other Loans ⁽²⁾	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Loans according to borrowers								
Private Sector	28.466.360	22.402.819	2.074.764	1.058.788	14.263	-	158.088	141.935
Public Sector	1.630.707	867.815	-	-	20.320.554	21.508.673	174.796	185.128
Banks	-	-	60.927	29.600	-	-	1.012.668	1.171.834
Retail	11.326.183	7.306.663	-	-	-	-	-	-
Share Certificates	-	-	-	-	-	11.711	-	-
Total	41.423.250	30.577.297	2.135.691	1.088.388	20.334.817	21.520.384	1.345.552	1.498.897
Information according to geographical concentration								
Domestic	41.237.747	30.368.164	2.095.185	1.058.788	20.324.031	21.511.393	1.021.754	324.035
EU countries	66.885	132.477	-	-	8.636	6.990	272.655	1.099.518
OECD Countries ⁽³⁾	-	6.061	-	-	-	-	6.172	6.691
Offshore banking regions	-	-	-	-	-	-	-	-
USA, Canada	-	172	-	-	-	-	13.471	47.448
Other Countries	118.618	70.423	40.506	29.600	2.150	2.001	31.500	21.205
Total	41.423.250	30.577.297	2.135.691	1.088.388	20.334.817	21.520.384	1.345.552	1.498.897

⁽¹⁾ Includes marketable securities designated at fair value through profit or loss, available for sale and held-to-maturity.

⁽²⁾ Includes the on balance sheet transactions classified in the Uniform Chart of Accounts except the ones in the first three categories and the transactions defined as loan in the Article 48 of the Banking Act No: 5411.

⁽³⁾ OECD Countries other than EU Countries, USA and Canada.

⁽⁴⁾ Interest and income accruals for the loans amounting TRY 444.323 (31 December 2009: TRY 482.902) are not included in the table above.

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Information according to geographical concentration:

	Assets ⁽²⁾	Liabilities ⁽³⁾	Non-cash Loans	Equity Investments ⁽²⁾	Net Profit/Loss
Current Period					
Domestic	72.389.154	58.131.425	12.603.623	77.131	1.840.251
EU countries	223.975	1.717.185	73.790	124.202	2.444
OECD Countries ⁽¹⁾	6.172	17.836	2.219	-	-
Offshore Banking Regions	-	-	-	-	-
USA, Canada	13.471	1.469.957	24.450	-	-
Other Countries	192.550	4.318.151	22.270	224	-
Associates, Subsidiaries and Entities under Common control (Joint Ventures)	-	-	-	-	-
Undistributed Assets/Liabilities ⁽⁴⁾	-	-	-	-	-
Total	72.825.322	65.654.554	12.726.352	201.557	1.842.695
Prior Period					
Domestic	59.307.593	50.341.722	9.193.437	53.149	1.660.873
EU countries	766.522	2.868.130	101.501	134.912	3.792
OECD Countries ⁽¹⁾	11.711	38.732	4.634	-	-
Offshore Banking Regions	-	-	-	-	-
USA, Canada	651	21.671	12.523	-	-
Other Countries	508.030	1.736.386	2.847	223	-
Associates, Subsidiaries and Entities under Common control (Joint Ventures)	-	-	-	-	-
Undistributed Assets/Liabilities ⁽⁴⁾	-	-	-	-	-
Total	60.594.507	55.006.641	9.314.942	188.284	1.664.665

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

⁽²⁾ Total of assets and equity investments represents the total assets in the balance sheet.

⁽³⁾ Shareholders' equity components are not included in liabilities.

⁽⁴⁾ Assets and liabilities that cannot be allocated on a coherent basis.

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Sector concentrations for cash loans:

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

⁽¹⁾ Accruals are included in other line.

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

Gross Maximum Exposure	Current Period	Prior Period
Due from banks	1.012.668	1.171.909
Money Market Receivables	216.125	203
Financial Assets at Fair Value through profit or loss	89.987	55.962
Financial Assets Available for Sale	7.494.990	4.890.874
Held to maturity Investments	12.749.840	16.573.548
Loans	44.296.487	32.458.071
Total	65.860.097	55.150.567
Contingent Liabilities	12.726.352	9.314.942
Commitments	9.887.878	5.817.586
Total	22.614.230	15.132.528
Total Credit Risk Exposure	88.474.327	70.283.095

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

	Neither past due nor impaired	Past due and individually not impaired	Past due and individually impaired	Total
Receivables from banks	1.012.668	-	-	1.012.668
Financial assets at fair value through profit or loss	89.987	-	-	89.987
Loans	42.671.630	185.393	293.223	43.150.246
Corporate Lending	16.498.322	1.768	74.520	16.574.610
SME Lending	12.683.185	158.555	188.111	13.029.851
Consumer Lending	11.384.327	25.070	30.592	11.439.989
Other	2.105.796	-	-	2.105.796
Financial assets available for sale	7.494.990	-	-	7.494.990
Investments held to maturity	12.749.840	-	-	12.749.840

⁽¹⁾ Loans for which the risk does not belong to the Bank amounting TRY 1.146.241 are not included the table above.

⁽²⁾ Specific provision amounting TRY 1.464.530 is made for overdue and impaired assets amounting TRY 1.757.753.

⁽³⁾ The above amounts include only the overdue installments of SME, corporate loans and individual loans. The principles of these loans amounting TRY 861.852 and TRY 423.124 respectively.

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

	Neither past due nor impaired	Past due and individually not impaired	Past due and individually impaired	Total
Receivables from banks	1.171.909	-	-	1.171.909
Financial assets at fair value through profit or loss	55.962	-	-	55.962
Loans	30.792.981	272.838	309.484	31.375.303
Corporate Lending	7.734.909	9.062	42.761	7.786.732
SME Lending	14.199.491	214.786	180.981	14.595.258
Consumer Lending	7.312.644	48.990	85.742	7.447.376
Other	1.545.937	-	-	1.545.937
Financial assets available for sale	4.890.874	-	-	4.890.874
Investments held to maturity	16.573.548	-	-	16.573.548

⁽¹⁾ Loans for which the risk does not belong to the Bank amounting TRY 1.082.768 are not included the table above.

⁽²⁾ Specific Provision amounting 1.358.428 is made for overdue and impaired assets amounting TRY 1.667.912.

⁽³⁾ The above amounts include only the overdue installments of SME, corporate loans and individual loans. The principles of these loans amounting TRY 718.922 and TRY 711 respectively.

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

(1) Loans for which the risk does not belong to the Parent Bank amounting TRY 1.146.241 are not included the table above.

(2) Prepared in accordance with the internal grading results of the Bank.

(3) Only graded firms are included.

(4) Includes the total of cash and non cash loans.

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

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

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

⁽¹⁾ Accruals amounting TRY 1.616 are not included to the table above (31 December 2009: TRY 2.527)

⁽²⁾ Presents loans accounted under in restructured or rescheduled loan accounts.

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

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

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

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

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

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

III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK

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

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

Interest rate and exchange rate risks, arising from the volatility in the financial markets, of the financial positions taken by the Group 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.

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a) Information related to market risk:

	Amount
(I) Capital requirement to be employed for general market risk-Standard method	104.292
(II) Capital requirement to be employed for specific risk-Standard method	1.181
(III) Capital requirement to be employed for currency risk-Standard method	15.555
(IV) Capital requirement to be employed for commodity risk-standard method	-
(V) Capital requirement to be employed for settlement risk-Standard method	-
(VI) Total capital requirement to be employed for market risk resulting from options-Standard method	143
(VII) Total capital requirement to be employed for market risk in banks using risk measurement model	-
(VIII) Total capital requirement to be employed for market risk (I+II+III+IV+V+VI)	121.171
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	1.514.638

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

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	83.282	103.111	66.527	43.620	57.308	33.628
Common stock risk	1.971	2.362	1.750	1.873	1.886	1.862
Currency Risk	15.381	29.016	8.410	14.310	18.013	13.054
Commodity Risk	-	-	-	-	-	-
Clearance Risk	-	-	-	-	-	-
Option Risk	486	1.429	58	-	-	-
Total Value Subject to Risk	101.120	135.918	76.745	59.803	77.207	48.544

Other price risks

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

IV. EXPLANATIONS RELATED TO THE CONSOLIDATED OPERATIONAL RISK

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

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V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK

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

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

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

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

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

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

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Information related to consolidated currency risk:

Current period	EURO	USD	JPY	OTHER	TOTAL
Assets					
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	1.831.074	31.234	32	4.576	1.866.916
Banks and financial institutions	144.411	727.885	1.644	35.396	909.336
Financial assets at fair value through profit and loss ⁽³⁾	886	28.451	-	294	29.631
Money market placements	-	-	-	-	-
Financial assets available-for-sale	797.240	759.235	-	-	1.556.475
Loans ⁽²⁾	4.754.139	7.302.958	429	71.554	12.129.080
Subsidiaries, associates and entities under common control	115.566	-	-	-	115.566
Held-to-maturity investments	875.896	1.035.576	-	-	1.911.472
Derivative financial assets held for risk management	-	-	-	-	-
Tangible assets	40	-	-	7	47
Intangible assets	-	-	-	-	-
Other assets ⁽⁵⁾	16.156	22.903	1.809	84	40.952
Total assets	8.535.408	9.908.242	3.914	111.911	18.559.475
Liabilities					
Bank deposits	1.216.575	612.543	1.078	8.959	1.839.155
Foreign currency deposits	5.725.714	6.962.472	553	576.606	13.265.345
Money market balances	-	614.156	-	-	614.156
Funds provided from other financial institutions	2.584.461	1.036.569	428	1.200	3.622.658
Marketable securities issued	-	-	-	-	-
Sundry creditors	2.793	16.539	6	24	19.362
Derivative financial assets held for risk management	-	-	-	-	-
Other liabilities ⁽³⁾	41.852	127.791	523	1.346	171.512
Total liabilities	9.571.395	9.370.070	2.588	588.135	19.532.188
Net balance sheet position	(1.035.987)	538.172	1.326	(476.224)	(972.713)
Net off-balance sheet position					
Financial derivative assets ⁽⁴⁾	924.144	(623.219)	-	485.200	786.125
Financial derivative liabilities ⁽⁴⁾	987.958	702.391	-	561.481	2.251.830
Non-cash loans ⁽¹⁾	63.814	1.325.610	-	76.281	1.465.705
	1.973.961	3.899.018	29.407	76.153	5.978.539
Prior period					
Total assets	7.128.604	8.245.901	1.751	101.968	15.478.224
Total liabilities	9.576.976	7.109.283	1.389	378.181	17.065.829
Net balance sheet position	(2.448.372)	1.136.618	362	(276.213)	(1.587.605)
Net off-balance sheet position					
Financial derivative assets	2.314.355	(1.287.660)	(1.625)	267.536	1.292.606
Financial derivative liabilities	2.565.883	734.540	216.775	309.855	3.827.053
Non-cash loans ⁽¹⁾	251.528	2.022.200	218.400	42.319	2.534.447
	1.803.456	3.730.247	26.089	32.185	5.591.977

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

(2) Includes TRY 59.608 of foreign currency indexed loans and their accruals.

(3) In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position/ Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 13.725), prepaid expenses (TRY 102) in assets; and derivative financial instruments foreign currency expense accruals (TRY 24.161) and shareholders' equity negative (TRY 64.311) in liabilities are not taken into consideration in the currency risk measurement.

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

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

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Foreign currency sensitivity:

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

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

	Change in currency rate in %	Effect on profit/loss before taxation	
		Current period	Prior period
USD	10% increase	(8.505)	(15.104)
EURO	10% increase	(11.184)	(13.402)
Other	10% increase	1.030	(994)

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

VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK

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

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

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

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

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

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	-	-	-	-	-	4.649.565	4.649.565
Banks and financial institutions	913.003	42	-	-	-	99.623	1.012.668
Financial assets at fair value through profit and loss	894	28.064	27.007	25.512	8.510	-	89.987
Money market placements	216.125	-	-	-	-	-	216.125
Financial assets available-for-sale	1.287.224	972.680	793.408	3.315.379	1.112.664	13.635	7.494.990
Loans	14.931.731	6.601.889	9.898.339	10.147.610	1.664.774	758.921	44.003.264
Held-to-maturity investments	3.262.196	3.824.793	1.568.526	2.912.404	1.181.921	-	12.749.840
Other assets	36.375	-	-	-	-	2.774.065	2.810.440
Total assets	20.647.548	11.427.468	12.287.280	16.400.905	3.967.869	8.295.809	73.026.879
Liabilities							
Bank deposits	1.974.261	52.911	21.077	-	-	1.175.579	3.223.828
Other deposits	31.121.718	10.331.467	2.373.468	2.469	-	7.501.465	51.330.587
Money market balances	2.556.367	337.188	387.268	-	-	-	3.280.823
Sundry creditors	15.029	-	-	-	-	760.202	775.231
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	1.072.743	1.830.161	711.700	93.338	115.650	2.495	3.826.087
Other liabilities	1.162.042	76.225	85.326	-	-	9.266.730	10.590.323
Total liabilities	37.902.160	12.627.952	3.578.839	95.807	115.650	18.706.471	73.026.879
Balance sheet long position	-	-	8.708.441	16.305.098	3.852.219	-	28.865.758
Balance sheet short position	(17.254.612)	(1.200.484)	-	-	-	(10.410.662)	(28.865.758)
Off-balance sheet long position	70.776	230.923	-	-	-	-	301.699
Off-balance sheet short position	(35.363)	(37.586)	-	(198.070)	-	-	(271.019)
Total position	(17.219.199)	(1.007.147)	8.708.441	16.107.028	3.852.219	(10.410.662)	30.680

(1) TRY 222.820 of deferred tax assets is disclosed under the non interest bearing column in other assets.

(2) TRY 293.223 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

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Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	2.744.429	-	-	-	-	671.295	3.415.724
Banks and financial institutions	1.090.251	20.341	-	-	-	61.317	1.171.909
Financial assets at fair value through profit and loss	35	5.440	5.916	29.937	7.842	6.792	55.962
Money market placements	203	-	-	-	-	-	203
Financial assets available-for-sale	504.344	925.235	501.449	2.444.040	504.187	11.619	4.890.874
Loans	11.259.035	5.282.456	7.180.659	6.484.221	946.682	995.534	32.148.587
Held-to-maturity investments	5.260.540	6.029.805	1.606.675	1.978.200	1.698.328	-	16.573.548
Other assets	439	-	-	-	-	2.525.545	2.525.984
Total assets	20.859.276	12.263.277	9.294.699	10.936.398	3.157.039	4.272.102	60.782.791
Liabilities							
Bank deposits	1.660.704	47.079	-	-	-	215.341	1.923.124
Other deposits	23.998.339	10.773.960	1.548.256	1.014	-	5.634.553	41.956.122
Money market balances	4.928.187	588.018	260.884	-	-	-	5.777.089
Sundry creditors	10.167	-	-	-	-	555.724	565.891
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	39.283	1.091.357	831.924	20.318	2.419	46.216	2.031.517
Other liabilities	1.026.645	63.127	95.090	42.052	123.125	7.179.009	8.529.048
Total liabilities	31.663.325	12.563.541	2.736.154	63.384	125.544	13.630.843	60.782.791
Balance sheet long position	-	-	6.558.545	10.873.014	3.031.495	-	20.463.054
Balance sheet short position	(10.804.049)	(300.264)	-	-	-	(9.358.741)	(20.463.054)
Off-balance sheet long position	59.200	481.000	-	-	-	-	540.200
Off-balance sheet short position	-	-	-	(505.160)	-	-	(505.160)
Total position	(10.744.849)	180.736	6.558.545	10.367.854	3.031.495	(9.358.741)	35.040

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

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

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

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

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2. Average interest rates applied to financial instruments:

Current period	EURO	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-
Due from other banks and financial institutions ⁽¹⁾	0,52	1,18	-	7,19
Financial assets at fair value through profit and loss	-	3,93	-	11,30
Money market placements	-	-	-	-
Available-for-sale financial assets	5,00	4,64	-	10,03
Loans ⁽²⁾	3,61	3,03	3,50	11,69
Held-to-maturity investments	6,33	6,85	-	13,62
Liabilities				
Bank deposits	0,28	0,85	-	7,02
Other deposits	2,07	2,52	-	8,29
Money market borrowings	-	1,73	-	6,76
Sundry creditors ⁽³⁾	-	-	-	4,50
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions ⁽⁴⁾	1,68	1,18	-	6,77
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	5,20
Due from other banks and financial institutions ⁽¹⁾	0,20	0,27	-	7,50
Financial assets at fair value through profit and loss	4,73	5,11	-	9,68
Money market placements	-	-	-	-
Available-for-sale financial assets	5,33	5,46	-	11,72
Loans ⁽²⁾	5,17	5,18	-	14,98
Held-to-maturity investments	6,33	6,69	-	11,18
Liabilities				
Bank deposits	0,42	0,26	-	7,20
Other deposits	1,95	2,38	-	8,86
Money market borrowings	-	1,87	-	7,14
Sundry creditors	-	-	-	5,06
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions ⁽⁴⁾	1,81	1,48	-	11,55

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

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

⁽³⁾ 100% of the declared maximum deposit interest rate with a maturity of six months as of 31 December 2010.

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

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Interest rate sensitivity:

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

- Group's net income before tax will decrease by TRY 1.074 (31 December 2009: TRY 671 decrease).
- Group's shareholders' equity will decrease by TRY 150.701 (31 December 2009: TRY 98.256 decrease).

VII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK

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

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

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

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Presentation of assets and liabilities according to their remaining maturities:

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

Current period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	869.850	1.431.186	1.895.188	437.200	15.311	273	557	4.649.565
Banks and financial institutions	99.623	913.003	42	-	-	-	-	1.012.668
Financial assets at fair value through profit and loss	-	11.878	12.331	21.322	35.946	8.510	-	89.987
Money market placements	-	216.125	-	-	-	-	-	216.125
Financial assets available-for-sale	-	606.036	166.728	315.744	4.478.333	1.914.514	13.635	7.494.990
Loans	763.451	6.602.538	3.451.949	12.189.567	17.746.214	3.249.545	-	44.003.264
Held-to-maturity investments	-	146.552	307.483	752.482	10.004.456	1.538.867	-	12.749.840
Other assets	414.365	13.037	10.244	139	12.932	-	2.359.723	2.810.440
Total assets	2.147.289	9.940.355	5.843.965	13.716.454	32.293.192	6.711.709	2.373.915	73.026.879
Liabilities								
Bank deposits	1.175.579	1.974.261	52.911	21.077	-	-	-	3.223.828
Other deposits	7.501.465	31.120.340	10.327.990	2.302.765	76.634	1.393	-	51.330.587
Funds provided from other financial institutions	801	92.981	218.836	1.365.391	772.041	1.376.037	-	3.826.087
Money market balances	-	2.556.367	337.188	387.268	-	-	-	3.280.823
Marketable securities issued	-	-	-	-	-	-	-	-
Sundry creditors	760.202	15.029	-	-	-	-	-	775.231
Other liabilities	2.097.103	135.332	118.804	265.845	215.417	161.313	7.596.509	10.590.323
Total liabilities	11.535.150	35.894.310	11.055.729	4.342.346	1.064.092	1.538.743	7.596.509	73.026.879
Liquidity gap	(9.387.861)	(25.953.955)	(5.211.764)	9.374.108	31.229.100	5.172.966	(5.222.594)	-
Previous period								
Total assets	1.986.570	6.939.171	6.112.756	14.694.207	23.908.761	4.914.103	2.227.223	60.782.791
Total liabilities	7.874.288	30.809.066	11.691.568	2.423.386	862.635	1.202.722	5.919.126	60.782.791
Liquidity gap	(5.887.718)	(23.869.895)	(5.578.812)	12.270.821	23.046.126	3.711.381	(3.691.903)	-

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

(2) TRY 293.223 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

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

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

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

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	41.907.093	10.645.829	2.201.996	76.836	1.394	(278.733)	54.554.415
Funds provided from other financial institutions	102.922	222.617	1.423.755	972.728	1.540.319	(436.254)	3.826.087
Money market borrowings	2.562.290	338.603	392.106	-	-	(12.176)	3.280.823
Securities issued	-	-	-	-	-	-	-
Funds	581.080	119.619	249.201	214.734	175.427	(44.829)	1.295.232
Sundry Creditors	775.231	-	-	-	-	-	775.231
Total	45.928.616	11.326.668	4.267.058	1.264.298	1.717.140	(771.992)	63.731.788
Prior Period							
Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	31.619.906	10.892.778	1.528.436	51.513	1.429	(214.816)	43.879.246
Funds provided from other financial institutions	38.181	131.935	442.958	622.688	1.212.870	(417.115)	2.031.517
Money market borrowings	4.934.271	593.359	263.888	-	-	(14.429)	5.777.089
Securities issued	-	-	-	-	-	-	-
Funds	563.307	95.831	266.867	249.137	174.520	(33.860)	1.315.802
Sundry Creditors	552.645	4.956	8.186	104	-	-	565.891
Total	37.708.310	11.718.859	2.510.335	923.442	1.388.819	(680.220)	53.569.545

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

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

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

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

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

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

VIII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION

The Group'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 Parent Bank is rendering services to a wide range of companies in all sectors, especially to Small and Medium Size Enterprises (SME) as well as individuals having consumer status. In this context, the Bank has no restrictions on the area in which it operates. The Parent Bank categorizes its real and legal entities that it renders services into three groups as; firms, individual customers and other customers.

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

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

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

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

- Accepting deposits,
- Issuance of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money transfer, insurance agency services,
- Rendering insurance agency transactions,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement composed by the Turkish Treasury and/or Central Bank and associations,
- 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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Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2010 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Intagrated	Treasury/ Investment ⁽¹⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME/EXPENSES							
Interest income	772.010	492.956	6.074.668	5.184.380	6.606	(6.166.685)	6.363.935
Interest on loans	433.012	349.072	3.191.646	282.510	-	-	4.256.240
Interest income on marketable securities	-	-	-	2.014.430	5.402	-	2.019.832
Interest received from banks	-	-	-	73.470	-	-	73.470
Other interest income ⁽²⁾	338.998	143.884	2.883.022	2.813.970	1.204	(6.166.685)	14.393
Interest expense	610.179	337.364	4.369.057	4.001.720	140	(6.166.685)	3.151.775
Interest on deposits	268.369	100.696	2.078.216	316.114	-	-	2.763.395
Interest on borrowings	820	6.104	6.152	53.131	-	-	66.207
Interest on money market borrowings	-	-	-	272.513	-	-	272.513
Other interest expense ⁽²⁾	340.990	230.564	2.284.689	3.359.962	140	(6.166.685)	49.660
Net interest income	161.831	155.592	1.705.611	1.182.660	6.466	-	3.212.160
Net fees and commissions income	41.503	37.163	419.926	46.226	(34.843)	-	509.975
Net trading profit/(loss)	-	-	-	133.517	(162)	-	133.355
Dividend income	-	-	-	422	801	-	1.223
Other income	2.343	27.271	253.740	117.509	207.853	-	608.716
Loans and other receivables' impairment loss	3.180	21.915	255.501	177.874	-	-	458.470
Other expenses	11.644	45.604	706.439	738.937	151.325	-	1.653.949
Income before taxes	190.853	152.507	1.417.337	563.523	28.790	-	2.353.010
Income tax provision	-	-	-	(501.633)	(8.086)	-	(509.719)
Net profit for the period	190.853	152.507	1.417.337	61.890	20.704	-	1.843.291
SEGMENT ASSETS							
Marketable securities	-	-	-	20.172.284	128.226	-	20.300.510
Derivative financial assets held for trading	-	-	-	34.307	-	-	34.307
Banks and money market receivables	-	-	-	1.205.519	23.274	-	1.228.793
Associates and subsidiaries (net)	-	-	-	187.922	-	-	187.922
Loans	7.002.121	5.781.770	27.248.538	4.264.058	-	-	44.296.487
Other assets	13.120	76.641	965.886	5.569.802	353.411	-	6.978.860
TOTAL ASSETS	7.015.241	5.858.411	28.214.424	31.433.892	504.911	-	73.026.879
SEGMENT LIABILITIES							
Deposits	7.210.628	2.602.577	38.941.181	5.800.029	-	-	54.554.415
Derivative financial liabilities held for trading	-	-	-	39.151	-	-	39.151
Money market balances	-	-	-	3.280.823	-	-	3.280.823
Borrowing funding loans	7.441	95.736	132.071	3.590.839	-	-	3.826.087
Other liabilities	32.227	60.387	1.797.216	690.059	24.783	-	2.604.672
Provisions	6.101	9.367	72.105	1.039.540	222.293	-	1.349.406
Shareholders' equity	-	-	-	7.310.290	62.035	-	7.372.325
TOTAL LIABILITIES	7.256.397	2.768.067	40.942.573	21.750.731	309.111	-	73.026.879
OFF BALANCE SHEET ITEMS							
Guarantees and suretyships	6.987.939	2.407.489	3.329.660	1.264	-	-	12.726.352
Commitments	48.183	105.255	4.670.000	5.064.440	-	-	9.887.878
Derivative financial instruments	-	32.354	30.180	4.798.508	-	-	4.861.042

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury/investment column. In this context net of property, plant and equipment amounting TRY 1.234.437 (net) and deferred tax assets amounting TRY 222.820 in other assets are presented under the Treasury/Investment column.

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

⁽³⁾ Halk Hayat Emeklilik AŞ, Halk Sigorta AŞ and Halk Gayrimenkul Yatırım Ortaklığı AŞ transactions are shown in other column.

TÜRKİYE HALK BANKASI A.Ş.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

Prior Period	Corporate	Commercial	SME/ Intagrated	Treasury/ Investment ⁽¹⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME/EXPENSES							
Interest income	679.248	501.979	6.675.653	6.092.813	8.897	(7.129.391)	6.829.199
Interest on loans	373.903	308.957	3.240.958	302.119	-	-	4.225.937
Interest income on marketable securities	-	-	-	2.442.237	8.897	-	2.451.134
Interest received from banks	-	-	-	126.483	-	-	126.483
Other interest income ⁽²⁾	305.345	193.022	3.434.695	3.221.974	-	(7.129.391)	25.645
Interest expense	519.919	347.237	5.151.785	4.810.602	-	(7.129.391)	3.700.152
Interest on deposits	213.416	125.504	2.712.007	153.571	-	-	3.204.498
Interest on borrowings	1.951	10.256	6.149	56.011	-	-	74.367
Interest on money market borrowings	-	-	-	331.285	-	-	331.285
Other interest expense ⁽²⁾	304.552	211.477	2.433.629	4.269.735	-	(7.129.391)	90.002
Net interest income	159.329	154.742	1.523.868	1.282.211	8.897	-	3.129.047
Net fees and commissions income	30.276	27.196	369.288	48.468	(21.432)	-	453.796
Net trading profit/(loss)	-	-	-	17.947	204	-	18.151
Dividend income	-	-	-	6.577	18	-	6.595
Other income	3.838	16.368	163.095	81.393	134.203	-	398.897
Loans and other receivables' impairment loss	2.629	54.388	328.356	260.771	-	-	646.144
Other expenses	11.798	37.968	528.568	610.590	112.645	-	1.301.569
Income before taxes	179.016	105.950	1.199.327	565.235	9.245	-	2.058.773
Income tax provision	-	-	-	(386.903)	(6.501)	-	(393.404)
Net profit for the period	179.016	105.950	1.199.327	178.332	2.744	-	1.665.369
SEGMENT ASSETS							
Marketable securities	-	-	-	21.372.841	127.015	-	21.499.856
Derivative financial assets held for trading	-	-	-	-	20.528	-	20.528
Banks and money market receivables	-	-	-	1.161.160	10.952	-	1.172.112
Associates and subsidiaries (net)	-	-	-	176.665	-	-	176.665
Loans	4.262.748	3.179.019	20.904.779	4.111.525	-	-	32.458.071
Other assets	280	5.237	427.392	4.963.480	59.170	-	5.455.559
TOTAL ASSETS	4.263.028	3.184.256	21.332.171	31.785.671	217.665	-	60.782.791
SEGMENT LIABILITIES							
Deposits	3.886.374	1.993.233	32.174.263	5.825.376	-	-	43.879.246
Derivative financial liabilities held for trading	-	-	-	88.956	-	-	88.956
Money market balances	-	-	-	5.777.089	-	-	5.777.089
Borrowing funding loans	19.780	101.008	102.957	1.807.772	-	-	2.031.517
Other liabilities	19.395	80.787	1.627.937	393.700	19.851	-	2.141.670
Provisions	4.485	8.152	71.573	864.721	139.232	-	1.088.163
Shareholders' equity	-	-	-	5.702.131	74.019	-	5.776.150
TOTAL LIABILITIES	3.930.034	2.183.180	33.976.730	20.459.745	233.102	-	60.782.791
OFF BALANCE SHEET ITEMS							
Guarantees and suretyships	5.412.387	1.475.628	2.424.866	2.061	-	-	9.314.942
Commitments	15.335	50.528	1.924.573	3.827.150	-	-	5.817.586
Derivative financial instruments	-	25.228	16.846	7.635.943	-	-	7.678.017

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury/investment column. In this context net of property, plant and equipment amounting TRY 1.145.530 (net) and deferred tax assets amounting TRY 207.562 in other assets are presented under the Treasury/Investment column.

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

⁽³⁾ Halk Hayat Emeklilik AŞ and Halk Sigorta AŞ insurance transactions are shown in other column.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

IX. EXPLANATIONS ON PRESENTATION OF CONSOLIDATED FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	70.202.804	58.245.188	70.434.904	58.716.508
Cash and Balances with the Central Bank of Turkey	4.649.565	3.415.724	4.649.565	3.415.724
Financial assets fair value changes reflected to income statement	89.987	55.962	89.987	55.962
Banks	1.012.668	1.171.909	1.012.620	1.171.883
Money market placements	216.125	203	216.114	203
Available for sale financial assets ⁽¹⁾	7.481.355	4.879.255	7.481.355	4.879.255
Held to maturity investments	12.749.840	16.573.548	13.002.901	16.948.914
Loans ⁽²⁾	44.003.264	32.148.587	43.982.362	32.244.567
Financial Liabilities	62.476.273	52.342.838	62.518.677	52.403.433
Deposits	54.554.415	43.879.246	54.613.683	43.925.955
Derivative financial liabilities held for trading	39.151	88.956	39.151	88.956
Funds provided from other financial institutions	3.826.087	2.031.517	3.809.266	2.045.430
Money market borrowings	3.280.823	5.777.089	3.280.823	5.777.089
Securities issued	-	-	-	-
Miscellaneous payables	775.231	565.891	775.188	565.864
Leasing payables	566	139	566	139

⁽¹⁾ TRY 13.635 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2009: TRY 11.619).

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

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

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

Classification of Fair Value Measurement

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

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

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

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

Classification requires using observable market data if possible.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

Current Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	53.755	34.307	1.925	89.987
<i>Debt securities</i>	53.678	-	-	53.678
<i>Derivative financial assets held for trading purpose</i>	-	34.307	-	34.307
<i>Bonds</i>	77	-	-	77
<i>Other Securities</i>	-	-	1.925	1.925
Available-for-sale financial assets	7.433.291	48.064	-	7.481.355
Debt securities	7.433.291	48.064	-	7.481.355
Total Financial Assets	7.487.026	82.371	1.925	7.571.342

Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	39.151	-	39.151
Total Financial Liabilities	-	39.151	-	39.151

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	33.656	20.528	1.778	55.962
<i>Debt securities</i>	33.564	-	-	33.564
<i>Derivative financial assets held for trading purpose</i>	-	20.528	-	20.528
<i>Bonds</i>	92	-	-	92
<i>Other Securities</i>	-	-	1.778	1.778
Available-for-sale financial assets	4.801.317	77.938	-	4.879.255
Debt securities	4.801.317	77.938	-	4.879.255
Total Financial Assets	4.834.973	98.466	1.778	4.935.217

Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	88.956	-	88.956
Total Financial Liabilities	-	88.956	-	88.956

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

The Parent Bank performs buying transactions on behalf of customers, and gives custody, administration and consultancy services. The Parent Bank does not engage in transaction based on trust.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	316.636	62.649	205.194	51.525
Central Bank of Turkey	2.466.013	1.804.255	1.911.485	1.247.493
Other	-	12	-	27
Total	2.782.649	1.866.916	2.116.679	1.299.045

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

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

The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency liabilities in TRY and USD Dollar or EUR at the rates of 6% (31 December 2009: 5%) and 11% (31 December 2009: 9%), respectively as per the Communiqué no.2005/1 "Reserve Deposits" of the Central Bank of Turkey.

As of 31 December 2010 interest rates are not applied for reserve requirements by the Central Bank of Turkey (31 December 2009: 5.20% for TRY deposits).

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

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

None.

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

None.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	82.304	722.132	110.816	14.142
Foreign banks	21.028	187.204	9.942	1.037.009
Branches and offices abroad	-	-	-	-
Total	103.332	909.336	120.758	1.051.151

b) Information on foreign banks:

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

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

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

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

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

None.

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

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

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b) Information on financial assets available for sale portfolio:

	Current period	Prior period
Debt securities	7.484.123	4.880.282
Quoted on a stock exchange	7.484.123	4.880.282
Not quoted	-	-
Share certificates	25.970	11.860
Quoted on a stock exchange	-	-
Not quoted	25.970	11.860
Impairment provision(-)	15.103	1.268
Total	7.494.990	4.890.874

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	97.620	-	83.872	-
Total	97.620	-	83.872	-

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

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

⁽¹⁾ Includes TRY 69.117 of personnel loans.

⁽²⁾ Includes TRY 28.503 of personnel credit cards.

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

c) Loans according to their maturity structure:

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

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

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

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

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

f) Loan according to type of borrowers:

	Current period	Prior period
Public	1.647.341	867.815
Private	42.355.923	31.280.772
Total	44.003.264	32.148.587

g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	43.746.012	31.863.954
Foreign loans	257.252	284.633
Total	44.003.264	32.148.587

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

h) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	75.704	58.611
Indirect loans granted to subsidiaries and associates	-	-
Total	75.704	58.611

i) Specific provisions provided against loans:

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

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

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

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables withdoubtful collectibility	V. Group Uncollectible loans and receivables
Current period	44.297	20.564	286.518
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	44.297	20.564	286.518
Prior period	70.647	22.594	122.302
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	70.647	22.594	122.302

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

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

TÜRKİYE HALK BANKASI A.Ş.

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

None.

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

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current period (Net)	67.736	30.831	194.656
Loans to granted real persons and legal entities (Gross)	194.110	106.510	1.419.636
Specific provisions (-)	126.374	75.679	1.224.980
Loans to granted real persons and legal entities (Net)	67.736	30.831	194.656
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	915	2	36.580
Specific provisions (-)	915	2	36.580
Other loans and receivables (Net)	-	-	-
Prior period (Net)	82.186	32.454	194.844
Loans to granted real persons and legal entities (Gross)	234.344	115.329	1.281.512
Specific provisions (-)	152.158	82.875	1.086.668
Loans to granted real persons and legal entities (Net)	82.186	32.454	194.844
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	1.026	2	35.699
Specific provisions (-)	1.026	2	35.699
Other loans and receivables (Net)	-	-	-

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

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

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

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

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

⁽¹⁾ Loans for which risk does not belong to the Parent Bank are not included.

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

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

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

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

m) 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.

(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	2.290.572	86.107	1.711.948	706.769
Other	-	-	-	-
Total	2.290.572	86.107	1.711.948	706.769

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Treasury bills, government bonds and similar securities	2.537.984	722.386	5.416.526	604.461
Other	-	-	-	-
Total	2.537.984	722.386	5.416.526	604.461

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

	Current period	Prior period
Government bonds	12.749.840	16.573.548
Treasury bills	-	-
Other public sector debt securities	-	-
Total	12.749.840	16.573.548

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	12.749.840	16.573.548
Quoted on a stock exchange	10.360.874	11.505.711
Not quoted	2.388.966	5.067.837
Impairment provision (-)	-	-
Total	12.749.840	16.573.548

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

	Current period	Prior period
Beginning balance	16.573.548	15.858.882
Foreign currency differences on monetary assets	(14.112)	(17.115)
Purchases during the year(1)	3.127.589	3.744.069
Disposals through sales and redemptions (2)	(6.937.185)	(3.028.343)
Impairment provision (-)/provision reversal (+)	-	16.055
Balance at the end of the period	12.749.840	16.573.548

(1) Interest income accrual amounting TRY 503.032 have been included in purchases row (31 December 2009: TRY 528.597).

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

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

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

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of								
Treasury of Republic of Turkey ⁽²⁾	5.670.195	-	5.950.720	-	5.613.299	883.342	5.748.891	904.383
Obtained with the transfer	2.340.938	-	2.388.965	-	2.340.938	-	2.392.831	-
Reclassified from other securities portfolios(1)	2.396.216	1.839.459	2.498.683	1.911.472	5.535.196	1.672.176	5.796.368	1.731.075
Other	-	-	-	-	-	-	-	-
Total	10.407.349	1.839.459	10.838.368	1.911.472	13.489.433	2.555.518	13.938.090	2.635.458

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

⁽²⁾ The Parent Bank has not reclassified any financial assets from other portfolios to held to maturity investment portfolio during 2010. The additions for the period and financial assets amounting TRY 427.510 which are subject to bond swap are shown under "Obtained from Under Secretariat of Treasury of Republic of Turkey" row.

(7) Information on associates (Net):

a) Information on associates:

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

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b) Information related to the associates as sorted in (a):

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
3.913.826	392.886	29.167	143.004	1.758	8.375	9.455	608.730
473.512	107.835	3.976	36.858	-	17.115	27.875	104.000
42.258	42.046	215	2.338	-	936	1.622	33.292
12.412	4.149	109	170	36	269	275	-
18.479	9.010	2.496	125	-	3.397	2.571	-
40.927	32.578	1.703	1.834	-	9.905	6.802	-
19.837	16.925	6.018	661	-	2.525	(536)	-
138.091	133.547	2.235	4.510	-	5.437	7.394	-

- (1) No investment is listed on the stock exchange.
- (2) The associates that are presented in (b), the financial data of Bankalararası Kart Merkezi AŞ is obtained from 30 September 2010 reviewed financial statements, and the financial data of Halk Finansal Kiralama AŞ and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ are obtained from 31 December 2010 audited financial statements. Demir Halkbank NV obtained from 31 December 2010 unaudited financial statements, remaining associates are obtained from 30 September 2010 unaudited financial statements.
- (3) Fair values of the associates are taken from the valuation reports of related associations

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	176.665	164.607
Movements during the period	11.257	12.058
Purchases ⁽¹⁾	944	1.989
Free shares obtained profit from current year's share ⁽¹⁾	-	3.919
Profit in current year income	10.911	3.792
Sales	-	-
Revaluation decrease (-)/increase ⁽³⁾	(598)	1.554
Provision for impairment (-)/reversals (+) ⁽⁴⁾	-	804
Balance at the end of the period	187.922	176.665
Capital commitments ⁽²⁾	2.000	2.000
Share percentage at the end of the period (%)	0,00	0,00

(1) TRY 944 of additions in current period is the capital increase to Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ.

(2) The Parent Bank has TRY 2.000 as capital commitment to Kredi Garanti Fonu AŞ.

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ç) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	115.566	127.922
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	51.491	35.257
Financing companies	-	-
Other financial investments	19.813	12.434

d) Associates quoted to a stock exchange:

None.

(8) Information on consolidated subsidiaries (Net):

a) Information on subsidiaries:

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

b) Information related to the subsidiaries as sorted in (a)(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
188.727	51.130	2.265	7.643	11	11.124	8.882	-
181.889	57.426	2.860	6.992	2.769	4.002	4.446	-
203.415	77.608	1.618	7.678	2.633	29.372	19.225	-
479.286	478.829	466.241	160	-	1.829	-	-

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

⁽²⁾ The values are taken from the financials of the audited financial statements as of 31 December 2010.

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c) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period (before elimination)	81.133	62.048
Movements during the period	(81.133)	(62.048)
Purchases ⁽¹⁾	476.250	15.487
Free shares obtained profit from current year's share ⁽²⁾	38.698	3.598
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provision for impairment (-)	-	-
Share capital elimination of subsidiaries	(596.081)	(81.133)
Balance at the end of the period	-	-
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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

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

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

e) Subsidiaries quoted in the stock exchange:

Halk Gayrimenkul Yatırım Ortaklığı AŞ ("the Company"), a subsidiary of the Parent Bank, was registered on 18 October 2010. With the amendment dated 31 December 2009 made by the CMB the Communiqué on the Principles of Real Estate Investment Trusts, it is obligatory that the shares of trusts representing a minimum 25% of their capital be issued within three months of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, are offered to public and that they apply to the CMB with the request that all shares be registered. The Company applied to the CMB on 18 January 2011.

(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.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

(12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Additions	Disposals	Transfers	Balance at the end of the period
Cost:					
-Immovables	948.799	30.044	-	(8.512)	970.331
-Tangible assets purchased through financial lease	108.100	1.612	(62.844)	-	46.868
-Office machines	151.567	48.538	(19.148)	-	180.957
-Fixed assets obtained due to non-performing loans	259.089	181.746	(40.644)	(91.335)	308.856
-Lease hold improvements costs	81.803	40.262	(19.577)	(8)	102.480
-Other	227.162	26.386	(41.924)	-	211.624
Total Cost	1.776.520	328.588	(184.137)	(99.855)	1.821.116
Accumulated depreciation (-)					
-Immovables	200.505	14.692	-	(3.046)	212.151
-Tangible assets purchased through financial lease	99.806	5.214	(62.737)	-	42.283
-Office machines	104.588	18.058	(14.867)	-	107.779
-Fixed assets obtained due to non-performing loans	9.245	5.373	(1.582)	(1.086)	11.950
-Lease hold improvements costs	28.940	16.629	(11.870)	1.041	34.740
-Other	175.704	14.989	(34.470)	(1.044)	155.179
Total accumulated depreciation (-)	618.788	74.955	(125.526)	(4.135)	564.082
Provision for impairment (-)					
-Immovables	8.656	303	(251)	(251)	8.457
-Tangible assets purchased through financial lease	-	-	-	-	-
-Office machines	-	-	-	-	-
-Fixed assets obtained due to non-performing loans	7.546	8.764	(3.000)	830	14.140
-Other	-	-	-	-	-
Total provision for impairment (-)	16.202	9.067	(3.251)	579	22.597
Net Book Value	1.141.530	244.566	(55.360)	(96.299)	1.234.437

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Prior Period	Balance at the end of the prior period	Consolidation Changes(*)	Additions	Disposals (-)	Transfers	Balance at the end of the period
Cost:						
-Immovables	899.519	-	54.511	-	(5.231)	948.799
-Tangible assets purchased through financial lease	109.386	-	374	(1.660)	-	108.100
-Office machines	138.982	3.482	30.077	(20.974)	-	151.567
-Fixed assets obtained due to non-performing loans	105.610	-	152.176	(9.850)	11.153	259.089
-Other	220.313	2.808	106.186	(76.646)	56.304	308.965
Total Cost	1.473.810	6.290	343.324	(109.130)	62.226	1.776.520
Accumulated depreciation (-)						
-Immovables	192.046	-	13.860	-	(5.401)	200.505
-Tangible assets purchased through financial lease	93.970	-	7.252	(1.416)	-	99.806
-Office machines	105.736	2.910	13.836	(17.894)	-	104.588
-Fixed assets obtained due to non-performing loans	3.697	-	4.750	(1.027)	1.825	9.245
-Other	179.447	1.776	22.582	(18.540)	19.379	204.644
Total accumulated depreciation (-)	574.896	4.686	62.280	(38.877)	15.803	618.788
Provision for impairment (-)						
-Immovables	6.234	-	2.388	-	34	8.656
-Tangible assets purchased through financial lease	-	-	-	-	-	-
-Office machines	-	-	-	-	-	-
-Fixed assets obtained due to non-performing loans	1.036	-	5.935	-	575	7.546
-Other	-	-	-	-	-	-
Total provision for impairment (-)	7.270	-	8.323	-	609	16.202
Net Book Value	891.644	1.604	272.721	(70.253)	45.814	1.141.530

(*) Subsidiaries are taken into consolidated financial statements at 1 January-31 March 2009.

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(13) Information on intangible assets:

Current Period	Balance at the end of the prior period	Additions	Disposals	Transfers	Balance at the end of the period	
Cost:						
Other intangible assets	15.962	10.930	(3.146)	(106)	23.640	
Total Cost	15.962	10.930	(3.146)	(106)	23.640	
Accumulated Depreciation (-)						
Other intangible assets	3.872	1.802	(689)	-	4.985	
Total Accumulated Depreciation (-)	3.872	1.802	(689)	-	4.985	
Provision for impairment (-)						
Other intangible assets	-	-	-	-	-	
Total Accumulated Depreciation (-)	-	-	-	-	-	
Net Book Value	12.090	9.128	(2.457)	(106)	18.655	
Prior Period						
Prior Period	Balance at the end of the prior period	Consolidation Changes(*)	Additions	Disposals	Transfers	Balance at the end of the period
Cost:						
Other intangible assets	61.612	1.499	11.976	(1.317)	(57.808)	15.962
Total Cost	61.612	1.499	11.976	(1.317)	(57.808)	15.962
Accumulated Depreciation (-)						
Other intangible assets	23.024	1.185	1.265	(506)	(21.096)	3.872
Total Accumulated Depreciation (-)	23.024	1.185	1.265	(506)	(21.096)	3.872
Provision for impairment (-)						
Other intangible assets	-	-	-	-	-	-
Total provision for impairment (-)	-	-	-	-	-	-
Net Book Value	38.588	314	10.711	(811)	(36.712)	12.090

(*) Subsidiaries are taken into consolidated financial statements at 1 January-31 March 2009.

(14) Information on investment property:

None (31 December 2009: TRY 489).

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(15) Information on deferred tax assets:

	Current period	Prior period
Valuation difference on marketable securities	131.824	112.958
Retirement pay provision and unused vacation provision	55.316	48.765
Precautionary provision for loans under close monitoring	19.291	23.932
Net accrual expense for derivative instruments	969	13.146
Amortisation difference on tangible and intangible assets	79	-
Provision for lawsuits against the Bank	4.499	4.518
Others	13.387	7.473
Total deferred tax assets	225.365	210.792
Valuation difference on marketable securities	(55)	-
Amortisation difference on tangible and intangible assets	(1.747)	(1.997)
Others	(743)	(1.233)
Deferred tax liabilities	(2.545)	(3.230)
Deferred tax assets, net	222.820	207.562
Deferred tax liability accounted in shareholders' equity	43.546	30.334
Available for sale financial assets IRR-fair value difference	43.546	32.856
Foreign currency subsidiaries hedge fund valuation difference	-	(2.522)

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

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

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(17) Information on other assets:

	Current period	Prior period
Prepaid promotion expenses	247.098	150.371
Clearing House account	181.430	135.916
Receivables from intermediary operations (Receivables from insurance operations and clients)	73.653	65.949
Receivables from credit card payments	71.971	55.812
Receivables from asset sale on credit terms	40.467	59.141
Receivables from SDIF	32.585	1.857
Receivables from derivative financial instruments	15.875	51.756
Other prepaid expenses	17.089	17.259
Receivables pending for board of discipline decision	4.487	686
Receivables from banking services	2.872	4.210
Receivables from lawsuits	2.154	3.490
Cash guarantees given	2.148	803
Advances given	556	233
Other	62.867	46.590
Total	755.252	594.073

II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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-1 year	1 year and over	Cumulative deposits	Total
Saving deposits	1.789.824	-	4.355.760	15.294.271	413.109	172.023	59.068	67.782	22.151.837
Foreign currency deposits	1.733.953	-	3.133.814	5.113.588	985.228	1.447.214	368.150	10.284	12.792.231
Residents in Turkey	1.690.798	-	3.028.333	4.876.550	923.253	1.081.347	232.511	10.271	11.843.063
Residents abroad	43.155	-	105.481	237.038	61.975	365.867	135.639	13	949.168
Public sector deposits	1.405.663	-	461.599	1.393.275	21.398	24.280	417	-	3.306.632
Commercial inst. deposits	1.839.250	-	2.669.879	4.797.000	98.347	66.463	1.865	-	9.472.804
Other inst. deposits	259.659	-	195.128	1.745.687	913.667	19.542	283	-	3.133.966
Precious metals	473.117	-	-	-	-	-	-	-	473.117
Interbank deposits	1.175.580	-	1.879.882	146.366	21.000	1.000	-	-	3.223.828
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	12.870	-	1.747.843	53.014	20.000	1.000	-	-	1.834.727
Foreign banks	1.161.415	-	132.039	93.352	1.000	-	-	-	1.387.806
Participation banks	1.295	-	-	-	-	-	-	-	1.295
Others	-	-	-	-	-	-	-	-	-
Total	8.677.046	-	12.696.062	28.490.187	2.452.749	1.730.522	429.783	78.066	54.554.415

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a.2. Prior period:

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

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	11.452.490	9.536.031	10.655.063	8.862.514
Foreign currency saving deposits	2.419.516	2.264.490	4.002.148	3.904.828
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	53.080	40.530	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

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

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

	Current period	Prior period
Foreign branches' saving deposits and other accounts	152.388	176.219
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	2.141	930
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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

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

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

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	128.142	128.796	123.730	100.005
Foreign banks, institutions and funds	75.287	3.493.862	77.992	1.729.790
Total	203.429	3.622.658	201.722	1.829.795

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	128.142	1.833.822	123.730	292.745
Medium and long-term	75.287	1.788.836	77.992	1.537.050
Total	203.429	3.622.658	201.722	1.829.795

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

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

Main liability of the Parent Bank is deposit, which is composed of 41% of saving deposits and 23% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Parent Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Parent Bank's 57% of banks deposits and 26% of other deposits consist of foreign currency deposits.

Information on funds provided from repurchase agreement transactions:

	Current period		Prior period	
	TRY	FC	TRY	FC
From domestic transactions	2.527.844	-	5.197.488	-
Financial institutions and organizations	2.423.650	-	5.123.807	-
Other institutions and organizations	70.940	-	36.631	-
Real persons	33.254	-	37.050	-
From overseas transactions	69	611.411	281	544.540
Financial institutions and organizations	-	611.411	-	544.540
Other institutions and organizations	-	-	-	-
Real persons	69	-	281	-
Accruals	12.986	2.745	11.922	3.436
Total	2.540.899	614.156	5.209.691	547.976

(4) Explanations to the funds:

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

a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	75.832	1.219.400	134.485	1.181.317

(5) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 533.643 and does not exceed 10% of the balance sheet total (31 December 2009: TRY 259.838).

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

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

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

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b) Explanation on finance lease payables:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	831	566	196	139
Between 1-4 years	-	-	-	-
More than 4 years	-	-	-	-
Total	831	566	196	139

c) Explanations regarding operational leases:

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

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

None.

(8) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior Period
General provisions	390.121	275.695
Provisions for first group loans and receivables	339.845	227.302
Provisions for second group loans and receivables	9.553	21.720
Provisions for non cash loans	40.723	26.673
Other	-	-

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

None.

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

As of 31 December 2010, the Parent Bank's specific provisions for unindemnified non-cash loans balance is TRY 46.665 (31 December 2009: TRY 43.618). The Parent Bank provides 50% of provision for these non cash loans. TRY 2.538 (31 December 2009: TRY 2.580) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

d) Information on other provisions:

Total other provision balance amounting to TRY 191.781 (31 December 2009: TRY 213.159) consists of TRY 46.665 (31 December 2009: TRY 43.618) for specific provisions for unindemnified non cash loans, TRY 22.493 (31 December 2009: TRY 21.518) for legal cases filed against the Parent Bank, TRY 27.064 of provision for close monitoring loans (31 December 2009: TRY 50.269), TRY 69.390 of provision for restructured from Group I loans (31 December 2009: TRY 69.390) and TRY 26.169 of other provisions (31 December 2009: TRY 28.364).

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Provision balance for possible risks:

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

e) Movement of employee termination benefits

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

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

Calculated amounts as a result of actuarial conjectures are as follows

	Current Period	Prior Period
As of January 1	180.431	178.324
Subsidiaries consolidation effect	-	1.454
Current year service cost	12.065	10.399
Interest expense	19.246	20.934
Actuarial gain/loss	16.169	2.875
Benefits paid within the period(-)	(23.699)	(33.555)
Total	204.212	180.431

⁽¹⁾ As of 31 December 2010, unused vacation provision is TRY 69.401. and severance indemnity provision for outsource firms is TRY 2.992. This amount is followed under employee benefits provision under liabilities (31 December 2009: TRY 63.391).

The Parent Bank accounts for actuarial gain and losses under current year profit and loss.

f) Liabilities on pension rights

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

None.

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

Based on the results of the actuarial report prepared as of 31 December 2010 and 31 December 2009, no technical deficit has been reported. Besides, no technical deficit for T.C.Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported as of 31 December 2010 and 31 December 2009.

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2010, the Parent Bank's corporate tax payable is amounting to TRY 188.812 after setting off TRY 350.387 of prepaid taxes from TRY 539.199 of corporate tax liabilities.

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a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	188.812	133.859
Income on securities tax	41.751	46.121
Property income tax	520	393
Banking and insurance transactions tax (BITT)	18.526	17.927
Foreign exchange transactions tax	8	1
Value added tax payable	553	243
Other	15.248	13.244
Total	265.418	211.788

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	75	80
Social insurance premiums-employer	193	137
Bank social aid pension fund premium-employee	3.235	2.643
Bank social aid pension fund premium-employer	4.507	3.678
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	5	11
Unemployment insurance-employer	16	8
Other	700	575
Total	8.731	7.132

b) Explanations regarding deferred tax liability:

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

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

None.

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

None.

(12) Information on shareholders' equity:

a) Presentation of paid-in capital:

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

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

None.

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

None.

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

None.

d) 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.

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

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

f) Information on preferred shares:

None.

g) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	-	-	-	-
Valuation difference	177.841	(64.311)	92.163	(51.983)
Exchange rate difference	-	-	(13.734)	-
Total	177.841	(64.311)	78.429	(51.983)

ğ) Information on legal reserves:

	Current period	Prior period
First Legal Reserves	301.942	227.784
Second Legal Reserves	317.415	286.825
Legal reserves appropriated in accordance with the law	992	703
Total	620.349	515.312

h) Information on the extraordinary reserves

	Current period	Prior period
Reserves appropriated by General Assembly	2.225.576	1.048.423
Retained Earnings	47.181	47.181
Accumulated Reserves	-	-
Foreign Currency Translation Differences (-)	-	-
Total	2.272.757	1.095.604

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(13) Information on minority interest shares:

	Current Period	Prior period
Paid-in capital	4.390	4.409
Marketable Securities Revaluation Fund	13	56
Legal Reserves	152	146
Extraordinary Reserves	1.333	1.279
Retained Earnings	-	-
Net Period Income/Loss	596	704
Closing Balance	6.484	6.594

(14) Movement of minority interest shares:

	Current Period	Prior period
Beginning Balance	6.594	-
The effect of the inclusion of subsidiaries in the scope of consolidation(*)	-	6.610
Change in Minority Interest	(706)	(720)
Net Period Income/Loss	596	704
Closing Balance	6.484	6.594

(*) Subsidiaries are taken into consolidated financial statements at 1 January-31 March 2009.

III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	4.089.791	2.793.507
Commitments for credit cards and banking services promotions	26.217	27.446
Two days forward foreign exchange buy/sell transactions	631.201	679.448
Other irrevocable commitments	892.979	3.805
Share capital commitments to associates and subsidiaries ⁽¹⁾	2.000	2.250
Loan granting commitments	602.623	1.040.649
Tax and fund liabilities from export commitments	34.849	11.284
Payment commitments for cheques	3.604.999	1.255.978
Total	9.884.659	5.814.367

(1) In the current period, the Parent Bank has TRY 2.000 of capital commitment for its associate Kredi Garanti Fonu AŞ.

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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	149.594	138.242
Letters of credit	3.377.338	2.243.228
Other guarantees	256.403	158.159
Total	3.783.335	2.539.629

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

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

b.3. Total non-cash loans:

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

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

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

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

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

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c) Information on derivative financial instruments:

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

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

ç) Information on contingent liabilities and assets:

The Group has provided TRY 22.493 (31 December 2009: TRY 21.518) of provision for the disputed legal cases filed by various persons and institutions.

d) Services supplied on behalf of others:

None.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans ⁽¹⁾				
Short term loans	1.530.556	155.357	1.816.806	197.693
Medium and long term loans	2.066.429	381.689	1.812.043	271.938
Interest on non-performing loans	122.201	8	127.456	1
Premiums from resource utilization support fund	-	-	-	-
Total	3.719.186	537.054	3.756.305	469.632

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

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	66.622	-	115.994	80
Domestic banks	2.230	343	448	41
Overseas banks	930	3.345	2.186	7.734
Head office and branches abroad	-	-	-	-
Total	69.782	3.688	118.628	7.855

c) Interest income from marketable securities:

	Current period		Prior period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	2.995	377	3.491	644
Financial Assets at Fair Value through profit or loss	-	-	-	-
Financial Assets available for sale	532.665	84.090	479.364	67.053
Investments held to maturity	1.297.535	102.170	1.749.186	151.396
Total	1.833.195	186.637	2.232.041	219.093

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries	3.239	4.308

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

(2) Information on interest expenses:

a) Information on interest expense on borrowings:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	16.947	48.971	23.975	50.360
Central Bank of Turkey	-	-	-	-
Domestic banks	9.844	3.623	15.192	3.633
Overseas banks	7.103	45.348	8.783	46.727
Overseas head office and branches	-	-	-	-
Other institutions	287	2	32	-
Total	17.234	48.973	24.007	50.360

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries	4.052	5.208

c) Information on interest expenses to marketable securities issued:

None.

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits							Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
TRY									
Bank deposits	2.074	82.993	8.643	78	53	-	-	93.841	
Saving deposits	2.397	382.553	1.073.436	25.912	11.978	3.661	4.251	1.504.188	
Public deposits	439	32.450	80.931	6.885	96	21	-	120.822	
Commercial deposits	4.691	254.422	276.244	39.611	2.532	112	-	577.612	
Other deposits	15	19.969	139.930	31.004	627	42	-	191.587	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	9.616	772.387	1.579.184	103.490	15.286	3.836	4.251	2.488.050	
Foreign currency									
Deposits	1.440	81.869	135.166	22.859	20.933	7.849	-	270.116	
Bank deposits	-	5.229	-	-	-	-	-	5.229	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	-	-	-	-	-	-	-	
Total	1.440	87.098	135.166	22.859	20.933	7.849	-	275.345	
Grand total	11.056	859.485	1.714.350	126.349	36.219	11.685	4.251	2.763.395	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

(3) Information on dividend income:

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	418	665
Other	805	5.930
Total	1.223	6.595

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

	Current period	Prior period
Profit	6.066.833	9.248.689
Profit from the capital market operations	223.687	138.490
Profit on derivative financial instruments	945.348	695.988
Foreign exchange gains	4.897.798	8.414.211
Loss	(5.933.478)	(9.230.538)
Loss from the capital market operations	(1.929)	(1.334)
Loss on derivative financial instruments	(1.018.188)	(771.793)
Foreign exchange losses	(4.913.361)	(8.457.411)

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	945.348	695.988
Effect of the change in foreign exchange on profit	944.637	695.268
Effect of the change in interest rate on profit	711	720
Loss on derivative financial instruments	(1.018.188)	(771.793)
Effect of the change in foreign exchange on loss	(961.439)	(686.040)
Effect of the change in interest rate on loss	(56.749)	(85.753)
Profit/loss on derivative financial instruments	(72.840)	(75.805)

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	284.834	206.776
-Specific provision reversals for Loans under follow up	220.190	150.703
-Other prior period expense reversals income	53.500	56.073
-Prior period tax corrections	11.144	-
Life insurance income	139.269	74.144
Receivable from the asset sale on credit terms	66.891	29.986
Rent income	6.605	5.977
Cheques	5.019	5.598
Provision for communication expenses	4.299	4.702
Provision for stamp tax	20	688
Other income	90.868	67.234
Total	597.805	395.105

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	316.369	434.354
Group-III loans and receivables	134.190	169.502
Group-IV loans and receivables	33.615	35.051
Group-V loans and receivables	148.564	229.801
General loan provision expenses	114.567	60.999
Provision expenses for possible losses	600	7.000
Marketable securities impairment losses	12.133	-
Financial assets at fair value through profit and loss	-	-
Financial assets available for sale	12.133	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
Associates	-	-
Subsidiaries	-	-
Jointly controlled entities (joint ventures)	-	-
Investments held-to-maturity	-	-
Other	14.801	143.791
Total	458.470	646.144

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	689.537	608.470
Reserve for employee termination benefits	49.235	34.208
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	303	2.388
Depreciation expenses of fixed assets	69.582	57.530
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	1.802	1.265
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	8.764	5.935
Amortization expenses of assets that will be disposed of	5.373	4.750
Impairment expense for property and equipment held for sale	224	200
Other operating expenses	482.581	346.224
Operational leasing expenses	59.942	41.860
Maintenance expenses	21.134	18.142
Advertisement expenses	39.354	33.431
Other expenses ⁽¹⁾	362.151	252.791
Loss on sales of assets	5.159	4.425
Other ⁽²⁾	341.389	236.174
Total	1.653.949	1.301.569

⁽¹⁾ For the year ended period 31 December 2010, this account consists of promotion expenses related to banking activities amounting TRY 143.976 (31 December 2009: TRY 65.467), insurance expenses amounting TRY 19.292 (31 December 2009: TRY 15.355), communication expenses amounting TRY 32.611 (31 December 2009: TRY 28.507) and other expenses amounting TRY 166.272 (31 December 2009: TRY 143.462).

⁽²⁾ For the year ended period 31 December 2010, this account consists of taxes, duties and charges amounting TRY 77.420 (31 December 2009: TRY 33.396), Saving Deposit Insurance Fund premium expenses amounting TRY 65.318 (31 December 2009: TRY 67.306), Banking Regulation and Supervision Agency establishment share amounting TRY 9.098 (31 December 2009: TRY 10.219) Auditing and Advisory expenses amounting TRY 8.913 (31 December 2009: TRY 4.857) and other expenses amounting TRY 180.640 (31 December 2009: TRY 120.396).

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

The Group's income before tax is due from continuing activities. TRY 3.212.160 of the income before tax consists of net interest income, TRY 509.975 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is TRY 2.353.010.

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

For the year ended 31 December 2010, the Group's tax provision amounting to TRY 509.719 consists of TRY 544.120 of current tax charge and TRY 34.401 of deferred tax income.

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

For the year ended 31 December 2010, the Group's net operating income after tax is TRY 1.843.291.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

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

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

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

Other fees and commissions:

	Current Period	Prior Period
Received intelligence fees	142.314	122.127
Credit card fees and commissions	96.036	87.113
Insurance commissions	13.829	3.456
Collection of loans and payments commissions	25.857	36.221
Received fees and commissions – corporate	49.515	42.254
Received fees and commissions – consumer	48.590	40.531
Appraisal fees	32.729	28.789
Other	127.916	112.030
Total	536.786	472.521

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

(1) Explanations on inflation adjustments for equity items:

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

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

For the year ended 31 December 2010, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 76.689 increase (31 December 2009: TRY 38.410, decrease).

(2) Items of cash and cash equivalents, accounting policies used in the determination of those items:

Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.

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

None.

(4) Period beginning cash and cash equivalents balance:

	Current period	Prior period
Cash	3.415.724	3.009.299
Cash in TRY and foreign currency	256.719	211.596
Central Bank, Legal Requirements and others ⁽¹⁾	3.159.005	2.797.703
Cash equivalents	1.172.112	2.119.334
Banks-maturity less than 3 months	1.171.909	2.119.334
Money market placements	203	-
Total cash and cash equivalents	4.587.836	5.128.633
Restricted Legal Requirements	(836.066)	(831.738)
Legal provision re-discounts	(19.351)	(49.781)
Bank re-discounts	(75)	(1.355)
Cash and Cash Equivalents	3.732.344	4.245.759

⁽¹⁾ Others items include precious metals.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

(5) Period ending cash and cash equivalents balance:

	Current period	Prior period
Cash	4.649.565	3.415.724
Cash in TRY and foreign currency	379.285	256.719
Central Bank, Legal Requirements and others ⁽¹⁾	4.270.280	3.159.005
Cash equivalents	1.228.793	1.172.112
Banks-maturity less than 3 months	1.012.668	1.171.909
Money market placements	216.125	203
Total cash and cash equivalents	5.878.358	4.587.836
Restricted Legal Requirements	(1.317.067)	(836.066)
Legal Provision re-discounts	(3.498)	(19.351)
Money market placement discounts	(135)	-
Bank re-discounts	(53)	(75)
Cash and Cash Equivalents	4.557.605	3.732.344

⁽¹⁾ Other items include precious metals.

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

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

a) Current period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	58.611	14.721	-	-	-	-
Closing balance	75.704	36.366	-	-	-	-
Interest and commissions income	3.160	79	-	-	-	-

b) Prior period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	80.146	6.861	-	-	-	-
Closing balance	58.611	14.721	-	-	-	-
Interest and commissions income	3.085	1.223	-	-	-	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

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

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Beginning balance	45.128	108.628	-	-	-	-
Closing Balance	56.427	45.128	-	-	-	-
Interest expense on deposits	4.052	5.208	-	-	-	-

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

None.

(2) Disclosures for risk group:

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

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

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

	Amount	% compared to the amounts in the financial statements
Cash loans	75.704	0,17%
Non-cash loans	36.366	0,29%
Deposits	56.427	0,01%
Forward and option contracts	-	-
Banks and financial institutions	-	-

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

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

Explained in b).

d) Transactions accounted under the equity method:

Demir-Halkbank NV, operating in Netherlands, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ qualified as investments in associates of the Parent Bank, are accounted for in the accompanying consolidated financial statements by the equity method of accounting.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 6.380 as of 31 December 2010 (31 December 2009: TRY 5.492).

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

VIII. EXPLANATIONS ON THE PARENT BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

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

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

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

The Parent Bank opened 40 branches including 1 foreign branch during the year.

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

Changes in required reserves ratio

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA [TRY] UNLESS OTHERWISE STATED.)

a) Turkish lira required reserve ratio

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

b) FX required reserve ratio is 11%

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

The ratios are below:

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

Profit Distribution

With the Parent Bank's General Assembly decision dated on 1 March 2011, the Parent Bank decided to distribute its net profit of the year 2010 to its shareholders on 27 May 2011. All methods and procedures for the distribution will be specified by the Parent Bank's Board of Directors. According to the decision, the Parent Bank will distribute first dividend amounting to TRY 62.500 to its shareholders, TRY 72.000 to its Board of Directors and personnel and also will distribute TRY 332.986 as a second dividend to its shareholders from net profit of the year 2010 amounting to TRY 2.010.393.

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE PARENT BANK'S OPERATIONS

None.

SECTION VII: INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

The consolidated financial statements as of and for the year ended 31 December 2010 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 3 March 2011 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITORS

None.

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- Disciplinary Board
- Department of Staff Training
- Department of Artisans Banking
- Department of Financial Accounting and Reporting
- Legal Consultancy
- Department of Internal Control
- Department of Human Resources
- Department of Premises Construction and Appraisal
- Department of SME Marketing- 1
- Department of SME Loans-1
- Department of Loans Risk Monitoring
- Department of Corporate Loans
- Department of Deposit and Cash Management
- Department of Organization
- Department of Risk Collection and Liquidation-Ankara
- Department of Risk Management
- Department of Branch Operations
- Department of and Public Relations
- Department of Board of Inspectors
- Department of Commercial Marketing-1
- Department of Commercial Loans-1
- Department of Tax Management and Accounting
- Board of Directors Office Services

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- Department of Retail Products Marketing

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- Department of SME Marketing-2
- Department of SME Loans-2
- Department of Housing Finance
- Department of Loan and Project Evaluation
- Department of Loans Policies and Practices
- Department of Corporate Marketing
- Department of Operational Strategy and Innovation Management
- Department of Risk Collection and Liquidation -Istanbul
- Department of Agricultural Banking
- Department of Technological Architecture Management
- Department of Commercial Marketing-2
- Department of Commercial Loans-2
- Department of Software Development

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