

2011 ANNUAL REPORT

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CONTACTS

Halkbank supports one out of every four SMEs in Turkey

We are the Bank of producers and value-creators. For us, our clients are the most important players in the real economy. They are the drivers behind the growth momentum, increasing national income and elevated social welfare that Turkey has achieved in recent years.

We stand by our clients and continue to support them at all times and under all circumstances. The best proof of this is our increased lending and the new branches we opened even during the crises.

We know our customers, as well as their businesses, their difficulties and their needs intimately. As a result, we are able to offer them the most suitable loans and best banking services quickly and easily.

One out of every four SMEs in Turkey is producing and growing with the support of Halkbank and looking to the future with hope.

**Their success is our success...
It is the growing and developing
Turkey's success.**



A steadily growing leading and a well-respected 73-year-old brand of the emerging Turkey...

Halkbank was founded in 1938 to support artisans and tradesmen and to accelerate permanent economic development. The Bank's core business strategy has never changed in 73 years. It considers every artisan, farmer and small, medium or large size business owner that produces and creates employment as a business partner and strongly believes its existential duty is to support them via its entire financing capability in good days and bad. Halkbank today supports one out of every four SMEs in Turkey and extends 36% of its total loans to the real economy.

Serving with a global vision through an extensive and diverse service network, Halkbank has 766 domestic and 5 overseas branches. It also has an overseas representative office, 2,157 ATMs, telephone and internet banking, mobile banking applications, as well as innovative products and services that provide an unprecedented banking experience to its clients. Halkbank has 25.4% of its outstanding shares publicly held and boasts the highest return on equity (ROE) among its publicly-traded peers thanks to its efficient use of capital.

Halkbank is a steadily-growing, 73-year-old pioneer among the most respected in emerging Turkey...

CAPITAL STRUCTURE

The paid-in capital of Türkiye Halk Bankası A.Ş. is TRY 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 Shareholder	Paid-in Capital (TRY)	Percentage of Share (%)
1-Privatization 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	65	92,084	0.00736672
6-Chambers of Commerce	12	2,086	0.00016688
7-Individuals and Companies	13,525	149,292	0.01194336
8-Publicly Held**	1	311,712,835	24.93702680
Total	14,731	1,250,000,000	100.00000000
Minority Shareholders Percentage (%)			0.03693320
Privatization Administration Percentage (%)			75.02604000
Publicly Held Portion (Traded) %			24.93702680
Total (%)			100.00000000


* Shareholders listed in the Stock Register.

** Privatization Administration within its share of TRY 937,825,500 has TRY 549,932 share in the free float.

Together with these shares total amount of shares in the free float is TRY 312,262,767 with a share ratio of 24.98%.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION IN 2011

No amendments were made to the Bank's Articles of Association in 2011.

A photograph of a bakery display case. The top shelves are filled with various breads, including long loaves and smaller rolls. The bottom shelves feature pastries, some in glass domes and others in trays. The lighting is warm and focused on the breads.

Gözde Erkmen, 43 - Bakery Owner, Antalya
Ms. Erkmen opened her bakery shop in 2009 and managed it for a year through her own efforts. However, she was not able to produce the variety of breads she wanted with her existing investments. In 2010, she came to Halkbank and applied for an “Entrepreneur Support Loan.” We approved Ms. Erkmen’s loan right away and she was able to increase both her production capacity and variety. To this day, we are enjoying the delicious bread and cookies she bakes.



KEY INDICATORS AND RATIOS

Halkbank was the sixth best performing bank in the world based on return on capital from among the “Top 1,000 World Banks” ranking of The Banker magazine.



RETURN ON EQUITY (ROE)
25.4%

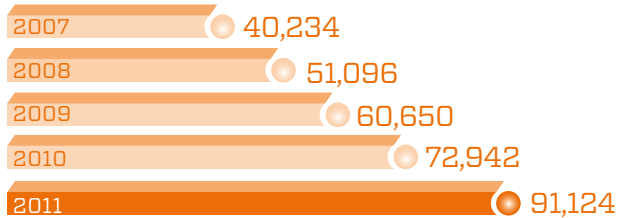
FINANCIAL INDICATORS

(TRY millions)	2011	2010	Change (%)
Total Assets	91,124	72,942	24.9
Liquid Assets	8,747	5,759	51.9
Loans	56,216	44,296	26.9
Securities	23,346	20,207	15.5
Total Deposits	66,247	54,782	20.9
Shareholders' Equity	8,640	7,445	16.1
Net Interest Income	3,473	3,191	8.8
Net Fee and Commission Income	728	526	38.5
Gross Profit	2,637	2,509	5.1
Net Profit	2,045	2,010	1.7

Key Ratios (%)

Interest Bearing Assets/Total Assets	87.5	88.3
Loans/Total Assets	61.7	60.7
Non-Performing Loans/Total Loans (Gross)	2.9	3.8
Demand Deposits/Total Deposits	20.1	15.9
Loans/Deposits	84.9	80.9
Average Return on Assets	2.5	3.0
Average Return on Equity	25.4	30.5
Capital Adequacy Ratio	14.3	15.9

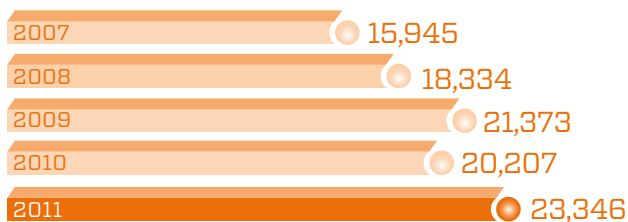
TOTAL ASSETS (TRY MILLIONS)



GROWTH IN ASSETS

24.9%

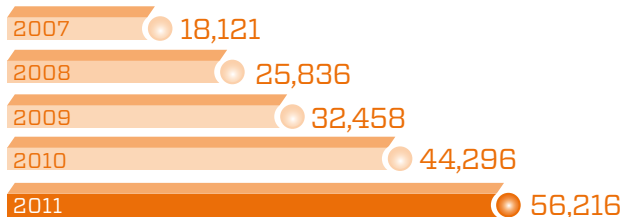
SECURITIES (TRY MILLIONS)



SECURITIES

15.5%

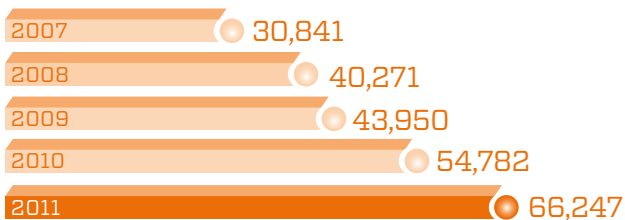
LOANS (TRY MILLIONS)



GROWTH IN LOANS

26.9%

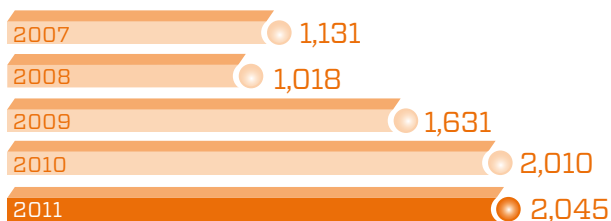
TOTAL DEPOSITS (TRY MILLIONS)



GROWTH IN DEPOSITS

20.9%

NET PROFIT (TRY MILLIONS)



PROFIT GROWTH

1.7%

HALKBANK'S POSITION IN THE SECTOR

Continuing its profitability and efficiency-oriented growth, Halkbank further strengthened its sound, pioneering market position in terms of core banking indicators.

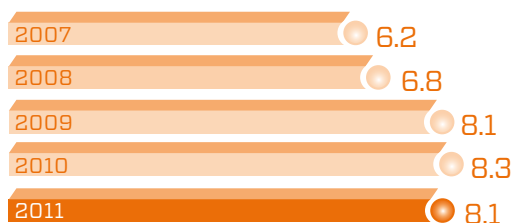
HALKBANK'S MARKET POSITION

Market Share (%)	2011	2010
Total Assets	7.5	7.3
Loans	8.1	8.3
Securities	7.9	6.7
Deposits	9.5	8.9
Shareholders' Equity	6.0	5.5
Profit	10.3	9.1

DEPOSITS MARKET SHARE (%)



LOANS MARKET SHARE (%)



Halkbank is striving to expand its successful domestic performance to overseas markets and become a powerful regional bank in Turkey’s surrounding geography.

CREDIT RATINGS

Fitch Ratings

Foreign Currency Long-Term	BB+
Outlook	Stable
Foreign Currency Short-Term	B
Local Currency Long-Term	BB+
Outlook	Stable
Local Currency Short-Term	B
National Long-Term	AA+ (tur)
Outlook	Stable
Individual	C/D
Support	3
Support Rating Floor	BB+
Viability Rating	BB+

Moody’s

Financial Strength Rating	D+
Outlook	Stable
Long-Term Local Currency	
Deposit Rating	Baa3
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
Outlook	Stable
Baseline Credit Assessment	Baa3
Outlook	Stable
Probability of Government	
Support	Very High

OVERVIEW OF HALKBANK

Following the foundation of the republic, Halkbank was established to generate solutions to meet the funding needs of artisans, tradesmen and small business owners.

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

A STORY OF SOLID GROWTH

As the driving force behind the real economy for 73 years, Halkbank is forging ahead with determination toward its goal of becoming the region's leading SME bank in accordance with its mission to be the “bank of a productive country; Turkey.”

Following the foundation of the republic, Halkbank was established to generate solutions to meet the funding needs of artisans, tradesmen and small business owners as well as to support economic development.

Founded pursuant to the Halkbank and Public Funds Law enacted in 1933, Halkbank carried out its credit services through the Public Funds channel for which it provided financing from 1938 to 1950. The Bank first began extending SME loans to small and medium-size enterprises in 1940. Authorized to open branches and lend directly from 1950 onward, in 1964 Halkbank created the first fund for the construction of small industrial markets and estates. That same year, the Bank increased its capital and started working actively to expand its deposit base and lending. With industrial investment and working capital loans unveiled in 1975, Halkbank gave loans to large industrial enterprises as well.

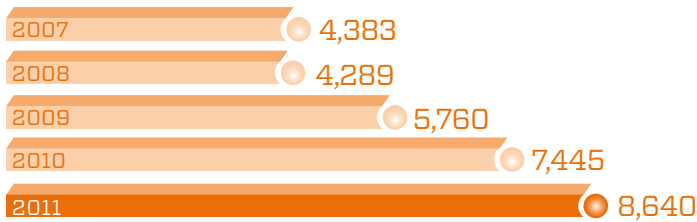
Halkbank acquired Türkiye Öğretmenler Bankası (Töbank) in 1992; Sümerbank in 1993; Etibank in 1998 and some branches of Emlak Bankası in 2001. In the second half of 2004, Halkbank-Pamukbank integration was completed seamlessly well before the projected timeline. Under this new structure, the Bank began offering privileged products and services particularly to SMEs and middle and upper-middle income retail clients while developing a customer-oriented, high-quality service approach within the scope of customer segmentation.

The first bank to establish an Entrepreneur Information Center in 1995 as well as the first bank in Turkey to offer a Women's' Entrepreneur Loan in 2007, Halkbank always held a pioneering position in the industry as the first public bank to use TV banking and to have an offshore branch abroad.

A strong profitability and growth momentum 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 at that time. The bids placed by domestic and international investors for the Bank's floated shares totaled TRY 17.3 billion (US\$ 12.9 billion), eight times the size of the public offering. 24.98% of the Bank's outstanding shares were sold for US\$ 1.8 billion. Halkbank's successful floatation received the annual “Best Public Offering” award from East Capital, a leading European investment company.

As part of an agreement signed between Halkbank and HSBC in 2007, Halkbank credit cards were enhanced with Advantage features. Halkbank was rewarded for its efforts by being chosen best bank in the retail banking consumer research survey of the Customer Satisfaction Index of Turkey. In 2008, Halkbank credit cards were redesigned to offer all the privileges of an Advantage card and were re-launched under the HalkCard Advantage brand.



SHAREHOLDERS' EQUITY (TRY MILLIONS)

8,640

The first prepaid contactless debit card in Europe launched as a partnership of Halkbank and Visa, Bank24 Jet combines many functions including a contactless payment card for small-sum purchases, a public transportation card, KGS, a self-serve payment card and a pass card.

With its project that shortens 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.

Entering into collaborative initiatives with development agencies in 2009, Halkbank became the first bank to establish a solution partnership with the institutions that contribute to regional economic development and social progress. Cooperation between Halkbank and regional development agencies continued in 2010 and 2011 as well.

In 2008, Halkbank initiated the SME Transformation Project to help SMEs comply with national

and international regulations and practices in corporate social responsibility, the environment, occupational health and safety and energy efficiency. As part of the project that aims to bring SMEs up to standard with national and international regulations in environmental, occupational health and safety matters, Halkbank conducted training sessions for more than 4,000 SME representatives. Approximately, 2,250 SME employees obtained professional certifications in these areas as a result of conferences organized in 15 provinces and one-day consulting activities conducted in the offices of 130 companies.

Halk Academy: School of Banking

Halk Academy, restructured to provide the highest quality of training for Halkbank employees, conducted programs generally dealing with banking, personal development and social responsibility; the Bank continued to count investment in its employees among its priorities in 2011.

Halkbank completed building a library at Halkbank's Head Office in

Ankara for use by all employees and an e-library that can be reached online by the staff working in other locations; both facilities are currently in service.

Halkbank Operations Center, providing excellent banking experience to customers

Halkbank Operations Center was established as part of the Operational Transformation Project carried out to increase the Bank's efficiency and accelerate its growth. The project intends to lower the operational risk, shorten the duration of transactions that are carried out by its specialist staff and to refine the quality of service the branches offer the clients by centralizing operational services.

A Powerful Regional Bank

Halkbank is striving to expand its successful domestic performance to overseas markets; it has become a powerful regional bank in Turkey's surrounding geography. In 2011, Halkbank acquired the shares of IK Bank, the SME bank of Macedonia. Aiming to be one of Macedonia's top three banks, Halkbank conducts its activities under the business name of Halk Banka A.D., Skopje.



*Ergün Çelik, 42 - Döner Restaurant
Owner, Istanbul*

Mr. Çelik, continuing the trade he inherited from his father, realized that his shop had become inadequate over time. He decided to enlarge his business and applied for an ESKKK (Artisans and Tradesmen Loan Guarantee Cooperative) Investment Loan. After renovating his kiosk, Mr. Çelik is very happy to be serving his customers in this new and spacious location.



CHAIRMAN'S ASSESSMENT

In the period ahead we will continue to strengthen the financing support we give to “Productive Turkey” and to bolster our position among Turkey’s largest banks.



We have left behind a year where we relived the throes of the global financial crisis and witnessed the emergence of a second financial fluctuation. This risk, without a doubt, had varying impacts on European countries, the United States and emerging economies. The sovereign debt crisis that shook a number of European countries in particular once again prompted the European Union to take collective action to find a solution to the problem. In this regard, actions taken to reinforce the financial system at the global level and to ensure the sustainability of high levels of public debt left their mark on 2011. The United States credit rating was lowered for the first time in many years. We can liken the global economic fluctuations to concentric circles caused by a stone thrown into a lake. The resulting ripples created powerful waves at the center while expanding their periphery toward developing countries, albeit at a reduced strength and speed. However, the emerging markets, which came out of the 2008 crisis in a stronger position, breezed through 2011 more comfortably compared to the developed countries thanks to the measures they put in place against a potential second wave.

The Turkish economy continued to be the shining star of the global economy as a regional power as well as an alternative to the weakening European economy.

Turkey: Safe harbor for global liquidity...

Turkey became the most appropriate destination for the liquidity in search of a safe harbor thanks to its impressive growth record as well as the actions taken to sustain this growth momentum in 2012. During this period, Turkish economy registered the highest growth rate in the world after China. Thanks to the pertinent and timely action of political and economic authorities, the current account deficit problem was also brought down to a manageable level. We expect the current account deficit to decline to around 8% of GDP in 2012. As European countries and the United States brace to inherit the difficulties of 2011, it is hoped that 2012 will be a year of opportunity for Turkey successfully following the indicators of global change.

Increased foreign direct investment (FDI) inflows...

Turkey began to seize on the opportunity for more direct foreign investment in 2011 and succeeded in attracting more foreign investors than most European countries. The economy grew at an annualized rate of 9.6% during the first nine months of the year while the unemployment rate retreated to 9.8%. Turkey created 1.5 million in new jobs over the last year, the largest amount of new employment in the G-20.

Increasing exports, declining energy input costs for Turkey...

Successful budget management decreased the public sector borrowing requirement while expanding the capital base available

to the real economy. Consequently, Turkey continued to accelerate its economic growth thanks to the increasing level of resources put to work in production and thus employment. While the financial fluctuation Europe is in necessitated the private sector to procure and supply goods and services in shorter terms and with smaller letters of credit, Turkey's exports rejuvenated further especially late in the year thanks in part to its geographic advantage. As a result, Turkey's total exports reached US\$ 135 billion in 2011 with an 18.5% surge on the previous year. Another positive development was that certain countries that supply Turkey's energy, reduced their prices significantly, creating a major advantage in energy import management - a major part of Turkey's current account deficit. We expect this development to ease the inflationary pressure on exchange rates and interest rates in 2012.

The banking sector continued to be the largest contributor to these favorable developments of economic growth and in the real economy. As a result of the actions taken by Turkey's senior economic management team as well as oversight and regulatory agencies in 2011, which transitioned Turkey to a floating exchange rate regime and improved key indicators such as capital adequacy ratio and asset quality to better withstand internal/external shock, the banking industry was able to maintain its strength.

36% of our cash loans allocated to SMEs...

The Bank's net profit in 2011 was up by 1.7% over figures from the previous year. Halkbank's success in achieving sustainable profitability was due in large part to its increased lending to the real

sector. Halkbank made 36% of its cash loans to the SMEs, significantly higher than the industry average of 23.9%. Setting out with a mission to create financial resources for every segment of "Productive Turkey", the Bank once again proved that it is also the bank of artisans and tradesmen. The number of artisans and tradesmen Halkbank gave loans to rise to nearly 250,000 in 2011, while the corresponding lending volume reached TRY 5,541 million.

We took a giant step in becoming a regional powerhouse with Halka Banka A.D. in Macedonia...

Halkbank was the lender of choice for one out of every four SMEs that utilized loans in 2011. Operating in accordance with its vision to satisfy all the requirements of universal banking, the Bank extended this success and experience to the Balkans by acquiring IK Bank in Macedonia. Halkbank took a giant step toward becoming a regional powerhouse with this acquisition; it continues its activities under the business name of Halk Banka A.D., Skopje.

As the Halkbank family, we believe that our accomplishments in 2011 will be our best roadmap for 2012. In the year ahead, Halkbank will continue to diversify and expand the resources it provides to "Productive Turkey" as we increase lending volume as part of our long-term strategy while maintaining our place among Turkey's largest banks. We extend our sincere appreciation to you, our stakeholders, for your confidence and support and wish an efficient and profitable new year.

Respectfully yours,

**HASAN CEBECİ
CHAIRMAN OF THE
BOARD OF DIRECTORS**

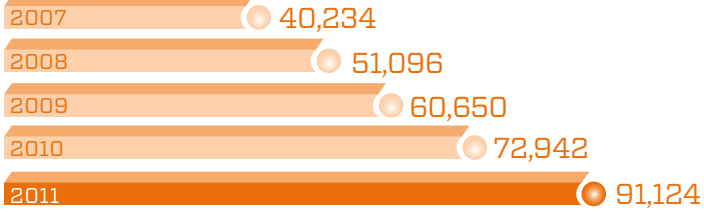
GENERAL MANAGER'S ASSESSMENT 

In 2011, Halkbank reaped the benefits of its efficiency and profitability-oriented growth strategy that constitutes the basis for the sustainable development of Turkey as well as of the Bank.

Both the Turkish banking industry and Halkbank maintained a steady and successful performance in terms of efficiency and profitability during 2011, a year marked by political stirrings in our region and financial ripples felt around the globe. Over the last three years, we experienced various dimensions and reflections of the global crisis, our favorable performance was due in great part to the increased rigor in the regulatory and oversight sphere as well as the major progress Turkish banks made in the area of risk management, liquidity management, asset quality, capital efficiency and adequacy.



TOTAL ASSETS (TRY MILLIONS)



GROWTH IN ASSETS

24.9%

Decisive steps taken for permanent growth...

We are going through a period where the steps taken to make sure that the growth recorded by Turkey last year becomes permanent and bearing fruit. The positive impact of this process on the Turkish economy as well as on our Bank are clearly reflected in the financial results for 2011. The regulations and measures put forth by the official entities responsible for the Turkish economy, led by the Central Bank of Turkey and the Banking Regulation and Supervision Agency, to ensure financial stability, had positive results in this regard. Thanks to the decisions and actions taken in 2011, during a period where developed economies were in the throes of a new debt crisis, Turkey managed to maintain control and initiative helping to pave the road to 2012 with a solid foundation.

Halkbank's net profit reached TRY 2,045 million due to our efficiency and growth-oriented strategy...

During this period where Turkey's economic growth made a strong impression, Halkbank exhibited a responsible banking approach in accordance with Turkey's realities, customer needs and the expectations of our business partners. We broadened our lending base in accordance with our efficiency and profitability-oriented strategy while pursuing sustainable growth in support of the real sector. Our strategy brought with it increased lending and sustainable profitability. As a bank that maintains strong business relationships with SMEs at all times, we also made the best of this year and achieved a net profit of TRY 2,045 million at year-end 2011.

Our overall loan book had a stellar growth performance...

Halkbank's total loans surged by 29.9% compared to year-end 2010 to reach TRY 74.1 billion while cash loans were up by 26.9% on the previous year, from TRY 44.3 billion to TRY 56.2 billion.

More than one-third of Halkbank's cash loans were allocated to SMEs...

Halkbank continued to be the leading and pioneering bank for SMEs in 2011. Commercial loans, a category that also includes SME loans, constituted the largest share of the increase in the Bank's lending. Halkbank's total commercial loans grew by 25.3% in 2011, up from TRY 32.8 billion at year-end 2010 to TRY 41 billion as of the end of this year. As a result, Halkbank's lending to artisans, tradesmen and SMEs made up 36% of its total cash loans.

We are the main bank for 250,000 artisans and tradesmen...

The number of artisans and tradesmen with which Halkbank has an active credit relationship reached 250,000 as of year-end 2011. The Bank's net lending to this segment surged from an annual average of TRY 2.7 billion in 2008, 2009 and 2010 to TRY 5.5 billion in 2011, which corresponds to a 51% increase over the previous year.

GENERAL MANAGER'S ASSESSMENT

Our lending base has expanded; 36% of our total cash loans became the driving force behind the real economy and our net profit reached TRY 2,045 million.

We have always stood by our SMEs, both in Turkey and abroad...

Striving to diversify and increase uninterrupted support of the real economy, Halkbank continued to secure funding facilities from international financial institutions in addition to bank-sourced loans. Thanks to the trust and reputation we enjoy in international markets, to date, we have secured € 1.5 billion in resources from overseas financial institutions. The Bank was able to roll over the US\$ 570 million syndication loan that it secured in 2010 with an 80% increase and at a 40 basis-point lower cost in 2011. As a result, we expanded our foreign trade financing opportunities while increasing the Bank's market share in foreign trade.

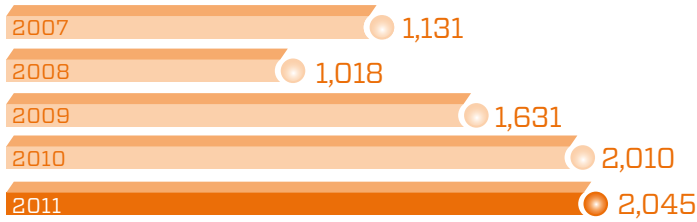
We continue to support the efficiency and employment-oriented production policies of SMEs with long-term, funding facilities with favourable conditions secured from international markets...

With the protocols signed with overseas financial institutions in 2011, Halkbank secured a € 100 million resource to be used for financing renewable energy and energy efficiency investments. The Bank also obtained an additional € 100 million facility for increasing and maintaining the production, efficiency and employment of the SMEs. Following these new agreements, total long-term resources procured by Halkbank to date from international institutions for financing of the real economy reached € 1.5 billion.

We reduced the share of securities on our balance sheet from 27.7% at year-end 2010 to 25.6% by the end of 2011. Loan-to-deposit ratio reached 84.9%, up from 80.9% at year-end 2010.

We increased our service quality and market share in retail loans...

Continuing to grow rapidly in retail banking through our extensive product portfolio designed for diverse needs, Halkbank maintained its position among the most preferred banks thanks to our flexible term options and competitive interest rates. Continuing our successful performance in retail banking throughout 2011, the Bank increased retail loans by 31.5% to TRY 15 billion. The share of retail loans in the Bank's total cash loans stands at 26.8%. Our market share in consumer loans and mortgage loans reached 10% and 7.7%, respectively.



NET PROFIT (TRY MILLIONS)

2,045

We increased our asset quality as well as our total assets...

As a result of all of these activities, Halkbank's total assets increased by 24.9% compared to year-end 2010, from TRY 72.9 billion to TRY 91.1 billion. However, this growth did not come at the expense of asset quality, as non-performing loans was another area in which the Bank had success. Our non-performing loan ratio dropped from 3.8% at year-end 2010 to 2.9% by the end of 2011.

We created 1,040 new jobs and got closer to our customers by opening 61 new branches...

In addition to the impressive financial figures, we also made rapid progress in increasing operational efficiency, expanding the branch network and creating employment in 2011. Setting out with the goal of opening 50 new branches at the beginning of the year, Halkbank reached 61 new branch inaugurations by year's end and achieved one of the largest branch network expansions in the industry. As a result, our branch count rose to 771 while the number of employees, with the addition of the new colleagues to the Halkbank family, reached 13,643.

We increased the number of our Accessible Bank24s as part of the Banking for the Disabled service...

Halkbank launched the Accessible Bank24 project to allow customers with disabilities to carry out their banking transactions conveniently and securely. Our Accessible ATMs serve visually impaired customers at 18 locations and customers with physical disabilities at 12 service points. We plan to increase the number of our Accessible Bank24s to 120 in 2012. Another project launched last year with a social responsibility approach was the Halkbank taxicab stands. With cab stands designed and financed by the Bank, we provided convenient and efficient working environments for our taxicab drivers in many provinces while enhancing the aesthetics of our cities. This project, which reached 48 cab stands with or without ATMs, will continue in 2012.

We expanded our presence in the region...

After acquiring the majority share of Halk Banka A.D. Skopje in Macedonia to be a major regional player, the Bank also decided to acquire Ziraat Bank A.D. Skopje in 2012 to further its objective of expanding its presence in the region.

Halk Finansal Kiralama A.Ş. (Halk Leasing) became a subsidiary of the Bank this year and a new company was founded under the name of Halk Portföy Yönetimi A.Ş. (Halk Asset Management). The Bank decided to establish another new company in early 2012; Halk Faktoring A.Ş. (Halk Factoring).

As we enjoy the satisfaction of ending 2011 with resounding success, our objective as Halkbank in 2012 is to maintain our profitability and our support of the real economy with the same momentum. We would like to thank everyone who has helped us achieve more than 70 years of success; it is our plan to climb to bigger and better heights.

Respectfully yours,

SÜLEYMAN ASLAN
GENERAL MANAGER

INNOVATIVE PRODUCTS



Council of Europe Development Bank (AKKB) SME Investment Loan

The AKKB (Council of Europe Development Bank) SME Investment Loan was created to support the growth of SMEs while increasing their production, efficiency and employment and to reduce the differences between regional development levels.



Bursa Chamber of Commerce and Industry (BTSO) Loan

In an effort to increase production and employment as well as continuing to support the Turkish economy, Halkbank extended working capital loans to companies registered with the Bursa Chamber of Commerce and Industry (BTSO).



European Investment Bank Greater Anatolia Guarantee Facility for SMEs

The Greater Anatolia Guarantee Facility of the European Investment Bank was made available to SMEs for investment or working capital loans.



SME Emergency Support Policy

To generate more expedited and effective solutions to the risks and needs SMEs may face and to make them feel Halkbank's continuous presence at their side, the Bank launched the SME Emergency Support Policy insurance package that consists of coverage for loss of business, bankruptcy, personal accident and emergency healthcare.



SME Support Packages

Halkbank continued to offer funding resources to meet the finance needs of Small and Medium-Size Enterprises (SME).



Automatic Bill Payment Campaign

The Automatic Bill Payment Campaign offered various rewards and gifts to the customers whose salaries are directly deposited in their Halkbank accounts for the automatic bill payment orders given through these direct deposit accounts.



Artisan and Tradesman Support Loans

The Bank's support of artisans and tradesmen continued at a growing pace in 2011.



French Development Agency Energy Efficiency Loan

The French Development Agency's Energy Efficiency Loan was rolled out in order to contribute to the reduction in greenhouse gas emissions (CO₂ in particular) by supporting sustainable energy investments and to help minimize the impacts of climate change.



French Development Agency Renewable Energy Loan

The French Development Agency's Renewable Energy Loan was supplied to finance all renewable energy projects including Hydroelectric Power Plants, Wind Power Plants, Solar Power Plants and Biomass as well as supporting SMEs that want to invest in sustainable sources of energy.




Lucky Loan

Halkbank conducted a retail loan campaign consisting of consumer loan and mortgage products under the name "Lucky Loan" and helping to make its customers' wishes and dreams come true.



Productive Deposit Account

The Bank unveiled the Productive Deposit Account. It targets customers who prefer to receive interest payments at periodic intervals while hedging against fluctuations in interest rates. This product is used in conjunction with their savings in long-term, risk-free instruments.



Tolga Erkenci, 37 - Textile Manufacturer, Bursa
We know that Mr. Erkenci works hard, day and night. Therefore, when he came to us and said “I need to expand my business, I cannot cope with the orders,” we immediately offered him the EIB SME Support Loan with a four-year maturity and no capital payments for the first two years. Mr. Erkenci expanded his enterprise with equipment and personnel investments; now he is working more comfortably without turning down any orders.



ASSESSMENT OF OPERATIONS IN 2011

Conducting all of its banking activities in accordance with an efficiency and sustainable profitability-oriented growth strategy in 2011, Halkbank had a return on equity (ROE) of 25.4% as of the end of the year.

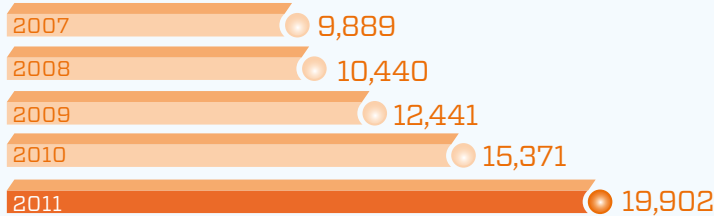
NUMBER OF BRANCHES IN TURKEY



NUMBER OF BRANCHES IN TURKEY

766

LOANS TO SMES (TRY MILLIONS)



GROWTH IN SME LOANS

29.5%

Halkbank increased its corporate and commercial segment loans by 23% in 2011.

CORPORATE AND COMMERCIAL BANKING

The core of Halkbank's marketing policy is a customer-oriented service approach and the continuity of this satisfaction. The first step in the Bank's relationship with its clients is the identification of customer needs; Halkbank's priority to ensure customer satisfaction utilizing the right products tailored to client needs and convenient service provision for its customers. Continuing its Corporate and Commercial banking activities in accordance with this policy during 2011, Halkbank also evaluated and finalized financing options for large-scale projects of its clients.

Increasing service quality via customer segmentation

This year Halkbank continued to undertake customer segmentation efforts initiated in previous years to increase the effectiveness of service quality; this is the primary determinant of customer satisfaction. As part of this effort, the Bank segmented companies based on their annual turnover as follows:

- Companies with an annual turnover of more than TRY 100 million are defined as "Corporate",
- Companies with an annual turnover of between TRY 15 million and TRY 100 million are defined as "Commercial",
- Companies with an annual turnover of up to TRY 15 million are defined as "SME".

Halkbank continued to offer the most appropriate products with the most qualified staff fitting to the customer profile in each segment; hence customer satisfaction was enhanced.

23% growth in corporate and commercial cash loans

In addition to corporate and commercial branches, SME and COMPOSITE branches affiliated with the regional coordinator's offices continued to offer services with the appropriate staff members and product ranges to suit the client profiles in their locale, which allowed the Bank to enhance its performance daily with respect to Corporate and Commercial segment clients. Halkbank experienced rapid growth in the areas of corporate and commercial banking in 2011 and, as new customers were added to the client portfolio, the Bank's lending base broadened. The total cash loans Halkbank extended to its corporate and commercial segment clients reached TRY 22.2 billion in 2011 increased by %23 compared to year-end 2010.

ASSESSMENT OF OPERATIONS IN 2011

With the structured finance facilities it put together, Halkbank continued to be an active player in the market in 2011 through its direct lending relationship with individual companies as well as through participation in bank consortiums.

Long-term, low-cost facilities secured from international markets

In 2011, Halkbank further strengthened its business relationship with international institutions such as the European Investment Bank, the World Bank and the French Development Agency from which it obtains long-term, low-cost funding; as a result, it secured financing for many of its clients' investments.

Major initiatives in project finance

Halkbank continued to conduct marketing and feasibility studies and technical and financial analyses of projects including energy production, transmission and distribution projects; natural gas transmission and distribution, electricity transmission and

distribution, hydroelectric, solar and wind power plants, Geothermal Power Plants, thermal power stations, port, airport, toll road, highway and railway, rail system and metro projects, hospital, shopping center, convention center, hotel with more than 400 beds, holiday village, exhibition center projects as well as build-operate-transfer, build-lease and operating right transfer projects that also include administrative and operating performance.

US\$ 1.6 billion structured finance loan book

With the structured finance facilities put together as part of its project finance business geared toward serving the takeover, acquisition, merger and other corporate finance needs of its clients, Halkbank continued to be an active player in the

market through its direct lending relationship with individual companies as well as through participation in bank consortiums. As of year-end 2011, the Bank extended a total of US\$ 449 million in cash loans and US\$ 32 million in non-cash loans to six projects that passed the feasibility and creditworthiness tests as part of its structured finance activities. Halkbank's structured finance loan book stands at US\$ 1.6 billion as of year-end 2011.

6 corporate, 39 commercial branches

Targeting customer satisfaction and profitability, the Bank will continue to render high-quality banking services to its corporate and commercial segment clients from 6 corporate and 39 commercial branches in 2011.

For 73 years, Halkbank, the first and leading SME bank in Turkey, has continued to support SMEs that it sees as the country's building blocks for development.

SME BANKING

Halkbank: Turkey's first and leading SME bank

Halkbank, the first and leading SME bank in Turkey, continues to support the artisans, tradesmen and SMEs with a customer-oriented banking approach. For 73 years, Halkbank has been supporting SMEs, its priority target group, with attractive interest rates, long-term working capital and investment loans and quality products tailored for different industries.

One out of every four SMEs is growing with Halkbank's support

A quarter of the approximately two million SMEs operating in Turkey is a credit customer of Halkbank. Adding to this, SMEs that do not have a credit relationship with the Bank but still use its other banking products and services reveals that every other SME in Turkey prefers to do business with Halkbank.

The market leader in Turkish SME banking with a 12.3% market share

Halkbank added nearly 56,000 new SME customers to its client portfolio in 2011 while allocating 36% of its total cash loans to the SMEs. The Bank is the market leader in Turkish SME

banking with a 12.3% market share. The Bank's share of SME loans jumped significantly in 2011 as a result of facilities secured from international financial institutions to be used in financing SMEs. Partnerships with regional development agencies, loans made available through the Small and Medium Industry Development Organization (KOSGEB) and organizational structure changed strategies prioritizing SMEs.

Competitive and innovative loan solutions for SMEs tailored to their industries and cash flows

Halkbank's primary goal is to offer quick, effective and quality solutions that meet the needs of SMEs. To this end, to meet the funding needs of SMEs and to allow them to make greater contributions to the Turkish economy, Halkbank analyzed the situation and unveiled competitive and innovative loan solutions tailored to their industries and cash flow requirements. Accordingly, Halkbank is the only bank that can keep SMEs exempt from the 5% Banking and Insurance Transactions Tax pursuant to tax, offering cost advantages to SMEs and increases their competitive edge. Halkbank also intends to maintain its market leadership in this

segment by launching new products, revising existing products and conducting cross-selling campaigns in 2012.

Machinery Manufacturing Industry Support Package

Products included in the Machinery Manufacturers Support Package that Halkbank rolled out in 2011, aimed at supporting production and purchases of domestically-manufactured machinery as well as the increase in export share of machinery manufacturers. As part of the protocol signed with the Machinery & Accessories Exporters' Union of Turkey, the union's member manufacturers and their customers can take advantage of attractive interest rates both in Turkish lira and in foreign currencies, flexible payment options and longer loan terms.

AFD Renewable Energy Loan

Within the scope of the French Development Agency (AFD) Renewable Energy Loan product, Halkbank began initiatives to meet the financing needs of companies that have obtained a generation license from the Energy Market Regulatory Agency of Turkey (EPDK).

ASSESSMENT OF OPERATIONS IN 2011

A new € 60 million facility was secured from the French Development Agency, contributing to the reduction in greenhouse gas emissions by supporting sustainable energy investments.

AFD Energy Efficiency Loan

A new € 60 million facility was secured from the French Development Agency in order to contribute to the reduction in greenhouse gas emissions (CO₂ in particular) by supporting sustainable energy investments and to help minimize the impacts of climate change. This credit facility will be used to finance energy efficiency investments inside Turkey's borders.

EIB Greater Anatolia Guarantee Facility for SMEs

The Greater Anatolia Guarantee Facility was obtained from the European Investment Bank (EIB) to meet the financing needs of Small and Medium-Size Enterprises (SME). The loan program covers 43 provinces between central and eastern Anatolia. The purpose of this lending program is to finance the investments and operations of SMEs that support the growth of SMEs while increasing their production, efficiency and employment and that help reduce the differences between regional development levels.

Commercial Purpose Real Estate Purchase Loan

The Commercial Purpose Real Estate Purchase Loan was developed to finance companies' real estate purchases made for commercial purposes. This loan goes toward the funding needs of firms for purchases of real estate such as factory buildings, stores, shopping centers and hotels undertaken for commercial use.

KOSGEB Emergency Support Loan 2011

On September 30, 2011, the Small and Medium Industry Development Organization (KOSGEB) and Halkbank signed a protocol to provide low-cost financing support, with the entire interest to be paid by KOSGEB as part of the KOSGEB Emergency Support Loan 2011 program. This program targeted enterprises that were impacted by natural disasters (floods, inrush of water, earthquakes, major droughts, heavy storms) wars, general strikes, fires, social upheaval, terrorism, etc. that can take place in Turkey after January 1, 2011 that document this situation from related official bodies; and that have approved registrations in the KOSGEB Database.

KOSGEB Van Province Emergency Support Loan and KOSGEB Van Province Zero-Interest Working Capital Support Loan

Pursuant to the protocol signed between KOSGEB and the Bank, as of October 23, 2011, Halkbank began providing low-cost funding support to enterprises that were impacted by the Van earthquake; that documented this situation from related official bodies; and that have approved registrations in the KOSGEB Database. Two more protocols were signed on December 15, 2011 with regard to the KOSGEB Van Province Zero-Interest Working Capital Support Loan where the entire interest of the loan is to be paid by KOSGEB for the purpose of reviving economic activity, helping existing structures survive and prosper under better conditions via working capital loans, reducing financing expense burden on production costs and supporting new investment, production and employment. Lending as part of these protocols is expected to commence in 2012.

Debt restructuring for SMEs that were harmed by the Van Earthquake

The Bank undertook initiatives to restructure the debts of SME segment customers that were harmed by the Van earthquake with low interest rates, a maximum maturity of 48 months and 15 months of total grace period without any interest payment for the first three months.

Greater Anatolia Guarantee Facility

The attempts to ensure access to credit for micro-enterprises that experience problems posting collateral and to also broaden the lending base, were accelerated with the start of the Fast Guarantee Package for Micro SMEs program, launched in July 2011 by the Kredi Garanti Fonu (Credit Guarantee Fund of Turkey, known as the KGF, as part of the Greater Anatolia Guarantee Facility (GAGF) project.

This scheme was aimed at improving the risk-collateral balance by offering a guarantee provided by the KGF for the loans to be extended to micro-enterprises as part of this project, thus raising the asset quality for the participating banks.

Cooperation with industry bodies

Attributing great importance to close cooperation with professional associations as part of its activities that support the real sector, Halkbank is the first and only bank to make funds from the Chambers of Commerce and Industry available to the members of these chambers with attractive terms.

The Chambers of Commerce and Industry constitute a substantial platform for Halkbank to reach its

target groups, identify their needs and develop the products that will offer solutions for these needs. Owing to the organized structure of the Chambers of Commerce and Industry, Halkbank is able to contribute to regional development in addition to providing financial resources to enterprises.

Halkbank believes that its lending to SMEs is an investment in Turkey's future, industrial growth, increased exports and economic development.

Cooperation with development agencies

Halkbank was also the first bank to establish partnerships with development agencies with the intention of contributing to regional economic development and social progress. Within the framework of the agreement signed with 18 development agencies, the Bank offered the Development Agency Co-Financing Loan to the project owners who applied to the Financial Support Program of these agencies and were chosen as recipients of grant funds.

Innovation Loan Package

The Innovation Loan Package was devised for the growth of companies, to gain a competitive edge and to create new business opportunities. This loan package targets companies within the entirety of the Bank's customer segments with projects that can enhance efficiency through innovation, R&D, know-how, patent, technological advances and other similar mechanisms. The package is comprised of four different loan products: Innovation Loan, Technology Support Loan, Quality Certification Loan and Fair and Exhibition Participation Loan.

SME Support Loan

The Equal Monthly Installment SME Support Loan product was rolled out in order to meet the short and medium-term, low-interest cash loan needs of cash-strapped SMEs .

SME Emergency Support Policy

In an attempt to help SMEs run their business confidently in addition to meeting their credit needs, Halkbank launched the SME Emergency Support Policy that consists of coverage for work interruption, bankruptcy, personal accident and emergency health care.

Development Bank of Turkey Tourism Loan

Pursuant to the TRY 40 million loan agreement between Halkbank and Development Bank of Turkey, the Bank is financing the fully new, refurbishment, modernization, renovation, upgrade and energy efficiency investments as well as working capital needs of all tourism accommodation, including five-star hotels and companies operating in the tourism industry.

SME Transformation Project

Halkbank's SME Transformation project was completed in 2011 and more than 4,000 SME representatives and interested parties attended the training conferences that were organized as part of this project. One-day free training and consulting activities were conducted on environmental, occupational health and safety matters in the offices of 130 companies located in the provinces where these conferences were held.

ASSESSMENT OF OPERATIONS IN 2011

With its low-interest, long-term loans to the artisans and tradesmen as the Bank of Productive Turkey, Halkbank reaches even the remotest corners of society and the economy.

TRADESMAN BANKING

Halkbank aims to offer quick, effective and high-quality solutions to tradesmen and artisans, who constitute an important segment of society, meeting their needs under the most favorable terms.

Low-cost, long-term loan opportunities for 938 Artisans and Tradesmen Loan and Guarantee Cooperatives (ESKKK)

The cooperative loans offered by Halkbank are also made available with attractive interest rates and terms and offered to the 938 partners of the Artisans and Tradesmen Loan and Guarantee Cooperatives (ESKKK). It is also available to other artisans and tradesmen without a cooperative's guarantee when there is no cooperative in the region.

Loans to tradesmen reached TRY 5,541 million with a 51% increase

The loans extended to artisans and tradesmen by Halkbank include discounting, working capital, investment and letter of guarantee loan products. Total borrowing by artisans and tradesmen under the Artisans and Tradesmen Loan and Guarantee Cooperatives (ESKKK) guarantees increased by 49% to TRY 5,341 million as of year-end 2011; up from TRY 3,583 million at year-end 2010 while total direct lending without ESKKK loan guarantees climbed by 130%, from TRY 87 million at year-end 2010 to TRY 200 million by the end of 2011. As a result, Treasury-sponsored loans to tradesmen reached TRY 5,541 million at year-end 2011 from TRY 3,670 million at end-2010 - a 51% increase.

In the second phase of the Treasury Sponsored Direct lending program, the Bank began making loans to artisans and tradesmen in 14 boroughs of Istanbul whose cooperatives were either shut down or do not have a cooperative covering their locale. As part of this scheme, Halkbank reached a TRY 52.9 million credit risk exposure through loans to 965 artisans and tradesmen in 2011.

In 2011, Halkbank continued to offer artisans and tradesmen investment loan products at a term of 60-months and a maximum limit of TRY 250,000 per person to finance the purchase of office space, commercial vehicles, machinery & equipment and office equipment.

TOTAL LOANS TO ARTISANS AND TRADESMEN (TRY BILLIONS)



GROWTH IN LOANS

51%

TRY 64.5 million to artisans and tradesmen in investment loans

The Bank's investment loan book surged from TRY 15.9 million and 172 artisans and tradesmen at year-end 2010 to TRY 64.5 million and 622 artisans & tradesmen as of year-end 2011.

In 2011, cooperative loan interest rates remained unchanged at 10% for loans up to one year and at 12% for loans with a term of longer than one year. Pursuant to the Council of Ministers Resolution on income loss for 2011, 50% of the cooperative loan current interest rate is paid by the Undersecretariat of Treasury. As a result, tradesmen had to pay a net interest rate a 5% for loans up to one year and 6% for loans with a term of longer than one year.

As a result of the systematic measurement of the creditworthiness of Artisans and Tradesmen Loan and Guarantee Cooperatives as well as the individual artisans and tradesmen, the quality of service provided to artisans and tradesmen increased in accordance with the goals.

Loans totaling TRY 40.7 million from 1,961 artisans and tradesmen in Van were deferred

Pursuant to the Council of Ministers Resolution No. 2011/2355 dated October 29, 2011, debt repayments of artisans and tradesmen who were affected by the Van earthquake had their interest deferred on loans from the Bank for one year. The accrued interest was paid by the Undersecretariat of the Treasury. As part of this relief, Halkbank deferred TRY 40.7 million in loans from 1,961 artisans and tradesmen who applied to the Bank declaring that they were harmed by the earthquake.

Convenience of automatic repayments for Artisans, Tradesmen and Guarantee Cooperatives loans

Following recent improvements in the Bank's technological infrastructure, Halkbank began sending SMS and e-mail messages to artisans and tradesmen as a reminder of their approaching payment due dates as well as information about their cooperative loans. Lists of overdue cooperative loan installment payments are sent to the e-mail addresses of Artisans and Tradesmen Loan and Guarantee Cooperatives (ESKKK), allowing them to monitor their loans without having to visit a branch. The Bank began offering automatic payment orders for these loans via SMS messages to the mobile phones of artisans and tradesmen about their installment payments regarding payment confirmation, partial payment confirmation and non-payment for their due balances.

ASSESSMENT OF OPERATIONS IN 2011

Halkbank is among Turkey's most assertive banks in the retail banking segment known for with its innovative products and services that provide an unparalleled banking experience.

RETAIL BANKING

Halkbank's retail loans increased by 31.5% to reach TRY 15.1 billion and a 6.9% market share

Despite fiercely competitive market environment with regard to retail banking, Halkbank continued to gain a market share based on effective pricing and marketing strategies. The Bank's retail loans market share climbed steadily in 2011 to 6.9%, from 6.8% in 2010. As a result, Halkbank's total retail loans grew by 31.5% to TRY 15.1 billion in 2011.

It was a stellar year for the Bank compared to previous years with regard to housing project financing. Taking part in large-scale housing projects in large cities in 2011, particularly in Istanbul, Halkbank assumed the lead financier role in some large projects and achieved a significant rate of growth compared to previous years in this line of business.

Many new products and services were unveiled in 2011

2011 Retail Loan Campaigns

The Bank offered the Summer, Autumn, Spring Tariffs and My Dreams 2012 loans during 2011. In addition, Halkbank rolled out the Military Service Exemption Loan to meet the financing needs of those eligible for the paid exemption from military service pursuant to the amendment to the Military Service Law enacted in December 2011.

Halkbank also provides exclusive loans for the needs of members of various professional groups and organizations.

As part of this initiative, the Bank offered the following special loans:

- Loan 155, in celebration of the 166th anniversary of the General Directorate of Security,
- On-Call Loan for the celebration of Health Week,
- Teachers' Day Loan for November 24th Teachers' Day,
- Medicine Day Loan.

"The Early Bayram" and "People's Day" Loan Campaigns that have become a Halkbank tradition were offered again in 2011. In addition, Housing Development Administration of Turkey (TOKİ) Discount Campaign was organized in April-May and November-December of each year for customers who have purchased a home from TOKİ.

Ready Loan Package: The Bank launched the Ready Loan product in 2010 as a pre-approved, formality-free general purpose loan for its customers whose salaries are direct-deposited into their Halkbank accounts. This product, which was previously available only as a general purpose loan, was enhanced with the addition of mortgage and car loans and was re-launched as the Ready Loan Package offering general purpose, mortgage and car loan alternatives to customers.

School Payments: In 2011, Halkbank continued to act as an intermediary for tuition and fee payments for private high schools and universities as well as student housing facilities.

Other Services: As a result of the study performed on banking agreements in the first quarter of 2011, the Deposit Framework Agreement, Accumulated Deposit Account Agreement, Gold Account Agreement and Capital Markets Framework Agreement were merged with the Banking Services Agreement under a single contract to comply with the TEMA project regarding the improvement of the Bank's corporate content management that is undertaken to increase the efficiency of operational transactions.

Bancassurance initiatives continued at a faster pace

The benefits and advantages offered to the customers via the new insurance products designed in partnership with Halkbank's subsidiaries made a great contribution to broadening the Bank's insurance client base as well as to insurance premium generation.

The Bank offered a large variety of insurance products to its customers in a coordinated fashion with its loan campaigns in 2011.

New and successful campaigns for Credit Cards, Prepaid Cards and Debit Cards

Halkbank developed and unveiled campaigns and products tailored to customer needs/expectations, resulting in increases for both turnover and market share. Launching co-branded (dual logo) credit card products with the Adapazarı, Tekirdağ and Güngören municipalities, the Bank supported

social assistance-oriented projects while aiming for regional customer satisfaction and turnover increases. A co-branded card product was unveiled that offers advantages in the gasoline industry by way of discounts and deferral opportunities.

Halkbank became the first bank in the world to use the MasterCard M/Chip Advance technology

Bringing the Bank24 Jet contactless prepaid debit card application to the MasterCard platform, Halkbank became the first bank in the world to use the MasterCard M/Chip Advance technology. In this regard, the Bank pioneered the international card market in new technology deployed widely to meet all the needs of universities and municipalities.

Improved POS technology, product diversity and security

Closely monitoring the developments in technology and industry practices, the Bank improved its POS technology, product diversity and security.

Continued focus on ADCs for operational efficiency

Focusing on increasing efficiency and lowering operational cost through intensive use of technology, the Bank has gradually directed the operational load of the Bank's physical service network toward the Alternative Delivery Channels (ADC).

79% of banking transactions performed through the ADCs

Non-branch delivery channels were used intensively in 2011 to reduce operational workload, deepen customer relations and acquire new clients. 79% of banking transactions were performed through the ADCs. In 2012, the Bank plans to increase the share of alternative delivery channels in total transaction and will launch services to increase Halkbank's service quality and provide value for the customers.

Halkbank was named as Best Bank for complaint management

Halkbank was ranked first in complaint management this year by the "Şikayetvar" website, one of the top complaint management sites in the industry. In addition to responding to complaints, the Bank embraced the core mission of generating permanent solutions through proactive approaches and initiated efforts toward this goal.

ADCs were also used intensively for sales and client activation initiatives. Welcome calls for new salary direct-deposit customers, activations for inactive ADC clients, pre-approved loan/card product offers, automatic bill payment instruction offers, and deposit-related information and canalization activities were all carried out using alternative channels. Taking the first steps for the marketing of insurance policies and other products, the Bank planned a launch date for the first quarter of the new year for these initiatives.

ASSESSMENT OF OPERATIONS IN 2011

The industry leader in terms of utility bill payment services, Halkbank designed and deployed Turkey's most functional ATM based on ease of use for disabled customers.

28% increase in active customers using Halkbank Dialog

Managed as the center of all customer communications particularly for voice calls, e-mails and facsimiles, the Halkbank Dialog Call Center continues to provide fast and quality service with its well-versed, experienced client representatives.

The number of active customers using the Call Center was up by 28% while the number of inbound calls increased by 12% compared to 2010. The Bank achieved a call response rate target of 80%, the international standard. As part of its objective of continuously raising service quality as well as its social responsibility approach, Halkbank set up a call center in Artvin; the facility has commenced service. In addition, part of the outbound call staffers began operating out of Malatya.

Number of active Internet banking customers surged by 50% to 450,000

The number of active Internet banking customers surged by more than 50% to 450,000 as of year-end 2011. Mobile banking application efforts got under way on a pilot project basis. In addition, the Internet branch initial login screens were overhauled completely during the year. The page design of the website was updated by implementing the map solution and displaying the nearest branch/ATM on the map as well as launching the real estate for sale project.

Constantly Expanding and Improving Bank24 Network...

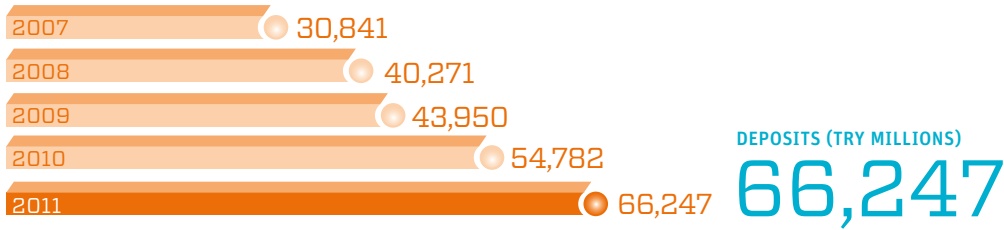
The number of Bank24 ATMs that provide remarkably convenient access to Halkbank services, enhanced constantly with new functions and grew by 24% in 2011 to reach 2,157.

We continued to eliminate obstacles in banking services

Another one of Halkbank's social responsibility projects was carried out at the ATMs. Turkey's most functional ATM, in terms of ease of use for customers with disabilities, was designed and deployed. With the enhancements made this year, Halkbank became the best and leading bank in the industry with regard to bill payments. With the cab stand project, Halkbank provided a convenient working environment for cab drivers while enhancing urban aesthetics. The Mobile Branch/ATM project is expected to commence service in early 2012.

A healthy, broad deposit base

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



Deposit strategies serve the purpose of achieving and sustaining a broad deposit base as well as launching new products that accommodate a variety of customer transactions. In addition, due to the maturity gap in deposit reserve requirements, it became important to increase the average maturity of deposits in 2011. Accordingly, Halkbank developed and launched the Fixed-Rate Productive Deposit Account product. Thanks to this product, the Bank acquired a significant deposit volume and number of depositors while rapidly increasing the average maturity of deposits.

Total deposits increased by 20.9% to TRY 66 billion

Halkbank's total deposits increased by 20.9% to reach TRY 66.2 billion at year-end 2011. TRY deposits increased by 11.5% while foreign currency deposits were up by 45.6%.

Total demand deposits increased by 52.5% on 2010 to reach TRY 13.2 billion while the share of demand deposits in total deposits stood at 20.1%.

Effective use of technology in deposit management

Believing in the importance of technology, Halkbank has launched a number of projects involving technology-aided customer relations management applications and completed its infrastructure work in 2011.

Continued growth in salary payment services

Halkbank continued to grow its salary payment intermediation services and acquire new clients in 2011.

The number of organizations that pay salaries through Halkbank totaled 23,445 while 1,081 thousand individuals received their salaries through Halkbank as of year-end 2011.

Number of contracted corporations in cash management was up by 27%, from 482 to 611

Halkbank forged cash management agreements with a large number of new companies and organizations through its technology-assisted customer relations management

applications. The number of affiliated companies in cash management was up by 27%, from 482 to 611. The number of main companies with which a Direct Debit System (DDS) agreement was signed increased by 57%, from 79 to 124, while the total number of dealers within the Bank's DDS network rose by 42%, from 1,918 to 2,732.

In addition to its existing products, the Bank has ongoing efforts to launch new cash management products such as inventory financing and supplier financing models.

Number of retiree customers reached nearly 2 million

The number of Emekli Sandığı (Retirement Fund) pensioners who receive pension payments under the protocol signed with SGK (Social Security Institution of Turkey) increased from 134,539 to 188,792 while the total number of the Bank's retiree clients was up from 1,831 thousand to 1,928 thousand.

ASSESSMENT OF OPERATIONS IN 2011

Halkbank's lending policies are built upon accurate and fast evaluation, measurable risk, standardized scoring and credit processes, and establishing optimal risk-return-collateral balances.

HALKBANK'S LOAN POLICIES

Halkbank updated the implementation directives and other related regulations for its loan policies in accordance with the Bank's goals, strategies, risk appetite and prevailing economic conditions in 2011. The standardized processes to be followed in evaluating loan applications corresponding to segmentation criteria and loan decisions have been revised.

The methodology for determining the limits of the lending authority delegated to the branches has been developed. The limits were recalculated and revised using measurable data based on predetermined criteria in line with the Bank's risk appetite and strategies.

The Bank conducted analyses for determining the impacts of global economic and financial developments on its loan book in an attempt to manage credit risk effectively. As part of this effort, Halkbank identified and performed portfolio analyses of

its credit customers that have a concentrated credit risk, are exposed to foreign exchange/parity rate risk or that are engaged in foreign trade transactions with companies in countries which have negative political/economic outlooks. They shared the results with business units to take the necessary measures.

Revisions and improvements were made in credit assessment and scoring modules, credit assessment processes, admissible types of collateral and the liquidation value and risk coverage ratios of such collateral. This allowed Halkbank to measure the creditworthiness of clients rationally and balance risk and collateral more effectively. Comprehensive analyses and enhancement of assessment and scoring modules are ongoing.

In previous periods, the Bank conducted studies in the areas of wider adoption of the corporate risk culture, creating a solid and healthy asset composition and more effective risk management.

The process for the customers that Halkbank found to be adequately creditworthy based on these studies and had extended loans to but whose credit scores fell below acceptable limits while the Bank still has risk exposure to them was revised and the systems infrastructure was completed.

As part of its loan book management efforts, Halkbank continued to undertake activities aimed at:

- Loan pricing to facilitate a return commensurate with the risk assumed,
- Ensuring adequate collateralization in accordance with the risk taken on,
- Reaching the targeted regional and global market shares,
- Managing the Bank's credit products more effectively to enhance Halkbank's competitive edge,
- Developing credit and non-credit services and products that meet the needs of different customer segments in the most effective manner.

As a natural consequence of its risk-oriented management approach, Halkbank monitors domestic and international macroeconomic developments very closely and updates its strategies accordingly.

TREASURY MANAGEMENT

In 2011, country risk came to the forefront as markets underwent major fluctuations, the result of the concerns triggered by these risks.

The economic performance of developed and emerging countries decoupled, the global financial crisis threatened the European countries with high public debt levels, and the central banks of the developed economies maintained their policy of keeping interest rates low and flooding the markets with liquidity.

Turkey was the shining star of the global economy

During this period structural differences surfaced between the economic growth dynamics of developed and developing countries, of which Turkey is a part, became the driving force behind global growth. Performing remarkably well with its own internal dynamics under these circumstances, Turkey ended 2011 on a positive note with a high growth rate, low public debt and a small budget deficit.

Proactive treasury strategies that increase profitability and the pace of growth

As a natural consequence of its risk-oriented management approach, Halkbank monitors domestic and international macroeconomic developments very

closely and updates its strategies accordingly. As a result, the Bank is able to pursue proactive treasury strategies in response to economic developments owing to its solid capital and financial structure and sustain its profitability and growth momentum. Halkbank maintained an optimal risk-return trade-off on its balance sheet throughout 2011 as a consequence of rigorous studies and comprehensive analyses.

Capital gains from the securities portfolio in a volatile interest rate environment

Conducting its activities as a “Turkish Government Debt Securities Market Maker”, Halkbank continued to generate capital gains from its securities portfolio even within a volatile interest rate environment throughout 2011. Deposit rates that continued to fall until the third quarter of 2011 ticked up in the fourth quarter of 2011, even so, the Bank managed to maintain its average net interest margin. In addition, Halkbank began issuing corporate bonds to create alternative sources of funding.

A liquidity-management expert

The liquidity generated by coupon and principal payments of the securities held to maturity is primarily used to finance loans and purchase high-yield fixed

and floating-rate securities in the market. Furthermore, derivatives such as swaps and forwards as well as other borrowing instruments are utilized to manage liquidity as effectively as possible, putting short-term funding needs and surpluses to work via money market operations.

Derivatives: Hedging risk as well as earning returns...

Halkbank serves its clientele with both hedging-oriented and yield-oriented products in the rapidly developing Turkish derivatives markets in line with their needs; a particular focus is placed on products tailored to foreign trade companies' need to hedge against foreign exchange risk. The Bank has ongoing new product development initiatives in this area.

Halkbank's increasing trading volume and profitability in domestic and international foreign exchange markets

Halkbank's extensive customer portfolio comprised predominantly of SMEs offers overwhelming advantages to the Bank; allowing it to pursue more flexible pricing strategies. Such flexibility has played a significant part in the Bank's increasing trading volume and profitability in domestic and international foreign exchange markets.

ASSESSMENT OF OPERATIONS IN 2011

Halkbank's corporate reputation based on its 73-year deep-seated banking experience, extensive branch network to all corners of Turkey, solid financial structure and broad customer base is also growing in international markets with each passing year.

INTERNATIONAL BANKING

An extensive correspondent network, deep-rooted and strong international relations

Halkbank's trusted position owing to its deep-seated history, extensive branch network, strong shareholding structure and broad customer base; is reinforced in the international markets with each passing year. The Bank has expanded its existing correspondent relations to accommodate continuously-growing foreign trade volume while also establishing new relationships despite the challenging global developments in 2011.

Offering generous credit limits, an extensive network of correspondent banks and longstanding relationships, the Bank continued to leverage these resources with the most suitable and advantageous solutions to its clients' foreign trade financing needs in 2011. Halkbank supports its clients with structured finance products in addition to the classical foreign trade instruments such as confirmations, discounting and refinancing of import-export letters of credit. Furthermore, under the auspices of

the cooperation established with Export Credit Agencies (ECA), the Bank creates medium and long-term financing facilities for capital goods imports for its customers.

With one of the highest line of credit in the GSM-102 program from the United States Department of Agriculture, Halkbank also offers this facility to clients that import agricultural commodities from the United States.

Halkbank's leap into the corporate and commercial banking business lines coupled with policies to increase its share in general banking services had positive reflections in its foreign trade business. Halkbank's market share in foreign trade transactions increased from 8.15% in the previous year to 8.70% while its share in import transactions rose from 10.82% to 11.31%. Its share in export transaction rose from 3.80% to 4.04%.

The Bank closely monitors developments in the markets in which it does business to keep its exporter clients in particular informed; it has reviewed and reshaped its strategies.

Halkbank is with its customers everywhere in the world

The Bank is expanding its relationships in an attempt to support clients that go searching for new markets in response to shifts in the global markets. Bolstering its presence in alternative markets, Halkbank acquired majority shares of Izvozna I Kreditna Banka A.D., Skopje, a Macedonian bank, to become an active player in the Balkans. The Bank is continuing its operations as Halk Banka A.D., Skopje during its transition process under Halkbank's ownership.

Active and open communication with shareholders and investors

Halkbank continued to provide information to institutional investors uninterruptedly throughout 2011.

Halkbank got together with investors, analysts and asset managers in individual and group meetings, attending a large number of conferences and meetings in Turkey as well as overseas organizations, particularly in financial centers where international institutional investors focus their activities.

In meetings held with investors, Halkbank's financial and governance structure, positioning in the global crisis and expectations for the upcoming period, were discussed and its strategies were communicated.

Halkbank's financial results were presented simultaneously to domestic and overseas investors via conference calls at the end of each quarter and questions regarding financial results were addressed in detail as quickly as possible. In addition, communication channels with investors was kept open throughout the year; all questions, opinions and requests conveyed to the Bank were evaluated; and disclosures were made regularly regarding major matters and developments in areas that could affect investment decisions.

A US\$ 1 billion term-loan facility was secured with the participation of 30 banks from 14 countries

Actively involved in foreign trade transactions by way of the large credit limits extended to domestic and overseas banks, Halkbank is also an active participant in syndication transactions structured for domestic as well as international banks.

Halkbank continues to offer alternative finance resources to its clients through funds obtained from the international markets. As part of this effort, Halkbank secured a one-year, US\$ 1 billion term-loan facility with the participation of 30 banks from 14 countries.

Halkbank's Overseas Organization

Halkbank's overseas organization consists of:

- Turkish Republic of Northern Cyprus (TRNC) Branches
- Bahrain Branch

TRNC Branches

Halkbank continues its operations in the TRNC with three branches in Lefkoşa (Nicosia), Gazimağusa (Famagusta) and Girne (Kyrenia) as well as a satellite branch in Paşaköy (Assia). The Bank's Northern Cyprus branches provide all banking services that are offered at branches within Turkey. In an attempt to resolve regulatory problems at its branches in Northern Cyprus that operates with a different legal system and regulatory practices compared to Turkey and to help them reach the expected market share, the Bank restructured the organization of these branches. Their credit processes were organized into a clear business flow in harmony with the regulations. Following these initiatives, the Bank's TRNC branches' lending and deposits surged by 100% and 25%, respectively, on a year-over-year basis.

A satellite branch was opened in Paşaköy and 21 off-site ATMs were installed during 2011. As a result

of weak commercial activity in the district where the Gazimağusa branch was located, the branch moved to a new location in an area where other banks abound.

The Bank signed an interest-supported loan program protocol with the TRNC's Ministry of Economy and Energy and Ministry of Tourism, Environment and Culture geared to the tradesmen and the services and tourism industries and the Interest-Supported SME Investment Loan program protocol with the TRNC's Ministry of Economy and Energy.

Halkbank plans to continue developing banking products tailored to the TRNC in accordance with the needs of the Northern Cyprus marketplace.

Bahrain Branch

The Bahrain Branch, which commenced operating in 1994, is located in the financial center of the Gulf Region.

Through the Bahrain Branch, the Bank aims to make Gulf Region funds available to Halkbank's clients and to Turkey as financing facilities. It plans to enter into strategic partnerships with the major banks in the region, fund 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 for the region.

Working capital, investment and syndicated loans are extended to clients through this branch.

ASSESSMENT OF OPERATIONS IN 2011

Halkbank plans to use the facility secured from the Council of Europe Development Bank to finance the investments of businesses operating in Turkey that meet the SME definition of the European Union.

Long-term funding resources secured from international finance institutions

Halkbank obtains long-term funding resources to finance SMEs' investment and working capital needs under the auspices of the agreements entered into with international financial institutions, such as the European Investment Bank, World Bank, French Development Agency, Council of Europe Development Bank among others.

Obtaining foreign-sourced loans with terms of up to 30 years makes a substantial contribution to the maturity structure of the liabilities column of Halkbank's balance sheet. Similarly, offering these loans to clients as medium to long-term loans of up to 10 years with a grace period of up to three years also contributes significantly to the maturity structure of the company balance sheets.

Other factors that render these loans advantageous are the ability to re-offer the facilities that consist of the principal payments of initial borrowers within the term given to Halkbank, along with the flexible

lending procedures under the governing regulations as well as attractive prices.

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

The new funding agreements Halkbank entered into in 2011 are:

- € 100 million facility with the French Development Agency in March,
- € 100 million facility with the Council of Europe Development Bank in October.

Halkbank plans to finance renewable energy and energy efficiency investments and provide complimentary consultation services to SMEs as part of the program signed with the French Development Agency.

Halkbank plans to use the facility secured from the Council of Europe Development Bank to finance the investments of businesses operating in Turkey that meet the SME definition of the European Union.

Total funds Halkbank secured from international financial institutions reached € 1.5 billion

With the resources obtained in 2011, the total funds Halkbank secured from international finance institutions reached € 1.5 billion. The number of SMEs taking advantage of its overseas-sourced loans jumped from 1,357 in 2010 to more than 2,000 in 2011.

The three-year Corporate Social Responsibility (CSR) program initiated as part of the € 80 million French Development Agency loan secured in the first quarter of 2008 continued into 2011; it was completed successfully. As detailed in the section entitled Social Responsibility, training programs within and outside the Bank were conducted, consultation services were offered and conferences were organized on CSR, the Environment and Occupational Health and Safety as part of this program.

Allowing customers to perform banking transactions in all environments through its Mobile Banking channel, Halkbank took a major step in customer satisfaction.

INFORMATION SYSTEMS AND TECHNICAL SERVICES

Launching a large number of new products and structures in 2011, the Bank expanded its range of products and services, made investments and strengthened the technology infrastructure and accomplished efficient use of resources.

Establishing new structures in an effort to use and plan IT resources more effectively in accordance with business strategies/priorities, Halkbank increased the IT service quality by beginning to administer mechanisms that conduct the risk and performance assessment of IT processes.

New product and infrastructure initiatives

The initiatives launched this year include the 120 new collection applications in the Corporate Collection and Direct Debit System (DDS) modules; dual-currency deposit (DCD); changes in the accrual accounting procedure of overdraft accounts; and infrastructure work for issuing corporate bonds and commercial paper through Halkbank's branch and ATM channels.

The Bank developed the income-age matrix with its data mining project and gained a deeper understanding of retail customer profiles.

As part of Retail Banking "**Channel Sales and Service Model Improvement**" projects, customers were grouped into value segments to create the infrastructure to be utilized in developing and improving the segment-based marketing and sales activities.

Structural transformation initiatives

Operational Transformation Program

Restructuring projects for a large number of processes are ongoing concurrently as part of the Operational Transformation Program. The projects completed in 2011 include customer identification screens, cash balances, lien transactions, EFT and money transfers, tax and social insurance premium collections. The cooperative loans, corporate loans, commercial loans, delinquent loans, collateralization, cash-counting procedure and check/bill structure projects continue to be developed in stages and commence service as they are finalized.

As part of the **Corporate Content Management** project that is a critical element of the operational transformation program, document scanning and monitoring infrastructure was put in service

bank-wide, credit card application and customer identification processes were launched as pilot applications and the infrastructure for the paperless signature/signature circular module integrated with the branch was established.

Many new innovations in alternative delivery channels

Allowing customers to perform banking transactions in all environments through its **Mobile Banking** channel, Halkbank took a major step toward customer satisfaction.

Halkbank launched the **Accessible Bank24** channel that allows customers with physical disabilities to perform the full range of transactions that can be conducted on an ATM. Concurrently, it allows visually impaired customers to check their account balances and withdraw cash using headphones with the help of a special text-to-speech software program.

ATMs were enhanced with the capability to accept payment for **the bills from 340 companies**, from the customer's Halkbank account or by depositing cash and giving back change in coins and banknotes.

ASSESSMENT OF OPERATIONS IN 2011

Halkbank continued to get even closer to its customers with its extensive branch network consisting of 766 domestic and five overseas branches and an overseas representative office.

HALKBANK'S EXTENSIVE BRANCH NETWORK

Halkbank continued to operate from its Head Office units and extensive domestic and overseas branch network with a high-quality service approach in 2011.

Halkbank's extensive branch network consists of 766 Branches in Turkey (699 branches, 6 corporate branches, 39 commercial branches, 3 free-zone branches, 16 satellite branches and 3 special transaction centers), 25 regional coordinator's offices, 5 overseas branches and one overseas representative office.

Operational Restructuring Projects

Corporate Content Management System Project (TEMA)

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, to share these with the users according to their defined levels of authority and to archive them. Another goal of the project is to create a paperless office environment within Halkbank.

The Process Management System that will commence operating simultaneously with the project aims to develop a product and service map that defines and associates all processes, products, services and responsible units within Halkbank.

Process Management Project (GENESIS)

The Bank plans to establish an internal process management system that will facilitate the transition to a process-oriented management approach. The purpose of the project is to analyze and document the processes, undertake process simplification, development and improvement initiatives and create job descriptions in accordance with the results of process evaluations.

Halkbank continued its active dialog with university students in 2011 with a dual mandate to promote the Bank to potential candidates for recruiting purposes and undertake corporate social responsibility activities.

HUMAN RESOURCES

Halkbank strives for employee satisfaction and offers continuous training, broad career opportunities and contemporary work spaces to its staff. To that end, the human resource policies of the Bank have been revised, effective since the beginning of 2011 and implementation processes were systematized.

The Halkbank family grew to 13,643 employees with the addition of 1,040 new members in 2011. By year-end, the average job tenure and age of Halkbank employees stood at 10.8 years and 34.4, respectively while 75.1% have university undergraduate or post-graduate degrees; the remaining 24.9% are high school graduates.

Halkbank continued its active dialogue with university students in 2011 with a dual mandate to promote the Bank to potential candidates for recruiting purposes and undertake corporate social responsibility activities. As part of this effort, the Bank participated in the Career and Personal Development Day events at Hacettepe University, TOBB University, Istanbul Technical University, Başkent University, Dokuz Eylül University, Bozok University, Middle East Technical University, Çankaya University and Bilkent University.

2,173 training sessions across 18 programs

As of September 2009, Halkbank began conducting all of its training activities under the umbrella of Halk Academy established with the vision of “becoming the most preferred training and development academy in the industry with its service quality that pioneers change and innovation, as well as its know-how and experience, and making the Bank a leader in this area.” Additionally, it took on the mission of “equipping the employees with qualities that they can use to perform contemporary banking tasks professionally, supporting their career development and grooming bankers who fit with the corporate culture by conducting systematic and continuous training sessions in accordance with the Bank’s strategic goals”. Thanks to its customer-oriented approach as well as its planned and systematic activities, the Bank obtained the ISO 9001:2008 quality certification in 2011.

2,173 training sessions across 18 programs were conducted for the employees in 2011. 48.5% of these training sessions were taught by in-house instructors while the remaining 51.5% were given by external training firms/instructors. Periodic assessment and informational activities were held through 53 meetings and 41

conferences that were attended heavily; 733 groups attended online training courses on 148 different topics using the e-learning module to supplement the in-class training sessions.

All training sessions under the career training category, the certification programs in particular, are specialized, on-the-job training courses intended to equip the employees with the competence, knowledge and skills requisite for their jobs; they are structured with standardized content, presentation and course notes and lectured by experienced, well-versed instructors with expertise.

Not limiting its training activities to in-class training courses, the Bank also began offering high-tech training methods including the e-learning, e-survey, e-testing, e-library applications through www.halkakademi.com.tr which commenced service at the beginning of 2010 with an overhauled interface.

Halk Academy organizes training activities for the Bank’s subsidiaries and SME customers in addition to Halkbank employees and also takes part in corporate social responsibility projects through its “The Environment, Occupational Health and Safety and Management Systems” training courses.

ASSESSMENT OF OPERATIONS IN 2011

As a responsible corporate citizen of “Productive Turkey” Halkbank continued to provide institutional support for the social responsibility projects that enhance the socio-economic life.

PUBLICITY AND PUBLIC RELATIONS

SME Summits

The Bank continued to support SMEs by sponsoring the SME Summits organized by the Turkish Foundation for Small and Medium-Size Businesses (TOSYÖV).

Bariş Manço Museum Support for the Love, Friendship and Peace Festival

The Bariş Manço Home was transformed into a museum with the support of Halkbank and the Kadıköy Municipality. The Bank sponsored 200 children under the custody of Social Services and Child Protection Agency for their participation in the painting and rhythm workshop during the Love, Friendship and Peace week celebrated between February 1 and February 8.

22nd International Ankara Film Festival

The 22nd International Ankara Film Festival was held under the main sponsorship of the Bank for the third year. Organized by the leadership of Halkbank, always at the forefront of culture and art activities thanks to its broad vision for supporting such projects, was established to develop Turkish cinema and encourage quality products; the festival drew heavy interest from the people of Ankara.

2011 Housing Convention

Providing sponsorship to the 2011 Housing Convention organized under the theme of “New Approaches, Strategies, Actions in Housing and Urban Transformation”, the Bank contributed to the campaign to help Turkey prepare for natural disasters.

28th International Ankara Music Festival

Demonstrating the Bank’s active role in supporting cultural and social events, the 28th International Ankara Music Festival has become a longstanding Ankara tradition; it was organized with Halkbank’s support.

12th Middle East Technical University (METU) Art Festival

The 12th METU Art Festival, held under the main sponsorship of the Bank, was attended heavily by art enthusiasts in Ankara.

Sponsorship of Turkey Men’s National Volleyball Teams

Assuming the main sponsorship for Turkey Men’s National Volleyball Teams organized by the Turkish Volleyball Federation, the Bank continued to show its support for sports and athletes in addition to its volleyball team competing as part of the Halkbank Sports Club. The Bank continued its

social responsibility activities by supporting the national and international games in which the Men’s National Teams (men’s, men’s youth, men’s junior) will compete in.

19th World Congress on Safety and Health at Work

The Bank supported as a sponsor the 19th World Congress on Safety and Health at Work that was co-organized by the International Labor Organization (ILO) and the International Social Security Association (ISSA) in collaboration with the Ministry of Labor and Social Security of Turkey.

Akhism Culture Week Celebrations

The Bank continued its sponsorship support of the previous years for the Akhism Culture Week celebrations that promote Akhism and the Yaren culture, which represent morality, integrity, fraternity and charity.

Istanbul Finance Summit

The Istanbul Finance Summit, hosting the most important faces in global finance from North America, Europe, the Gulf Region and East Asia, was organized under the gold sponsorship of the Bank. The Summit was heavily attended by a large number of representatives from the financial industry.

Turkish Confederation of Businessmen and Industrialists (TUSKON) - Balkan Youth Symposium and Balkan Leaders Summit

Halkbank sponsored the Balkan Youth Symposium, the US Business Forum and Balkan Leaders Summit events organized jointly by the Turkish Confederation of Businessmen and Industrialists (TUSKON) and Federation of Balkan American Associations (FEBA) as Road Map 2011. This Summit explored important expansion of the economic and technical cooperation between Turkey and the member Balkan countries. The event was held with the participation of high-level Turkish bureaucrats and officials from Balkan countries as well as American, Turkish and Balkan businessmen.

5th International Flamenco-Ankara Festival

Held in October under the Bank's sponsorship as the first and only international flamenco festival in Turkey, the 5th International Flamenco-Ankara Festival presented dance performances and concerts from prominent artists for the Ankara audiences.

2nd International Malatya Film Festival

Halkbank was a sponsor of the 2nd International Malatya Film Festival that was held in November. The festival featured symposiums and film workshops in addition to movie screenings and facilitated get-togethers between the film enthusiasts of Malatya and the directors and actors/actresses.

5th OSB Energy Summit

The "5th OSB Energy Summit", the 5th of the Energy Summits organized traditionally by the Supreme Council of Organized Industrial Zones each year, was held in the Girne (Kyrenia) province

of the Turkish Republic of Northern Cyprus (TRNC) under the Bank's sponsorship. This year's summit, attended by the representatives of organized industrial zones as well as senior government officials from Turkey and the TRNC, was the most heavily participated one among the summits organized to date.

SME Transformation Project

As part of the SME Transformation Project that was launched in 2008 as a corporate social responsibility project, the Bank organized educational and training conferences in the Diyarbakır, Konya, Malatya, Izmir and Antalya provinces. These conferences focused on the subjects of corporate social responsibility, the environment, occupational health and safety and presented the related national and international laws and regulations.

With this project, the Bank continued to support the SMEs by enhancing their business process efficiency and vision in 2011.

10th Industry Congress and Innovation Exhibition

The Bank provided sponsorship for the Congress organized by the Istanbul Chamber of Industry (ISO) for businesses and corporations to promote their innovative and advanced-technology products or completed projects and to establish partnerships.

9th International Finance Summit

Halkbank was honored with the Contribution to Foreign Trade Award at the 9th International Finance Summit. It was organized under the Bank's sponsorship support with the theme of Waste of the Global Crisis and the Future of the New Stability.

SME Transformation Project and Occupational Health and Safety Training

The SME Transformation Project launched by the Bank in September 2008 to raise awareness among SMEs regarding corporate social responsibility, the environment, and occupational health and safety was completed in 2011.

The Bank provided complimentary consultancy services, via training conferences held in 15 provinces for three years, to more than 4,000 SME representatives and other interested parties to make their enterprises compliant with laws and regulations; establishment and certification of the ISO 14001 Environmental Management System and the ISO 18001 Occupational Health and Safety Management System and energy efficiency.

Occupational Health and Safety Training

In response to the heavy interest expressed by the organized industrial zones in particular, the Bank conducted Occupational Health and Safety (OHS) training for the SMEs in 2011. The Basic OHS Training, OHS Regulatory and Legal Training and OHS Risk Analysis Training courses were presented to the employees of the SMEs operating in the OSTİM organized industrial zone without charge. A total of 150 SME employees attended the training sessions. The Bank donated a complimentary, two-month Occupational Safety Specialization basic training course to six people chosen from among the attendees.

Charitable contributions and donations made during the year

The total of the charitable contributions and donations made by Halkbank in 2011 amounted to TRY 3,935,323.57.

HALKBANK'S SUBSIDIARIES AND AFFILIATES

In addition to its advanced banking services, Halkbank has a large portfolio of subsidiaries and affiliates consisting of 21 companies offering investment, leasing and insurance products and services.

In accordance with Halkbank's policy regarding its portfolio of subsidiaries and affiliates, its subsidiary and affiliate companies:

- create added -value and contribute to Halkbank's product diversity and marketing process consolidation.
- increase operational efficiency and reduce product costs.
- ensure the high-quality of the services that are needed by the Bank's clients.

Acting in accordance with this policy, Halkbank delivers to its customers the services they need quickly and effectively thanks to its synergistic cooperation with its subsidiaries and affiliates.

Halk Portföy Yönetimi commenced operation

In an effort to increase the range of products and services it offers in financial markets, Halkbank established Halk Portföy Yönetimi A.Ş. in 2011. It serves to manage portfolios consisting of capital markets instruments and to engage in investment advisory and capital markets activities.

Halkbank acquired the majority shares of Izvozna I Kreditna Banka A.D., Skopje, a Macedonian bank

One of Halkbank's important missions is to establish a respected position in the international banking arena by providing high-quality service through its overseas branch network and subsidiaries. As part of this mission, Halkbank acquired the majority shares of Izvozna I Kreditna Banka A.D., Skopje, a Macedonian bank in 2011. The Company became a part of Halkbank's portfolio of subsidiary companies. Later the Bank was renamed Halk Banka A.D., Skopje.

Halk Finansal Kiralama became a subsidiary

Also in 2011, Halkbank acquired the shares of Halk Finansal Kiralama A.Ş. from Ordu Yardımlaşma Kurumu, T.C. Merkez Bankası Mensupları Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı and Groupama Sigorta A.Ş. As a result, the Company became a subsidiary of Halkbank.

Subsidiaries and Affiliates in Turkey

Halk Sigorta A.Ş.

Capital: TRY 40 million
Halkbank's shareholding: 89.18%

The Company was founded in 1958 under the leadership of Halkbank as the first cooperative in Turkey to engage in a full array of insurance activities with the participation of the Artisans and Tradesmen Loan and Guarantee Cooperatives, tradesmen and artisans. The Company became a subsidiary in early 2006 when Halkbank acquired the shares held by Türkiye Halk Bankası Personnel Provident Fund.

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

Halk Hayat ve Emeklilik A.Ş.

Capital: TRY 40 million

Halkbank's shareholding: 94.40%

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

In 2009, the Company began preparations to operate in the private pension sector. After obtaining pre-authorization from the Undersecretariat of the Treasury of the Republic of Turkey in 2010 to engage in Private Pension System activities, the Company acquired its operating license from the Undersecretariat of Treasury in January 2012 to conduct business in the pension sector. The Company's business name was changed to Halk Hayat ve Emeklilik A.Ş. at the Extraordinary General Assembly Meeting held on December 7, 2010.

Halk Yatırım Menkul Değerler A.Ş.

Capital: TRY 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: TRY 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 Finansal Kiralama A.Ş.

Capital: TRY 70.8 million

Halkbank's share: 99.99%

Commencing operations in 1991, Halk Finansal Kiralama A.Ş. was founded to acquire movable and immovable property, machinery, vehicles and equipment through purchasing, import and other legal means; to use these economic assets in domestic and overseas leasing operations; and to conduct all kinds of leasing transactions. The Company, which was a 47.75%-owned affiliate of Halkbank, became a subsidiary after Halkbank acquired the shares of other shareholders in 2011.

Halk Portföy Yönetimi A.Ş.

Capital: TRY 5 million

Halkbank's shareholding: 55.99%

The Company was founded on June 24, 2011 to manage portfolios consisting of capital markets instruments through discretionary portfolio management agreements with customers as their authorized agent and to engage in investment advisory and capital markets activities pursuant to the provisions of the Capital Markets Law and its related regulations.

KOBİ Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Capital: TRY 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.

Fintek-Finansal Teknoloji Hizmetleri A.Ş.

Capital: TRY 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: TRY 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.

HALKBANK'S SUBSIDIARIES AND AFFILIATES

In accordance with Halkbank's policy regarding its portfolio of subsidiaries and affiliates, its subsidiary and affiliate companies ensure the high-quality provision of services needed by the Bank's clients.

Bankalararası Kart Merkezi A.Ş.
Capital: TRY 14 million
Halkbank's share: 18.95%

The Company was established in 1990 to generate solutions for common issues related to the card payment system and to develop the rules and standards for debit and credit cards in Turkey.

Kredi Kayıt Bürosu A.Ş.
Capital: TRY 7.4 million
Halkbank's shareholding: 18.18%

The Company was founded in 1995 to facilitate information sharing, a requisite for monitoring and controlling retail loans, between financial institutions that are engaged primarily in money and capital markets and insurance business lines.

KGF Kredi Garanti Fonu A.Ş.
Paid-in Capital: TRY 179.4 million
Halkbank's shareholding: 1.67%

Commencing operations in 1991, Kredi Garanti Fonu A.Ş. was established to support small and medium-size enterprises through loan guarantees and to facilitate

their access to bank loans to finance their investments and working capital needs.

Halkbank, which owns 1.67% of the Company, participates actively in its operations.

Overseas Subsidiaries and Affiliates

Halk Banka A.D., Skopje
Capital: 1,884.15 million Macedonian denars
Halkbank's shareholding: 98.12%

Halkbank acquired the majority shares of Izvozna I Kreditna Banka A.D., Skopje, a Macedonian bank that began operating in 1993 to conduct a full range of banking activities, from Demir-Halk Bank (Nederland) NV on April 8, 2011. Consequently, the Bank became a subsidiary of Halkbank; it was later renamed Halk Banka A.D., Skopje.

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 22,566 million
Halkbank's share: 1.77%

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 and Affiliates

- Tasfiye Halinde Gelişen Bilgi Teknolojileri A.Ş.
- İMKB Takas ve Saklama Bankası A.Ş.
- Mesbaş Mersin Serbest Bölge İşleticisi A.Ş.
- Türkiye Cumhuriyet Merkez Bankası
- Alidaş Alanya Liman İşletmeleri Denizcilik Tur. Tic. ve San. A.Ş.



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
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Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

To the Board of Türkiye Halk Bankası Anonim Şirketi:

We have audited 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, 2011, with the independent auditor's report drawn up as of the end of the relevant accounting period. The subject of the report is under the responsibility of the Bank management. Our responsibility as the firm carrying out the independent audit is to present opinion on the Annual Report.

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 31, 2011 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.

İstanbul,
February 16, 2012

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak

Responsible Partner, Chief Auditor



*Sertan Çavuş, 50 - Machinery
Manufacturer, Istanbul*

Mr. Çavuş is one of our oldest customers. He started his business with a small workshop, he is a factory owner employing 200 people today. When he came to us with the intention of opening a new paint shop, we recommended to him the “AFD SME Investment Loan”. Right now, both Mr. Çavuş and we are all smiles.



BOARD OF DIRECTORS AND THE AUDIT BOARD



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HASAN CEBECİ (1)
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 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 Gayrimenkul Yatırım Ortaklığı A.Ş. and Halk Yatırım Menkul Değerler A.Ş.

MEHMET EMİN ÖZCAN (2)
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 a 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 member 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 ADFIMI (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 (Nederland) N.V.

SÜLEYMAN ASLAN (3)
Member of the Board of Directors and General Manager

Born in Osmancık, Çorum in 1970, Süleyman Aslan graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of International Relations. Beginning his professional career in 1992 at the Banking School of T.C. Ziraat Bankası A.Ş. Mr. Aslan worked as a Capital Markets Department Specialist, the Assistant Manager of the Istanbul Securities Branch and as the Division Manager at the Bonds and Bills Department at the same bank. He served as the General Manager and a member of the Board of Directors of Ziraat Portföy Yönetimi A.Ş. (Ziraat Asset Management) and later as the Head of the Foreign Exchange and Money Markets Department. Employed as the Deputy General Manager responsible for Treasury Management and International Banking at T. Halk Bankası A.Ş. between June 17, 2005 and July 15, 2011, Süleyman Aslan has been a Member of the Board of Directors and the General Manager of T. Halk Bankası A.Ş. since July 15, 2011. He also serves as the Chairman of the Board of Directors of Halk Sigorta A.Ş., Halk Hayat ve Emeklilik A.Ş., Halk Portföy Yönetimi A.Ş. and Halk Banka A.D., Skopje.

SALİM ALKAN (4)
Member of the Board of Directors

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 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 Gayrimenkul Yatırım Ortaklığı A.Ş. and Halk Yatırım Menkul Değerler A.Ş.

EMİN SÜHA ÇAYKÖYLÜ (5)
Member of the Board of Directors

Emin Süha Çayköylü was born in Istanbul in 1948 and is a graduate of the Department of Mechanical Engineering, Faculty of Engineering, Middle East Technical University. He also holds two graduate degrees from Syracuse University Business School and the University of Manchester 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.

Dr. NURZAHİT KESKİN (6)
Member of the Board of Directors

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



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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. He is also a member of the Board of Directors of Demir - HalkBank (Nederland) NV. Keskin speaks English and German.

İBRAHİM HAKKI TUNCAY (7)
Member of the Board of Directors

Born in Malatya in 1949, İbrahim Hakkı Tuncay is a graduate of Middle East Technical University, Department of Business Administration. Mr. Tuncay worked as a Research Assistant in the Department of Economics at İTYO in Balıkesir while continuing his doctoral program studies at Uludağ University. From 1976 he was employed as a Manager, Lecturer, Senior Executive and Management Consultant in various private sector companies. Serving as a Member of the Joint Board of Directors for Public Banks at T.C. Ziraat Bankası A.Ş. and T. Halk Bankası A.Ş. between 2004 and 2005, İbrahim Hakkı Tuncay 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. Mr. Tuncay has been a Member of the Board of Directors of T. Halk Bankası A.Ş. since April 9, 2008. He is also member of the Boards of Directors of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. and Halk Banka A.D. Skopje.

SABAHATTİN BİRDAL (8)
Member of the Board of Directors

Born in Kemah, Erzincan in 1952, Sabahattin Birdal is a graduate of Istanbul University, Faculty of Economics, Department of Finance. Beginning his professional career as an Assistant Inspector at T. Vakıflar Bankası T.A.O., Mr. Birdal subsequently worked as Inspector and Branch Manager at the same bank. He served as Banking Services Manager at Faisal Finans Kurumu and as Branch Manager, Department Head and Deputy General Manager at Kuveyt Türk Evkaf Finans Kurumu. Sabahattin Birdal was the Deputy Mayor of Üsküdar Municipality from April 2004 until March 2008 and a Member of the Board of Directors of T. Vakıflar Bankası T.A.O. between March 2008 and October 2010. Mr. Birdal has been a Member of the Board of Directors of T. Halk Bankası A.Ş. since October 27, 2010. He also serves as the Vice Chairman of the Board of Directors of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. and a Member of the Board of Directors of Halk Banka A.D., Skopje.

Dr. AHMET YARIZ (9)
Member of the Board of Directors

Born in Elazığ in 1966, Ahmet Yarız graduated from Istanbul University, Faculty of Business Administration and received his Master's degree and PhD from Marmara University, Institute of Banking and Insurance. Beginning his career in banking at Sınai Yatırım ve Kredi Bankası A.O., Mr. Yarız worked for several industrial enterprises and financial companies. He served as a Member of the Board of Directors responsible for Risk Management and Internal Audit at T. Vakıflar Bankası T.A.O. and as a Board Member of the Savings Deposit Insurance Fund. He has been a Member of the Board of Directors of T. Halk Bankası A.Ş. since April 9, 2008. Ahmet Yarız also serves as the Vice Chairman of the Board of Directors at Halk Yatırım Menkul Değerler A.Ş. and at Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.

YUSUF DAĞCAN (10)
Member of the Audit Board

Born in Mucur, Kırşehir in 1951, Yusuf Dağcan graduated from the Academy of Economic and Commercial Sciences in Eskişehir. Beginning his professional career in 1977 as Assistant Inspector at T. Vakıflar Bankası T.A.O., Mr. Dağcan subsequently worked at the same bank as 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 the Meşrutiyet Branch in Ankara from 1996 until 1999, and Manager of the Başkent Branch in Ankara between 1999 and 2001, respectively. He served as a Member of the Board of Directors of TAİB Yatırım Bank A.Ş. between September 5, 2007 and June 30, 2008. Yusuf Dağcan was elected as a member of the Audit Board of T. Halk Bankası A.Ş. on March 27, 2003. In addition to his role on the Audit Committee, Mr. Dağcan also serves as the Chairman of the Board of Directors of Halk Finansal Kiralama A.Ş., a Member of the Board of Directors of Halk Banka A.D., Skopje, and the Vice Chairman of the Board of Directors of Arap Türk Bankası A.Ş.

FARUK ÖZÇELİK (11)
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


SÜLEYMAN ASLAN (1)
General Manager

Please see page 54 for Mr. Süleyman Aslan's background.

ATALAY TARDUŞ (2)
Deputy General Manager: Corporate and Commercial Marketing

Born in Izmir in 1969, Atalay Tarduş graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Economics. Beginning his professional career as Assistant Inspector at Pamukbank T.A.Ş. on August 10, 1992, Mr. Tarduş subsequently worked as Inspector, Marketing Manager and Manager of the Loans Unit at the same bank. He served as Department Head between November 12, 2004 and November 21, 2005, Commercial Branch Manager from November 22, 2005 until June 26, 2008, and Regional Coordinator between June 27, 2008 and August 3, 2011 at T. Halk Bankası A.Ş. Atalay Tarduş has been serving as Halkbank's Deputy General Manager of Corporate and Commercial Marketing since August 4, 2011.

MEHMET AKİF AYDEMİR (3)
Deputy General Manager: Loan Allocation and Management

Born in Ankara in 1963, Mehmet Akif Aydemir graduated from Ankara University, Faculty of Political Science, Department of Economics. Beginning his professional career on October 20, 1986 as Assistant Inspector at Pamukbank T.A.Ş., Aydemir subsequently worked as Inspector, Branch Manager and Department Head at the same bank. He served as Head of the Corporate Loans Department between December 10, 2004 and March 3, 2010 and Deputy General Manager of Corporate and Commercial Loans from March 4, 2010 to July 21, 2011 at T. Halk Bankası A.Ş. Mehmet Akif Aydemir has been serving as Halkbank's Assistant General Manager of Loan Allocation and Management since July 22, 2011.

TANER AKSEL (4)
Deputy General Manager: Artisans and SME Banking

Born in Ankara in 1961, Taner Aksel is a graduate of Anadolu University, Faculty of Economic and Administrative Sciences, Department of Economics. Beginning his professional career in 1985 as Assistant Inspector at Pamukbank T.A.Ş., Mr. Aksel subsequently worked as Inspector and Branch Manager at the same bank. Following his employment as Branch Manager and Regional Manager at other banks, he returned to Pamukbank T.A.Ş. as Branch Manager in 2000. Taner Aksel served as Branch Manager between November 11, 2004 and July 15, 2007, Department Head from July 16, 2007 until November 2, 2008, Regional Coordinator between November 3, 2008 and March 26, 2010, and Deputy General Manager of Corporate and Commercial Marketing from March 26, 2010 until July 21, 2011 at T. Halk Bankası A.Ş. Mr. Aksel has been serving as Halkbank's Deputy General Manager of Tradesman & SME Banking since July 22, 2011.

İSMAİL HAKKI İMAMOĞLU (5)
Deputy General Manager: Retail Banking

Born in Sürmene, Trabzon in 1960, İsmail Hakkı İmamoğlu is a graduate of the Ankara Academy of Economic and Commercial Sciences, Faculty of Administrative Sciences. Beginning his professional career in 1984 as Inspector at T. Vakıflar Bankası, İmamoğlu subsequently worked as Vice Chairman of the Internal Audit Board, Chief Executive Assistant to the General Manager, Secretary General of the Executive Council, Branch Manager and Department Head at the same bank. Subsequently he was employed as Chairman of the Internal Audit Board at Sümerbank and Toprakbank, and as Coordinator at Bayındırbank. İsmail Hakkı İmamoğlu served as Regional Coordinator from July 1, 2003 until March 27, 2011, Deputy General Manager of Tradesman & SME Banking-2 between March 28, 2011 and July 21, 2011 at T. Halk Bankası A.Ş. Mr. İmamoğlu has been serving as Halkbank's Deputy General Manager of Retail Banking since July 22, 2011.

Dr. ŞAHAP KAVCIOĞLU (6)
Deputy General Manager: Loan Policies

Born in Bayburt in 1967, Dr. Şahap Kavcıoğlu is a graduate of Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Business Administration. After graduating from Istanbul University, Institute of Accounting as an Audit Specialist, Dr. Kavcıoğlu studied Business Administration at Hastings College in England. He received his Master's degree in 1993 and PhD in 2003 from Marmara University, Institute of Banking and Insurance. Beginning his professional career in 1990 as Assistant Inspector at Esbank T.A.Ş., Şahap Kavcıoğlu subsequently worked as Inspector, Branch Manager and Deputy General Manager at the same bank. After his employment at Çalık Investment Bank and MNG Bank, Dr. Kavcıoğlu joined T. Halk Bankası A.Ş. on June 30, 2003 as Istanbul Regional Coordinator. He served as Deputy General Manager of Retail Banking between June 17, 2005 and June 7, 2007, and Deputy General Manager of Tradesman & SME Banking from June 8, 2007 until September 23, 2010 at T. Halk Bankası A.Ş. Dr. Kavcıoğlu has been serving as Halkbank's Deputy General Manager of Lending Policies since September 24, 2010.

MÜRSEL ERTAŞ (7)
Deputy General Manager: Risk Collection and Liquidation

Born in Ordu in 1964, Mürsel Ertaş graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Foreign Trade & Foreign Exchange. Mr. Ertaş joined T. Halk Bankası A.Ş. as Assistant Controller in 1986 and subsequently served as Assistant Inspector, Inspector, Branch Manager, Regional Coordinator and Department Head at the same bank. He has been serving as Halkbank's Deputy General Manager of Risk Collection and Liquidation since October 12, 2010.

MURAT UYSAL (8)
Deputy General Manager: Treasury Management

Born in Istanbul in 1971, Murat Uysal is a graduate of Galatasaray High School and Istanbul University, Faculty of Economics, Department of Economics (in English). Mr. Uysal received his Master's degree from Marmara University, Institute of Banking and



Insurance, Department of Banking. Beginning his professional career in 1998 as Assistant Specialist in the Treasury Department of Tekstilbank, he subsequently worked as Specialist and Manager in the Foreign Exchange & Money Markets and Securities Departments at the same bank. After working as Head of the Money and Capital Markets Department between September 7, 2007 and September 11, 2011 at T. Halk Bankası A.Ş., Murat Uysal has been serving as Halkbank's Deputy General Manager of Treasury Management since November 11, 2011.

MEHMET HAKAN ATILLA (9)

Deputy General Manager: International Banking
Born in Ankara in 1970, Mehmet Hakan Atilla is a graduate of Gazi University, Faculty of Economics and Administrative Sciences, Department of Economics. Beginning his professional career in 1995 as Assistant Specialist in the Research, Development and Planning Department at T. Halk Bankası A.Ş., Mr. Atilla subsequently served as Specialist in the Banking Cards and Cash Management Departments and as Director and Department Head in the Strategic Planning Department at the same bank. After working as Head of Financial Institutions and Investor Relations Department from June 22, 2007 until November 11, 2011, Mehmet Hakan Atilla has been serving as Halkbank's Deputy General Manager responsible of International Banking since November 11, 2011.

YAKUP DEMİRCİ (10)

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.

UFUK HACER DENİZCİ YÜCE (11)

Deputy General Manager: Banking Operations

Born in Rize in 1967, Ufuk Hacer Denizci Yüce is a graduate of Istanbul Technical University, Faculty of Business Administration, Department of Management Engineering. Beginning her professional career in 1988 as Assistant Specialist at Yapı Kredi Bankası, Ms. Denizci Yüce subsequently worked as Management Consultant at Anderson Consulting and Accenture BPM and as Credit Marketing Manager at İktisat Bankası. She joined Pamukbank T.A.Ş. on May 9, 1994 and served as Unit Manager and then as Department Head. After working as the Head of IT Department between November 12, 2004 and September 23, 2010 at T. Halk Bankası A.Ş., Ufuk Hacer Denizci Yüce has been serving as Halkbank's Deputy General Manager of Banking Operations since October 12, 2010.

EROL GÖNCÜ (12)

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.

MUSTAFA SAVAŞ (13)

Deputy General Manager: Financial Management and Planning

Born in Çine, Aydın in 1965, Mustafa Savaş is a graduate of Ankara University, Faculty of Political Science. Beginning his professional career on March 1, 1991 as Assistant Inspector at T. Halk Bankası A.Ş., Mr. Savaş subsequently served as Inspector, Manager of the Lefkoşa (Nicosia) Branch in Cyprus, Manager of the Yukarı Ayrancı Branch in Ankara, and Head of the Internal Control Department at the same bank. After serving as Deputy General Manager of Risk Management and Internal Control between July 18, 2002 and January 12, 2009, Deputy General Manager of Risk

Collection and Liquidation from January, 13 2009 until September 23, 2010, and Deputy General Manager of Retail Lending between September 24, 2010 and July 21, 2011, Mustafa Savaş has been serving as Halkbank's Deputy General Manager of Financial Management and Planning since July 22, 2011.

SELAHATTİN SÜLEYMANOĞLU (14)

Deputy General Manager: Risk Management and Internal Control

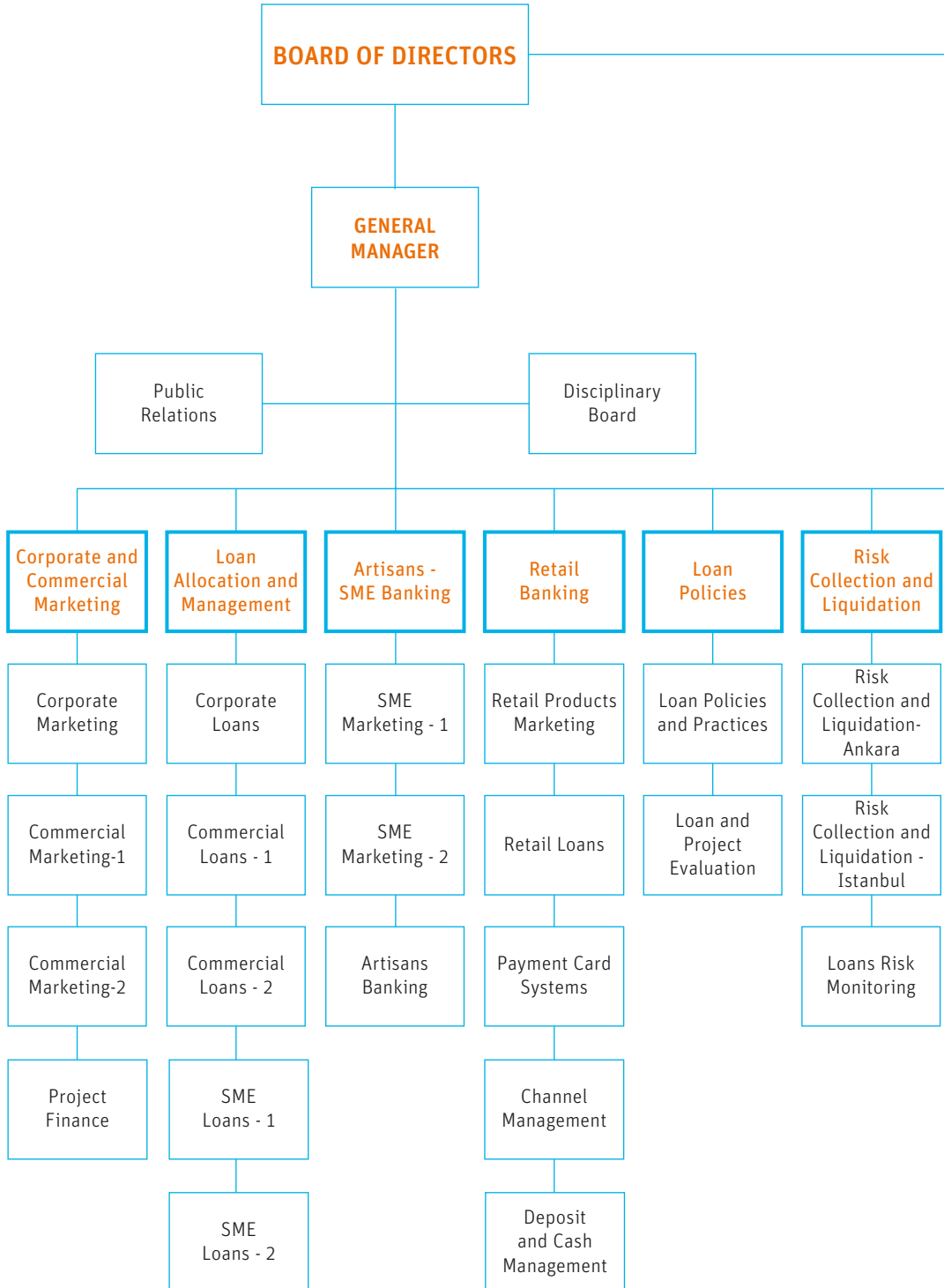
Selahattin Süleymanoğlu was born in Alucra, Giresun in 1962 and graduated from the Department of Business Administration, Faculty of Economic and Administrative Sciences, Gazi University in 1987. After completing his post-graduate degree at the Faculty of Social Sciences Department of International Relations 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.

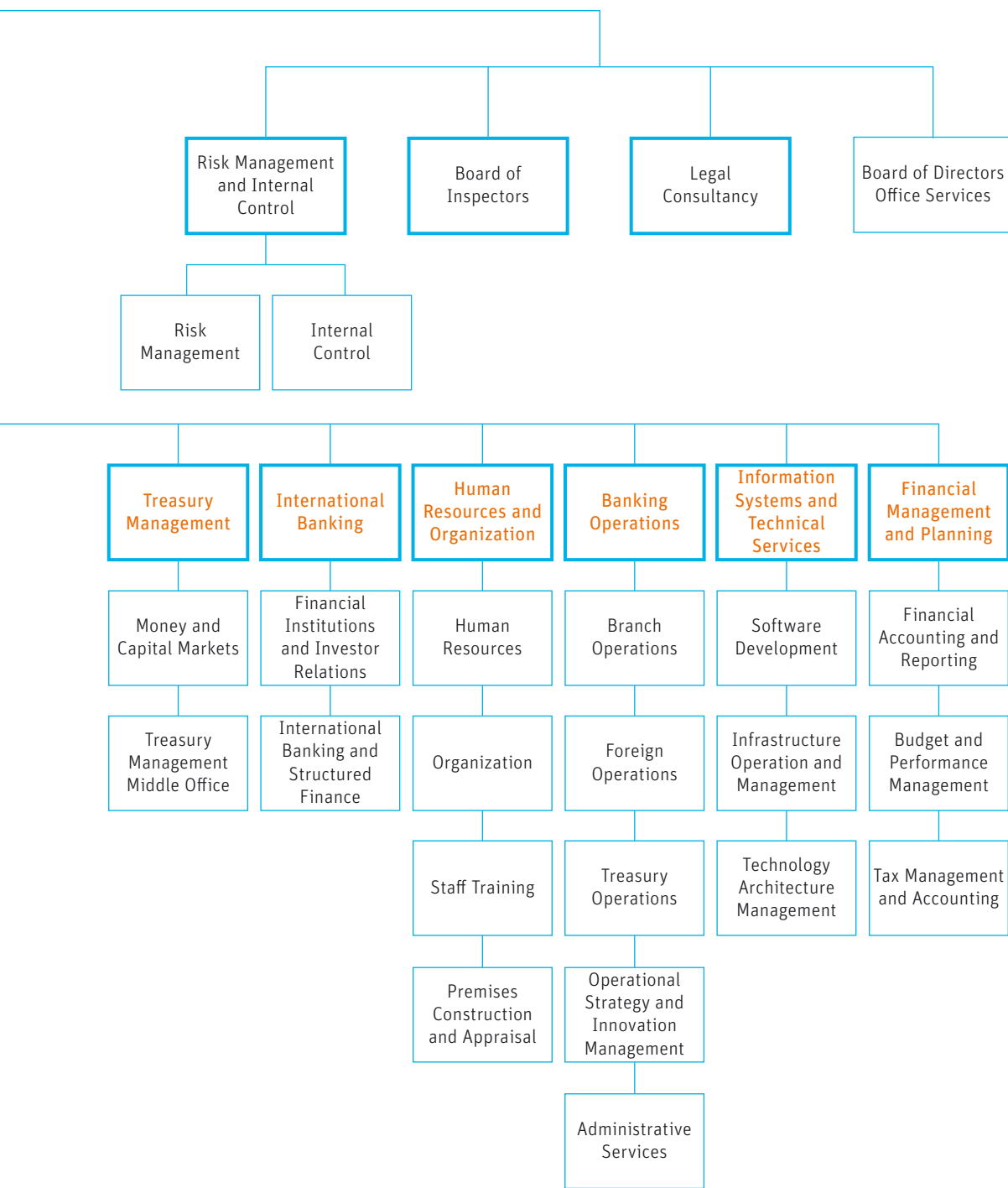
ALAADDİN SARITAÇ (15)

Chairman of the Board of Inspectors

Born in Göle, Ardahan in 1958, Alaaddin Sarıtaç is a graduate of Ege University, Faculty of Economics, Department of Economics. Joining T. Halk Bankası A.Ş. on November 1, 1982 as Assistant Inspector, Mr. Sarıtaç subsequently worked as Inspector, Inspector General, Vice Chairman of the Board of Inspectors, Member of the Disciplinary Board and Chairman of the Disciplinary Board. He has been serving as the Chairman of Halkbank's Board of Inspectors since February 9, 2011.

ORGANIZATIONAL STRUCTURE





COMMITTEES

Audit Committee

The Audit Committee of Halkbank, which was formed pursuant to the Board of Directors Resolution No. 34-01 dated October 31, 2006, conducts its activities in accordance with the provisions of the “Regulation on Internal Systems of Banks” published in the Official Gazette No. 26333 dated November 1, 2006 and is charged with and responsible for overseeing, on behalf of the Board of Directors, the effectiveness and adequacy of the Bank’s internal systems, functioning of these systems as well as the accounting and reporting systems in compliance with the Law and related regulations, and the integrity of the information generated by such systems; performing the requisite preliminary assessments to assist the Board of Directors’ election of independent audit companies as well as credit rating agencies, appraisal firms and support service providers; regularly monitoring the activities of these organizations that the Board of Directors elected and signed contracts with; and, in accordance with the regulations that became effective pursuant to the Law, ensuring that the internal audit activities of the subsidiaries and affiliates that are subject to consolidation are performed on a consolidated basis and in a coordinated fashion.

The duties of the Audit Committee include

- a) Overseeing compliance with the internal control regulations stipulated in the Regulation on Internal Systems and the Bank’s internal policies and implementation procedures that were approved by the Board of Directors as well as making recommendations to the Board of Directors regarding the measures to be taken,
- b) Overseeing internal audit unit’s execution of its responsibilities set forth by the Regulation on Internal Systems and the Bank’s internal policies,
- c) Establishing the channels of communication through which the employees of the internal systems units can contact the Committee directly,
- d) Overseeing that the internal audit system covers the Bank’s existing and planned activities as well as the risks arising from these activities, analyzing internal Bank regulations regarding internal audit that will take effect with the approval of the Board of Directors,
- e) Making recommendations to the Board of Directors regarding the election of the heads of internal systems units that report directly to the Audit Committee, providing opinion when the Board of Directors considers removing these employees from duty,
- f) Evaluating executive management’s opinions and recommendations regarding internal systems,
- g) Ensuring the establishment of channels of communication through which irregularities and fraud within the Bank can be reported directly to the Audit Board or to the internal audit unit or to the inspectors,
- h) Supervising the independent and impartial execution of inspectors’ duties,
- i) Analyzing internal audit plans,
- j) Making recommendations to the Board of Directors regarding the qualifications personnel to be employed in the internal systems units should possess,
- k) Supervising the measures taken by the executive management and the units reporting to the executive management in response to the matters identified in internal audit reports,
- l) Assessing the professional education levels and competence of the managers and employees of the internal systems units,
- m) Overseeing the presence of methods, tools and implementation procedures necessary for identifying, measuring, monitoring and controlling the risks the Bank is exposed to,
- n) Meeting with the inspectors and the independent auditors of the independent audit company retained by the Bank within the scope of pre-determined programs and agendas at regular intervals at least four times a year,
- o) Informing the Board of Directors about the opinions and assessments of the executive management, employees performing internal control and internal audit functions and the independent audit company regarding the practices required for the execution, effectiveness and improvement of the tasks that are part of their duties and responsibilities,
- p) Reviewing the assessments of the independent audit company with regard to the compliance of the Bank’s accounting practices with the Law and other related regulations, soliciting the statement of the executive

management regarding the discrepancies identified,

- q) Evaluating the independent audit results, annual and quarterly financial statements and their related documents, and the independent audit report in conjunction with the executive management and the independent auditors and resolving other issues that the independent auditors have reservations about,
- r) Assessing the independence of independent rating agencies, independent audit companies including the ones performing information systems audits, and appraisal firms with which the Bank is considering signing a contract, as well as the independence of their Chairmen and Board Members, auditors, managers and employees with regard to their relationship with the Bank and the adequacy of the resources assigned to them, presenting the evaluation to the Board of Directors in a report, repeating these steps at regular intervals not exceeding three months as long as the contract is in effect should the Bank resolve to procure service from them,
- s) Conducting a risk assessment for the support service the Bank is considering procuring, presenting the assessments to the Board of Directors in a report, repeating these steps at regular intervals not exceeding three months as long as the contract is in effect should the Bank resolve to procure the service in question, and supervising the adequacy of the services rendered by the support service provider,
- t) Overseeing that the Bank's financial reports contain only the facts and all of the information which needs to be revealed and that these reports comply with the Law and other related regulations, ensuring that the errors and irregularities identified are corrected,
- u) Deliberating with the independent auditors whether the financial reports accurately reflect the Bank's financial position, results of its activities and the Bank's cash flows and whether they are prepared in accordance with the procedures and principles stipulated in the Law and other related regulations,
- v) Reporting the activities the Audit Committee has performed during the period, not to exceed six months, and the results of such activities to the Board of Directors, including in these reports the Audit Committee's opinions on the measures that need to be taken and practices that need to be initiated within the Bank as well as other matters significant for being able to continue the Bank's operations in safety,
- w) Supervising whether persons with the authority to make lending decisions took part in the evaluation and decision-making stages of the credit transactions involving themselves, their spouses, children under their guardianship, or other real or legal persons that form a risk group with the aforementioned, and establishing the channels of communication through which these matters will be conveyed to them.

The Audit Committee met 14 times during 2011, 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	Member of the Board of Directors
Salim ALKAN	Member	Member of the Board of Directors

Operational Risk Working Committee

This committee was formed for the purpose of identifying the Bank's transactions that create operational losses and preventing operational losses. The Operational Risk Working Committee meets once a month on a regular basis.

The Duties of the Operational Risk Working Committee are:

- a) Specifying the procedures for creating the database required to measure the Bank's operational risks in coordination with the related units,
- b) Ensuring collaboration between units to be able to record, through a standardized coding system, the errors and deficiencies identified by the Board of Inspectors and other control units,
- c) Conducting the technical and administrative efforts required to build a database of the operational losses incurred in the previous periods,

COMMITTEES

- d) Forming an opinion on the evaluation and rating of operational risks related to the functional activities that are part of the Risk Assessment Matrix,
- e) Performing all functions geared to tracking, monitoring and eliminating all operational risks incurred by the Bank,
- f) Performing the duties that may arise as a result of changes made to banking laws and regulations.

The Operational Risk Working Committee convened 12 times during 2011. At these meetings, decisions were taken regarding the identification of operations that cause operational losses and the prevention of operational losses. 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
Çetin MEMİŞ	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
Bünyamin ÖZDOĞAN	Member	Assistant Head of the Board of Inspectors

Credit Committee

The Credit Committee, established to perform the credit-related duties assigned by the Board of Directors, consists of a minimum of two members from among the Members of the Board of Directors, elected by the Board of Directors and the General Manager, who possess all of the qualifications required of a General Manager except for the term requirement. Two associate members, who possess all of the qualifications required of a General Manager except for the term requirement, are elected from among the Members of the Board of Directors to replace any members of the Credit Committee who are unable to attend a meeting. Affirmative vote of at least three-quarters of the Members of the Board of Directors is required for electing the Members and Associate Members of the Credit Committee. The General Manager serves as the Chairman of the Credit Committee. In the absence of the General Manager, a permanent member presides over the Credit Committee. The Chairman of Credit Committee is responsible for the coordination of the effective and healthy functioning of the Credit Committee's activities.

The Duties of Credit Committee are to:

- a) 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,
- b) 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,
- c) Ensure that the loan portfolio is managed in accordance with generally accepted risk management principles,
- d) 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 44 times and made 1,792 decisions in 2011. The members of the Committee attended the meetings regularly.

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

The Assets and Liabilities Committee (ALCO)

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 convened 49 times in 2011. The members of the Committee attended the meetings regularly.

Members of the Assets and Liabilities Committee	Position	Primary Position
Süleyman ASLAN	Chairman	Member of the Board of Directors and General Manager
Mustafa SAVAŞ	Member	Deputy General Manager of Financial Management and Planning
Taner AKSEL	Member	Deputy General Manager of Artisans-SME Banking
M. Akif AYDEMİR	Member	Deputy General Manager of Loan Allocation and Management
Atalay TARDUŞ	Member	Deputy General Manager of Corporate and Commercial Marketing
İsmail Hakkı İMAMOĞLU	Member	Deputy General Manager of Retail Banking
Dr. Şahap KAVCIOĞLU	Member	Deputy General Manager of Loan Policies
Murat UYSAL	Member	Deputy General Manager of Treasury Management
M. Hakan ATİLLA	Member	Deputy General Manager of International Banking
Mürsel ERTAŞ	Member	Deputy General Manager of Risk Collection and Liquidation

COMMITTEES

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 2011. 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	Member of the Board of Directors
İbrahim Hakkı TUNCAY	Member	Member of the Board of Directors
Sabahattin BİRDAL	Member	Member of the Board of Directors
Mustafa SAVAŞ	Member	Deputy General Manager of Financial Management and Planning
M. Hakan ATILLA	Member	Deputy General Manager of International Banking
Yakup DEMİRCİ	Member	Deputy General Manager- Human Resources and Organization
Erdal ÇELİK	Member	Head of Human Resources Department

Compensation Committee

The Compensation Committee was established pursuant to the Board of Directors Resolution No. 41-32 dated December 27, 2011 for the purpose of supervising and overseeing the Bank's compensation policies on behalf of the Board of Directors.

Members of the Compensation Committee	Position	Primary Position
Hasan CEBECİ	Chairman	Chairman of the Board of Directors
Dr. Nurzahit KESKİN	Member	Member of the Board of Directors

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 of Directors is set by the Chairman or Vice Chairman calling the meeting and it is delivered to the Members along with the meeting invitation by the Board of Directors Secretariat Services Department. The meeting agenda is set at least three days prior to the meeting and distributed to the Members with attachments thereto. In cases where an emergency Board of Directors meeting must be held, the agenda is set 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; Members of the Board of Directors may also make a motion on the issues that require a Board Resolution to be passed.

A quorum requirement needs to be met in order for the Board of Directors to convene to discuss the meeting agenda and to make decisions. The quorums for meeting and passing resolutions by the number of Board of Directors members are as follows:

Total Number of Members	Quorum for Meetings	Quorum for Passing Resolutions
7	5	5
8	5	5
9	6	6

Unless a Member demands a deliberation, Board of Directors Resolutions can also be passed by obtaining the written approval of the members for a motion made by a member. However, unanimous consent vote is required for passing resolutions in this manner.

The Board of Directors convened 41 times and passed 987 resolutions during 2011.

EXECUTIVES OF THE INTERNAL SYSTEMS UNITS **Deputy General Manager of Risk Management and Internal Control: Selahattin SÜLEYMANOĞLU**

Tenure in Current Position	Professional Experience and Position	Education
1 year 3 months	21 years - Deputy General Manager at T. Halk Bankası A.Ş.	Master's Degree from Turkey

Chairman of the Board of Inspectors: Alaaddin SARITAÇ

Tenure in Current Position	Professional Experience and Position	Education
11 months	31 years - Chairman of Board of Inspectors at T. Halk Bankası A.Ş.	Bachelor's Degree from Turkey

Head of Internal Control Department: Mehmet TÜFEKÇİ

Tenure in Current Position	Professional Experience and Position	Education
3 years 10 months	27 years - Head of Department at T. Halk Bankası A.Ş.	Master's Degree from Turkey

Head of Risk Management Department: Ali Ulvi SARGON

Tenure in Current Position	Professional Experience and Position	Education
7 years	21 years - Head of Department at T. Halk Bankası A.Ş.	Bachelor's Degree from Turkey

2011 witnessed the second financial fluctuation in the global economy. This impacted Europe, the United States and the emerging markets at varying levels. The crisis in Europe necessitated the implementation of measures to strengthen the global financial system and to sustain high levels of public debt. Continuing to be the driving force behind global growth, the emerging economies breezed through 2011 more comfortably compared to the developed countries thanks to the measures they put in place against a potential second wave. While the world, Europe in particular, was in a bottleneck, Turkey was among the fastest growing economies in 2011.

In the third quarter of 2011 the Turkish economy became the fastest growing economy in the world after China while the unemployment rate declined to 9.8%. The success in growth was reflected in employment levels as well. The current account deficit also improved. The budget had its best performance in 28 years.

The Turkish banking industry maintained its sound structure due in part to the decisive policies of the government. The regulations and measures put forth by the official bodies responsible for the Turkish economy, led by the Central Bank of Turkey and the Banking Regulation and Supervision Agency, for ensuring financial stability had positive results in this regard. Sustaining its profitability and displaying a successful performance in the industry, Halkbank continued to support all customer groups in different segments through its lending, with an emphasis on artisans, tradesmen and SMEs.

As a preferred and trusted bank in international markets, Halkbank made available as loans the resources it secured from international finance institutions in addition to its internal resources. Halkbank also obtained funding resources from the syndication loan market and increased the facilities it offers for foreign trade financing.

Halkbank increased its assets by 24.9% in 2011 compared to the previous, from TRY 72.9 billion to TRY 91.1 billion. The expansion in the loan book constituted 65.6% of the growth in assets.

Channeling a significant portion of its resources to loans and growing its lending volume, Halkbank increased its loans as a share of its balance sheet from 60.7% to 61.7% as of year-end 2011. The Bank continued to support the real sector as its cash and non-cash loans rose by 29.9% from TRY 57.0 billion to TRY 74.1 billion.

As the share of loans on the balance sheet increased in 2011, share of the securities portfolio on the balance sheet declined to 25.6%. The Bank's securities portfolio grew by 15.5% on the previous year to reach TRY 23.3 billion.

The Bank's total deposits increased by 20.9% compared to the same period of the previous year, from TRY 54.8 billion to TRY 66.2 billion.

In addition, Halkbank focused on company salary payments and increased its average demand deposits from TRY 8.4 billion in 2010 to TRY 12.5 billion in 2011 for an impressive year-over-year growth rate of 47.9%.

Despite the declining profitability in the sector, Halkbank increased its profit by 1.7% on the previous year to TRY 2,045 million as of year-end 2011 and managed to maintain its sustainable profitability.

Leveraging its 73-year experience and know-how, Halkbank had a profitable and productive operating period and continued to grow by leaps and bounds in 2011. We would like to thank our employees for their dedicated work, without which we could not have achieved these results. We hereby respectfully present the Report of the Board of Directors, the Report of the Audit Board and the financial reports of Halkbank for 2011 to our distinguished shareholders and their representatives for their review.



SÜLEYMAN ASLAN
MEMBER OF THE BOARD OF DIRECTORS
AND GENERAL MANAGER



HASAN CEBECİ
CHAIRMAN OF THE BOARD
OF DIRECTORS

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.

Performance Management

The performance management system that is used actively at the Bank allows Halkbank to link corporate performance to individual performance and to measure it. Performance management is administered concurrently in two main avenues: numeric rating and competency evaluation. The performance evaluation results are used actively in the bonus system and training planning.

TRANSACTIONS WITH THE RISK GROUP

The details and explanations on the 2011 transactions with the risk group of which the Bank is a part are contained in footnote VII- 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:

- Service Bureau DRCP (Disaster Recovery Connectivity Pack), Paygate Search, Side SafeWatch, Swift Ha and Swift Platinum support services provided by Eastern Networks Çözümleri Ticaret A.Ş.
- Disaster recovery and Global Mirror support service provided by IBM Global Services, İş ve Teknoloji Hizmetleri ve Tic. Ltd. Şti.
- Software development and maintenance service for internet and telephone banking project provided by V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizmetleri Ticaret A.Ş.
- Halkbank Identity Management Project software maintenance service provided by Koç Sistem A.Ş.
- Monitoring, Determination and Reporting of Money Laundering, Internal Irregularity, Fraud, Swindling Transactions Project software development and maintenance service provided by ASSECO SEE Teknoloji A.Ş.
- Mobile banking software development and maintenance services provided by Aradiom İletişim Bilgisayar Telekomünikasyon Elektronik Teknolojileri San. ve Tic. Ltd. Şti.
- Information Technology professional services provided by GMG Bilgi teknolojileri Ltd. Şti.

REPORT OF THE AUDIT BOARD

REPORT OF THE AUDIT BOARD REGARDING 2011 ACTIVITY AND FISCAL PERIOD OF TÜRKİYE HALK BANKASI A.Ş.

The Audit Board attended the Board of Directors meetings held between January 1, 2011 and December 31, 2011; analyzed the Bank's activities, Board of Directors Resolutions and the documents that constitute the basis for the resolutions in accordance with the related laws and legislation; and made the following determinations:

General Outlook

We have observed that there was a decoupling between the developed countries and the developing countries in 2011; the emerging markets group which Turkey is also a part of was the driver of global growth; and the process that began in the United States and continued with the European debt crisis did the most damage in the developed countries. It was observed that, because the developed economies came to terms with high levels of public debt and slow growth and now they have to focus on structural policies, it is not expected for the balance between these two groups to change in the long run either and Turkey stands out as one of the fastest growing and developing economies in the world in this environment.

We have discerned that Turkey's economic growth trend, which was seen in early 2011 as making up the ground lost because of the GDP declines suffered during the crisis, accelerated throughout the year and ended up being one of the most impressive growth performances in the world; growing by 8.2% in the third quarter and by 9.6% during the first nine months of the year, the Turkish GDP growth surpassed even China's economic growth of 9.2% for the first nine months of 2011 to become the world's fastest growing economy for this period.

It was observed that the Bank continued to pursue growth by opening new branches in 2011; opened 61 new branches and raised its number of branches to 771; and hired 1,040 new employees to fill its human resource needs arising from retiring and leaving personnel as well as new branch inaugurations.

The Bank took major steps in expanding its portfolio of subsidiaries and affiliates in 2011 and established a new subsidiary under the business title of Halk Portföy Yönetimi A.Ş. while Halk Finansal Kiralama A.Ş. and Halk Bank Skopje became subsidiaries of the Bank through acquisition.

Financial Position

After examining the Bank's year-end 2010 and year-end 2011 financial statements, we have observed that:

- a-) The Bank's total assets went up by 24.9% to reach TRY 91,124 million as of year-end 2011 from TRY 72,942 million at year-end 2010 while the sector's total assets were up by 21% to reach TRY 1,217,620 million as of year-end 2011 from TRY 1,006,667 million at year-end 2010,
- b-) The Bank's loans increased by 26.8% to reach TRY 55,236 million as of year-end 2011 from TRY 43,559 million at year-end 2010 while the sector's loans increased by 29.9% to reach TRY 682,919 million as of year-end 2011 from TRY 525,851 million at year-end 2010; therefore, the Bank's loan book expanded in keeping with the overall sector,
- c-) The Bank's ratio of total loans to total assets that determines asset quality stands at 60.6% as of year-end 2011 and the Bank continues to support the real economy, as a result the Bank's loan-to-deposit ratio went up by 390 basis points in 2011 to reach 83.7%, the sector's total loans-to-total assets ratio was up by 390 basis points to reach 56.1% from 52.2% in 2010 while the sector's loan-to-deposit ratio increased by 1,300 basis points and reached 98.2%,
- d-) The Bank's non-performing loans declined by 5.1% in 2011 to reach TRY 1,669 million at year-end 2011 from TRY 1,758 million as of year-end 2010, special provisions declined by 4.3% from TRY 1,465 million to TRY 1,402 million, non-performing loans net of provisions stands at TRY 267 million as of year-end 2011, non-performing loan ratio declined by 100 basis points from 3.9% to 2.9%,

The sector's non-performing loan ratio declined by 100 basis points from 3.7% to 2.7%, the sector's non-performing loan ratio declined because other banks in the industry divested their impaired loans to asset management companies while the Bank's non-performing loan ratio went down due to collections from customers,

- e-) The Bank's securities portfolio grew by 16.2% in 2011 to reach TRY 22,395 million as of year-end 2011 from TRY 19,281 million at year-end 2010 while the sector's securities portfolio contracted by 1% from TRY 287,855 million at year-end 2010 to TRY 284,982 million by year-end 2011,

f-) The Bank's deposits went up by 20.9% in 2011 to reach TRY 65,983 million as of year-end 2011 from TRY 54,587 million at year-end 2010 while the sector's deposits increased by 12.7% from TRY 617,037 million at year-end 2010 to TRY 695,501 million as of year-end 2011,

The Bank's average demand deposits surged from TRY 8,433 million in 2010 to TRY 12,475 million in 2011 for a 47.9% growth while the sector's demand deposits were up from TRY 98,252 million at year-end 2010 to TRY 121,173 million as of year-end 2011 for a 23.3% increase, the increased volume of demand deposits decreased the Bank's cost of deposits,

g-) The Bank has a total liquidity adequacy ratio of 109.72% and a foreign currency liquidity adequacy ratio of 113.03% as of December 31, 2011, both of which are above the legally mandated minimum thresholds of 100% and 80%, respectively, for the second slice of term, pursuant to the provisions of the "Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks" put in effect by the Banking Regulation and Supervision Agency of Turkey on November 1, 2006, and the Bank does not have any problems with respect to liquidity or legal liquidity ratios,

h-) The Bank's shareholders' equity increased by 16.1% from TRY 7,445 million at year-end 2010 to TRY 8,640 million as of year-end 2011 while the sector's shareholders' equity grew by 7.5% from TRY 134,542 million at year-end 2010 to TRY 144,595 million as of year-end 2011,

The Bank's return on equity (ROE) stands at 25.43% as of year-end 2011 compared to 30.45% at year-end 2010, this ratio places Halkbank as the sixth best-performing bank in the world in terms of "return on capital" in the "Top 1,000 World Banks" rankings,

i-) The Bank's net fee and commission income grew by 38.5% from TRY 526 million at year-end 2010 to TRY 728 million as of year-end 2011 and its annual net profit was up by 1.7% from TRY 2,010 million at year-end 2010 to TRY 2,045 million as of year-end 2011 while the sector's net fee and commission income grew by 17.4% from TRY 9,078 million at year-end 2010 to TRY 10,657 million as of year-end 2011 and its annual net profit was down by 10.3% from TRY 22,116 million at year-end 2010 to TRY 19,847 million as of year-end 2011,

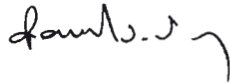
j-) The Bank's credit card balances outstanding increased by 30% from TRY 732 million at year-end 2010 to TRY 952 million as of year-end 2011 and its market share rose from 1.69 at year-end 2010 to 1.76% as of year-end 2011 while the sector's credit card balances outstanding increased by 27% from TRY 43.6 billion at year-end 2010 to TRY 55.5 billion as of year-end 2011,

The Bank's market share in credit cards is insufficient despite the recent progress, it will be prudent for Halkbank to be more active in the Advantage card application and marketing and to gain market share,

k-) The Bank's capital adequacy ratio stands at 14.3% as of year-end 2011 compared to 15.9% at year-end 2010 while the sector's capital adequacy ratio similarly declined from 18.97% at the end of 2010 to 16.46% by year-end 2011, this decline was precipitated by the Banking Regulation and Supervision Agency's resolution dated October 18, 2011 to assign consumer credits to very high risk weight buckets of 150% and 200%.

In conclusion, within the framework of the Report of the Audit Board that we have drafted pursuant to Article No. 354 of the Turkish Commercial Code, we hereby recommend to the General Assembly of Shareholders that the balance sheet, profit/loss statement and other related financial statements for the Bank's 2011 fiscal period be approved and that the Board of Directors' activities in 2011 be discharged.

Ankara, February 16, 2012
Respectfully yours



FARUK ÖZÇELİK
MEMBER OF THE AUDIT BOARD



YUSUF DAĞCAN
MEMBER OF THE AUDIT BOARD

* Contains rediscount-exclusive figures.

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 October 25, 2011 No. 33-05 of the Board of Directors.

In the operating period which ended on December 31, 2011, 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	+90 312 289 30 01
Şebnem ÜLGİN	Division Manager	Sebnem.ULGIN@halkbank.com.tr	+90 312 289 30 04
Zafer ERDEM	Specialist	Zafer.ERDEM@halkbank.com.tr	+90 312 289 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	Title	E-mail Address	Phone Number
Lena ÇİTELİ	Division Manager	Lena.CITELI@halkbank.com.tr	+90 212 393-0902
Aslı SERTTAŞ	Assistant Specialist	Asli.SERTTAS@halkbank.com.tr	+90 212 393-0910

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 2011, 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 2011, the Investor Relations Department organized two international roadshows, 13 domestic and international one-on-one meetings with international participation, 19 wide-area teleconferences and 143 one-on-one meetings. Contacts were made with a total of 1,029 investors and analysts, 55 of them in international roadshows; 199 during one-on-one meetings, 380 at the Bank's headquarters; 144 by means of teleconference calls and 251 by e-mails and telephone. During all of which 6,925 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.

4. Information about General Meetings

An Ordinary General Meeting was convened on March 01, 2011 with a quorum of 77.63%. 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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 is not containing 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 authorization remains with the Board of Directors.

In accordance with Article 15/2 of the Articles of Association, it is enabled to vote by proxy, and the Bank complies with the Capital Markets Board's regulations.

The minutes of the General Shareholders Meeting are disclosed to the shareholders on the Bank's website and at the Partnership and Shareholders Unit. The Bank became publicly held on May 10, 2007. The minutes of the Ordinary General Shareholders Meeting held on March 01, 2011 have been published on the Bank's website and the ISE-PD website.

5. Voting Rights and Minority Rights

There are no privileged shares in Halkbank. There are no mutual subsidiaries which have right to vote in the General Shareholders Meeting. Minority shares are not represented in the management. There is no any regulation in the Bank's Articles of Association regarding the cumulative voting method.

6. Dividend Payment Policy and Timing

Dividend distribution is governed by Article 27 of the Bank's Articles of Association. In previous years, the portion of the distributable profit remaining after the legal reserve funds that was allocated has been 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 taken in the Ordinary Shareholders Meeting held on March 01, 2011. The dividend distribution policy of the Bank for the coming period will be determined in light of the changes in the equity structure and the cyclical fluctuations.

7. Transferring Shares

The Articles of Association of the Bank does not contain any restrictions regarding the transfer of the 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, objective 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 published 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 98 material event disclosures were made in 2011.

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, shareholder 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 proxy voting 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 shareholders 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 Persons with Access to Insider Information

Pursuant to Article 16 of the "Communiqué on Principles Governing Public Disclosure of Material Circumstances" (Series VIII, No: 54) of the Capital Markets Board of Turkey, Halkbank generated the List of Individuals Who Have Access to Insider Information; the "Persons with Managerial Responsibilities" who are on the List of Individuals Who Have Access to Insider Information are disclosed in the Investor Relations/Corporate Governance/Corporate Governance Principles Compliance Report section of the Bank's website.

PART III - STAKEHOLDERS

13. Disclosure of Stakeholders

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.

14. Stakeholders' Participation in Management

Stakeholders' rights to participate in the Bank'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 possible shortest time. Halkbank strives to carry out all banking transactions effectively and efficiently 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; suggestions that are in accordance with the evaluation criteria are put into effect.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 employees, 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 original ideas,
- Adopt the principle that assignments are made internally whenever possible, so that the Bank's corporate culture and identity are protected, giving priority to assigning 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 appropriately. 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.

Customers can convey their opinions or complaints in writing to a customer representative through the 444 0 444 Dialog telephone line, on the www.halkbank.com.tr website, or to the Happy Customer Center (dialog@halkbank.com.tr e-mail address, 0212 340 0999 fax number or PK 37 34387 Mecidiyeköy/İSTANBUL address). The Bank also evaluates customer requests, opinions, suggestions and complaints received through non-Bank channels such as the social media websites şikayetim.com and şikayetvar.com as well as BİMER (Prime Ministry Communication Center). Halkbank responds to all online transmissions within 24 hours.

17. Social Responsibility

Setting out as the bank of SMEs, Halkbank has been operating in accordance with the mission of providing financial support to all entrepreneurs and business owners who, through their production, can reduce Turkey's dependence on imports, contribute to economic development and increase the employment opportunities in Turkey continuously for 73 years. In this regard, in addition to generating solutions to the financial needs of SMEs, which are among the Bank's most important business partners, Halkbank also undertakes corporate social responsibility projects with the purpose of contributing to the business processes of SMEs, upgrading their production facilities to comply with international standards, and expanding their visions.

Halkbank completed the "SME Transformation Project" that was launched in September 2008 to raise awareness among SMEs on the subjects of corporate social responsibility, the environment, health and safety at work at the end of 2011.

In today's economy where sustainable development has become a major factor, it is a mandatory criterion for the activities of the SMEs to comply with environmental and occupational safety laws and regulations, especially in international business partnerships. With the projects it has been carrying out successfully for three years, Halkbank aims to equip SMEs with a vision in these matters and to help SMEs undertake the necessary transformation in their working places.

More than 4 thousand SME representatives and other interested parties attended the training conferences organized in 15 provinces as part of Halkbank's SME Transformation Project. The Bank provided complimentary consultancy services on the subjects of making their enterprises compliant with laws and regulations, establishment and certification of the ISO 14001 Environmental Management System and the OHSAS 18001 Occupational Health and Safety Management System, and energy efficiency to the SMEs requesting this service after attending the conference that presented detailed information on corporate social responsibility, the environment, occupational health and safety and energy efficiency. One-day complimentary training and consulting activities covering the subjects of the environment and occupational health and safety were conducted in the offices of 139 companies and 2,475 employees of these companies received certifications at the conclusion of the free training sessions.

Halkbank also offers medium and long-term loan support to SMEs that want to invest in these areas.

Halkbank's project evaluation and financial analysis staff as well as branch managers and marketing personnel who are in contact with SMEs and prepare reports assessing their loan applications also benefited from the SME Transformation Project training.

In response to the heavy interest expressed by the organized industrial zones in particular, the Bank conducted Occupational Health and Safety (OHS) training to address a major problem of SMEs in 2011. The OHS Basic Training, OHS Regulatory and Legal Training and OHS Risk Analysis Training courses were offered to the employees of the SMEs operating in the OSTİM organized industrial zone free of charge. 150 SME employees attended the training sessions; the Bank donated a complimentary, two-month Occupational Safety Specialization Basic Training course to six people chosen among the attendees.

As the bank of "Productive Turkey", in addition to directly undertaking social responsibility projects, Halkbank also sponsors educational, culture, art and sports activities.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

As part of the renewable energy and energy efficiency loan program that was entered into with the French Development Agency in 2011, the Bank will continue to offer complimentary training and consultancy services to SMEs particularly in energy efficiency and sustainability subjects. This program is expected to last two years.

PART IV - BOARD OF DIRECTORS

18. The Structure and Composition of the Board of Directors and Independent Members

Name Surname	Position	Commencement Date of Term*	Ending Date	Committee Assignment
Hasan CEBECİ	Chairman of the Board of Directors	March 28, 2003	Continuing	Compensation Committee, Corporate Governance Committee
Mehmet Emin ÖZCAN	Vice Chairman of the Board of Directors	May 24, 2010	Continuing	Credit Committee
Süleyman ASLAN	Member of the Board of Directors and General Manager	July 15, 2011	Continuing	Credit Committee, Assets and Liabilities Committee
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	March 28, 2003	Continuing	Audit Committee
Dr. Nurzahit KESKİN	Member of the Board of Directors	April 13, 2005	Continuing	Compensation Committee, Corporate Governance Committee
İbrahim Hakkı TUNCAY	Member of the Board of Directors	April 9, 2008	Continuing	Corporate Governance Committee
Dr. Ahmet YARIZ	Member of the Board of Directors	April 9, 2008	Continuing	Credit Committee
Salim ALKAN	Member of the Board of Directors	May 24, 2010	Continuing	Audit Committee, Credit Committee
Sabahattin BİRDAL	Member of the Board of Directors	October 27, 2010	Continuing	Corporate Governance Committee
Yusuf DAĞCAN	Member of the Audit Board	March 27, 2003	Continuing	
Faruk ÖZÇELİK	Member of the Audit Board	May 24, 2010	Continuing	

* The commencement date is the date on which the Members were first elected.

No Independent Members were elected to the Board of Directors at the Ordinary General Assembly Meeting held on March 1, 2011.

The Members of the Board of Directors are elected for three-year terms and their terms of office have not yet expired. The Members of the Board of Directors are authorized to enter into transactions in accordance with the provisions of the respective articles of the Turkish Commercial Code.

19. Qualifications of the Members of the Board of Directors

All Members of the Board of Directors possess the minimum qualifications requisite for Members of the Board of Directors as stipulated in the Capital Markets Board's Corporate Governance Principles.

20. Mission, Vision and Strategic Goals of the Company

The Mission, Vision, Core Goals and Core Strategies of the Bank were adopted pursuant to the Board of Directors Resolution No. 41-04 dated December 27, 2006 and disclosed to public on the Bank's website.

21. Risk Management and Internal Control Mechanism

Pursuant to Articles 29, 30, 31 and 32 of Banking Law No. 5411, banks are responsible for establishing and operating adequate and effective internal control, risk management and internal audit systems that cover all branches and all subsidiaries and affiliates subject to consolidation and that are compatible with the scope and structure of their activities and compliant with changing conditions in order to monitor and control the risks they are exposed to.

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.

Within the context of 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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

23. Operating Essentials 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 does 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 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 primary member of the Credit 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.

The Bank's Compensation Committee consists of two non-executive Members of the Board of Directors.

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.

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 2011

Board of Inspectors

The Board of Inspectors of Türkiye Halk Bankası A.Ş. reports to the Board of Directors through the Audit Committee and consists of a chairman, three vice chairmen and 193 inspectors and assistant inspectors.

Pursuant to the Regulation on Internal Systems of Banks No. 26333 of the Banking Regulation and Supervision Agency of Turkey dated November 1, 2006, the Board of Inspectors audits, periodically with a risk-based approach without any limitations, all of the Bank's activities and units including the domestic and overseas branches and Head Office departments to provide assurance to the executive management regarding the compliance of the Bank's activities with the Law and other related regulations and the Bank's internal strategies, policies, principles and goals as well as the effectiveness and adequacy of the internal control and risk management systems; identifies the deficiencies, errors and irregularities; and offers its opinions and recommendations for preventing the recurrence of similar situations and ensuring the effective and efficient use of the Bank's resources.

The Board of Inspectors conducts its activities using three distinct but complementary ways and methods: On-Site Audit, Centralized Audit and IT Audit. 81% of the Board's inspectors perform On-Site Audit activities, 9% are engaged in Centralized Audit activities, 5% carry out IT Audits and the remaining 5% conduct the inspection/ investigation or audit report review/inspection activities and other tasks assigned by the Board.

The Board of Inspectors conducted audit activities in (523) Branches; (16) Regional Coordinator's Offices; (12) Departments, (7) of which were Process audits; (3) Subsidiaries; (2) Overseas Branches and (29) Information Technology fields in accordance with its risk-oriented auditing approach as part of the 2011 Audit Plan.

The Board also conducted Centralized Audits and Information Technology Audits in accordance with the international best practices and under the guidance of independent auditors and the Banking Regulation and Supervision Agency of Turkey with the aim of early detection of irregularities and operational errors by focusing on high-risk transactions; auditing the confidentiality and accuracy of the information generated by the information systems as well as the effectiveness of the internal controls embedded in the processes; and thus preventing potential actions that may harm the interests of depositors and shareholders of the Bank.

In addition, inspections and investigations were conducted under the authority and responsibility of the Board in 2011.

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 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 quantified 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 Head Office Departments, 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 departments are informed about any changes to legislation and practices and are warned about any deficiencies detected.

As part of the quantifying of operational risks, the Risk Warning Reports are entered into the database with a numeric code depending on the type of error and deficiency and a risk rating is assigned in accordance with the level of importance of errors. These numeric data are reviewed periodically and risk measurements and assessments are conducted by branch and the subject. In addition, as a result of the centralized analyses of these numeric data, centralized risk reports are created by identifying the branches, subjects and areas where risks are concentrated.

Centralized control activities are conducted with the intention of shortening the durations of on-site controls, increasing the effectiveness of the controls carried out during this process, and achieving centralized control of operational risks. The data obtained from the central system database are analyzed, transactions that may pose risks in accordance with the defined criteria are reported and the results are analyzed centrally or on-site.

Focusing more of its attention on IT audits in 2011, the Bank formed a dedicated team that will conduct control activities on a continuous basis on IT and its linked units (Channel Management - Payment Card Systems).

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.

FINANCIAL INFORMATION AND ASSESSMENT ON RISK MANAGEMENT

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.

Risk Management

The Risk Management Department that is responsible for executing Risk Management functions conducts its activities in accordance with the provisions of the "Regulation on Internal Systems of Banks" published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency under the supervision of the Audit Committee.

The Audit Committee has studied the reports on credit, market and operational risk elements generated by the Risk Management Department as well as the results of the scenario analyses and stress tests.

Within this scope, the Audit Committee has determined that:

- As a result of the validation efforts performed in order to measure the effectiveness of the Bank's internal rating systems, the results generated by the Bank's rating systems are generally satisfactory,
- Loan default rates are at reasonable levels,
- As part of the paralleling practice, the Bank's capital adequacy ratio calculated in accordance with the Basel II provisions is above the minimum threshold,
- The Bank has achieved full compliance with the ratios and limits calculated within the scope of Basel III regulations,
- As a result of the stress tests and scenario analyses conducted, the Bank's equity capital is adequate for the Bank to continue its activities safely,
- The risks taken by the Bank are within the risk appetite limits set by the Board of Directors,
- Considering the ratings of the companies the Bank lent to and the risk mitigation elements established, the Bank paid adequate attention to the element of guaranty in its placement activities,
- As a result of the structural interest rate risk analyses conducted to measure the interest rate risk inherent in banking calculations, the impact of changes in interest rates on the Bank's economic value is below the limits stipulated by the Banking Regulation and Supervision Agency in its document entitled "Risk Management Policies and Implementation Procedures",
- 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 2011 and December 2011 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.



SALİM ALKAN
AUDIT COMMITTEE MEMBER



EMİN SÜHA ÇAYKÖYLÜ
CHAIRMAN OF THE AUDIT COMMITTEE

COMPOSITION OF ASSETS

As a result of its activities in 2011, the Bank's total assets grew by 24.9% to reach TRY 91,124 million.

The Bank's major placement categories consist of loans (TRY 56,216 million; 61.7% of assets), securities portfolio (TRY 23,346 million; 25.6% of assets) and liquid assets (TRY 8,747 million; 9.6% of assets) while the share of other placements stands at 3.1%.

The major increases as of year-end 2011 compared to the previous year were registered in loans (TRY 11,920) and cash reserves (TRY 2,623 million).

The Bank's loans increased by 26.9% as of year-end 2011 while the sector registered 29.9% growth in loans; the Bank's share in loans stands at 8.1%. The Bank's loan-to-deposit ratio shot up by 400 basis points in 2011 to reach 84.9%.

The Bank's non-performing loans declined from TRY 1,758 million at year-end 2010 to TRY 1,669 million as of year-end 2011 and non-performing loan ratio declined by 90 basis compared to 2010, from 3.8% to 2.9%.

COMPOSITION OF LIABILITIES

The Bank's resources consist primarily of deposits (TRY 66,247; 72.7% of liabilities), non-deposit resources (TRY 13,037 million; 14.3% of liabilities) and shareholders' equity (TRY 8,640 million; 9.5% of liabilities) while the share of other liabilities stands at 3.5%.

The major increases as of year-end 2011 compared to the previous year were registered in deposits (TRY 11,465 million), funds borrowed (TRY 2,467 million), debt to money markets (TRY 1,749 million) and shareholders' equity (TRY 1,195 million).

The breakdown of total deposits, the largest single resource item for the Bank, by category reveals that the savings deposits, which constitute 37.4% of total deposits, increased by TRY 2,617 million; foreign currency deposits, which constitute 24.7% of total deposits, increased by TRY 3,526 million; banks' deposits, which constitute 10.3% of total deposits, increased by TRY 3,577 million; and public sector institutions' deposits, which constitute 8.5% of total deposits, increased by TRY 2,283 million.

TRY accounts, with a share of 66.8%, constituted the majority of the Bank's deposits while foreign currency account made up the remaining 33.2% of deposits. The share of demand deposits in total deposits increased by 420 basis points compared to year-end 2010 to reach 20.1%.

FINANCIAL STANDING, PROFITABILITY AND DEBT-SERVICING CAPABILITY

COMPOSITION OF PROFITS

The Bank closed the 2011 fiscal year with a net profit of TRY 2,045 million. The major income and expense items that constituted the profit for the period are discussed below.

Interest income from asset placements, the Bank's most important source of income, stands at TRY 7,279 million as of the end of the year.

Loans contributed TRY 5,246 million, or 72.1%, of interest income while securities contributed TRY 2,019 million, or 27.7%, of interest income.

The interest income from loans were up by TRY 990 million while interest income from the securities portfolio increased by TRY 4 million compared to the previous year.

The largest item comprising the Bank's interest expenses was interest paid to deposits with TRY 3,172 million and 83.4% share of the total. The interest expense paid to deposits, which make up 72.7% of the Bank's resources, was the primary expense line item for the Bank in 2011. Total interest expenses came in at TRY 3,805 million for the year, TRY 633 million of which were categorized as other interest expense.

The Bank's net interest income as of the end of the year was TRY 3,473 million.

Net fee and commission income surged by 38.5% on the previous year and reached TRY 728 million.

The Bank set aside provisions of TRY 690 million against its loans and other receivables for its activities in 2011.

Personnel expenses, which constitute a major portion of the other operating expenses of TRY 1,725 million, increased by 9.2% on the previous year and reached TRY 723 million.

As a result of its activities in 2011, the Bank earned a pre-tax profit of TRY 2,637 million and, after provisioning TRY 592 million for taxes, a net profit of TRY 2,045 million. The Bank maintained its sustainable profitability in 2011.

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 96%; this ratio makes a large contribution to the Bank's liquidity.

The 2011 year end capital adequacy ratio of the Bank was 14.3%, 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 2011, Halkbank continued its efforts to increase the quality of its assets while enriching its existing and alternative funding sources.

The Bank's risk policies and implementation principles were developed in accordance with the provisions of article 36 of "Regulation on Internal Systems of Banks" published in the Official Gazette No. 26333 dated November 1, 2006.

The risk policies of the Bank aim to ensure that Halkbank conducts its activities in accordance with the procedures and principles stipulated in the Banking Law and in line with its mission and goals of profitability and productivity and to safeguard the interests of the depositors and the shareholders of the Bank to the maximum extent possible.

The "Risk Management Policies and Implementation Procedures" that became effective pursuant to Board of Directors Resolution defines the following:

- Credit and concentration limits for the lending under the authority of the Head Office, Regional Coordinator's Offices and Branches,
- Principles of risk analyses to be conducted in relation to new products and services,
- Risk appetite of the Bank,
- Principles pertaining to the rating systems used in the Bank's lending process and the validation of these systems,
- Risk mitigation techniques by rating groups,
- Required reporting to support the Basel II/CRD process,
- Treasury operations stop-loss limits for capital markets positions and foreign currency positions and limits for capital markets and money market transactions,
- Limits on the Bank's foreign exchange position and counterparty risk in transactions with correspondent banks,
- Limits on the Bank's liquidity and structural interest rate risk,
- Limits to contain the impact of interest rate shocks on the Bank's economic value,
- Limits on liquidity ratios pursued in accordance with the Liquidity Emergency Action Plan,
- The Bank's risk tolerance range regarding potential losses that may result from operational risks.

The Bank periodically checks compliance with limits.

SUMMARY FINANCIAL INFORMATION ON THE FIVE-YEAR PERIOD 

ASSETS (TRY millions)	2007	2008	2009	2010	2011
Liquid Assets	4,683	5,129	4,552	5,759	8,747
Securities	15,945	18,334	21,373	20,207	23,346
Loans	18,121	25,836	32,458	44,296	56,216
Subsidiaries, Affiliates and Jointly Controlled Subsidiaries	347	325	321	740	927
Fixed Assets	749	1,061	1,234	1,061	1,121
Other	390	411	712	879	767
Total Assets	40,234	51,096	60,650	72,942	91,124
LIABILITIES (TRY millions)					
Deposits	30,841	40,271	43,950	54,782	66,247
Money Markets	1,703	2,390	5,762	3,155	4,905
Borrowings	937	1,522	2,032	3,824	6,291
Funds	1,042	1,216	1,316	1,295	1,345
Other	1,328	1,408	1,830	2,441	3,696
Shareholders' Equity	4,383	4,289	5,760	7,445	8,640
Net Period Profit/Loss	1,131	1,018	1,631	2,010	2,045
Total Liabilities	40,234	51,096	60,650	72,942	91,124

**TÜRKİYE HALK BANKASI
ANONİM ŞİRKETİ**

**UNCONSOLIDATED FINANCIAL
STATEMENTS AS OF AND FOR THE
YEAR ENDED 31 DECEMBER 2011**

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

**WITH INDEPENDENT
AUDITORS' REPORT THEREON**



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**

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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 2011**

To the Board of Directors of Türkiye Halk Bankası AŞ;

We have audited the unconsolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") as of 31 December 2011 and the related unconsolidated statements of income, cash flows, changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Management's responsibility for the Financial Statements:

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

Auditors' Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette numbered 26333 on 1 November 2006 and the International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the internal control into consideration and assessing the appropriateness of the applied accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

Istanbul
16 February 2012

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik Anonim Şirketi

Erdal Tıkmak
Partner

Additional paragraph for convenience translation to English:

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

TÜRKİYE HALK BANKASI AŞ THE UNCONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

Unless otherwise indicated, these year end unconsolidated financial statements and explanatory footnotes and disclosures as of 31 December, 2011 are prepared in thousand Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on "Banks' Accounting Practice and Maintaining Documents", Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Ankara, 16 February 2012



Hasan Cebeci
*Chairman of the
Board of Directors*



Süleyman Aslan
*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*



Mustafa Savaş
*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 / & Gönül Özdemir / Assistant Manager
Tel No: 0312 289 30 15 - 0312 289 30 13
Fax No: 0312 289 30 50

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

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

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

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

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

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

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

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	31
Mehmet Emin ÖZCAN	Vice Chairman of the Board of Directors	24.05.2010	Ankara University, Faculty of Political Sciences - Department of Economics and Finance.	28
Süleyman ASLAN	Member of the Board of Directors, Chief Executive Officer	15.07.2011	METU Faculty of Economic and Administrative Sciences- International Relations Department.	19
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	28
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: Marmara Uni. Banking and Insurance Ins. - International Banking, Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	21
İbrahim Hakkı TUNCAV	Member of the Board of Directors	09.04.2008	METU Business Administration.	31
Dr.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.	20
Salim ALKAN	Member of the Board of Directors	24.05.2010	Ankara Uni. Faculty of Political Science-Business Administration.	39
Sabahattin BİRDAL	Member of the Board of Directors	27.10.2010	İstanbul Uni. Faculty of Economics Business Administration-Finance	26
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.	1
Yusuf DAĞCAN	Member of the Audit Committee	27.03.2003	Eskişehir Economics and Trade Academy- Economy&Finance.	32
Yakup DEMİRCİ	Executive Vice President	11.06.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	22
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	09.3.2005 - 3.6.2005 By proxy 14.6.2005 Principal	METU Faculty of Arts and Sciences-Mathematics Department.	22
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.	20
Selahattin SÜLEYMANOĞLU	Executive Vice President	01.07.2007	Master Degree: Selcuk University Social Sciences Ins.- International Relations.	21
Mehmet Akif AYDEMİR	Executive Vice President	04.03.2010	Ankara University, Faculty of Political Sciences -Economics.	25
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	İstanbul Technical University Business Administration Faculty- Business Engineering.	22
Mürsel ERTAŞ	Executive Vice President	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences-Foreign Trade & Exchange.	25
İsmail Hakkı İMAMOĞLU	Executive Vice President	28.03.2011	Ankara Eco. Com. Science (ECS) Academy - Faculty of Management Sciences - Department of Social Politics.	27
Atalay TARDUŞ	Executive Vice President	04.08.2011	METU Faculty of Economic and Administrative Sciences- Department of Economics.	19
Mehmet Hakan ATILLA	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.	16
Murat UYSAL	Executive Vice President	11.11.2011	Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department Bachelor Degree: Istanbul Uni. - Faculty of Economic and Administrative Sciences- Department of Economics	13

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

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

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

a)The professionals to the Bank's top management who have assigned to their position in 2011 are listed with titles and dates of assignment.

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

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

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

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 AŞ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

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 AŞ

UNCONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2011

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	ASSETS	Note	Audited Current period 31 December 2011			Audited Prior period 31 December 2010		
			TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	2.511.191	4.761.179	7.272.370	2.782.644	1.866.916	4.649.560	
II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)	(2)	23.743	104.456	128.199	46.003	43.356	89.359	
2.1 Trading financial assets		23.743	104.456	128.199	46.003	43.356	89.359	
2.1.1 Public sector debt securities		21.723	10.413	32.136	44.169	8.958	53.127	
2.1.2 Share certificates		-	-	-	-	-	-	
2.1.3 Financial assets held for trading		37	93.929	93.966	3	34.304	34.307	
2.1.4 Other marketable securities		1.983	114	2.097	1.831	94	1.925	
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)	11.334	1.463.666	1.475.000	80.058	909.336	989.394	
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)	7.606.337	1.613.733	9.220.070	5.832.717	1.565.336	7.398.053	
5.1 Share certificates		3.899	8.861	12.760	3.899	8.861	12.760	
5.2 Public sector debt securities		7.602.438	1.604.872	9.207.310	5.828.818	1.556.475	7.385.293	
5.3 Other marketable securities		-	-	-	-	-	-	
VI. LOANS AND RECEIVABLES	(5)	38.626.938	17.589.466	56.216.404	32.227.015	12.069.472	44.296.487	
6.1 Loans and receivables		38.359.980	17.589.466	55.949.446	31.933.792	12.069.472	44.003.264	
6.1.1 Loans extended to risk group of the Bank		29.080	115.562	144.642	9.130	66.574	75.704	
6.1.2 Public sector debt securities		-	-	-	-	-	-	
6.1.3 Other		38.330.900	17.473.904	55.804.804	31.924.662	12.002.898	43.927.560	
6.2 Loans under follow-up		1.668.695	-	1.668.695	1.757.753	-	1.757.753	
6.3 Specific provisions (-)		1.401.737	-	1.401.737	1.464.530	-	1.464.530	
VII. FACTORING RECEIVABLES		-	-	-	-	-	-	
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	11.996.405	2.001.523	13.997.928	10.807.707	1.911.472	12.719.179	
8.1 Public sector debt securities		11.996.405	2.001.523	13.997.928	10.807.707	1.911.472	12.719.179	
8.2 Other marketable securities		-	-	-	-	-	-	
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	21.389	74.716	96.105	68.811	74.716	143.527	
9.1 Accounted under equity method		-	-	-	-	-	-	
9.2 Unconsolidated associates		21.389	74.716	96.105	68.811	74.716	143.527	
9.2.1 Financial investments		20.337	74.716	95.053	67.759	74.716	142.475	
9.2.2 Non-financial investments		1.052	-	1.052	1.052	-	1.052	
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	729.924	101.447	831.371	596.081	-	596.081	
10.1 Unconsolidated financial subsidiaries		729.924	101.447	831.371	596.081	-	596.081	
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 FIN. 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)	1.011.016	6	1.011.022	945.321	47	945.368	
XV. INTANGIBLE ASSETS (Net)	(13)	27.570	-	27.570	17.665	-	17.665	
15.1 Goodwill		-	-	-	-	-	-	
15.2 Other		27.570	-	27.570	17.665	-	17.665	
XVI. INVESTMENT PROPERTIES (Net)	(14)	-	-	-	-	-	-	
XVII. TAX ASSET	(15)	72.164	-	72.164	221.471	-	221.471	
17.1 Current assets for tax		-	-	-	-	-	-	
17.2 Deferred assets for tax		72.164	-	72.164	221.471	-	221.471	
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	82.172	-	82.172	98.131	-	98.131	
18.1 Held for sale purpose		82.172	-	82.172	98.131	-	98.131	
18.2 Held from discontinued operations		-	-	-	-	-	-	
XIX. OTHER ASSETS	(17)	640.998	52.287	693.285	623.249	34.836	658.085	
TOTAL ASSETS		63.361.181	27.762.479	91.123.660	54.466.898	18.475.487	72.942.385	

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2011

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

I. LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	Audited Current period 31 December 2011			Audited Prior period 31 December 2010		
		TRY	FC	Total	TRY	FC	Total
LIABILITIES AND SHAREHOLDERS' EQUITY							
I. DEPOSITS	(1)	44.249.100	21.997.834	66.246.934	39.675.710	15.106.304	54.782.014
1.1 Deposits Held by the Risk Group of the Bank		288.872	17.210	306.082	275.948	8.078	284.026
1.2 Other		43.960.228	21.980.624	65.940.852	39.399.762	15.098.226	54.497.988
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	44	65.314	65.358	7	39.144	39.151
III. FUNDS BORROWED	(3)	379.083	5.912.144	6.291.227	201.729	3.622.658	3.824.387
IV. MONEY MARKET BALANCES	(3)	4.056.602	847.930	4.904.532	2.540.899	614.156	3.155.055
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Takasbank takings		-	-	-	-	-	-
4.3 Funds from repurchase agreements		4.056.602	847.930	4.904.532	2.540.899	614.156	3.155.055
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	495.615	-	495.615	-	-	-
5.1 Treasury bills		495.615	-	495.615	-	-	-
5.2 Asset-backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS	(5)	1.345.234	-	1.345.234	1.295.232	-	1.295.232
6.1 Borrower Funds		32.847	-	32.847	121.084	-	121.084
6.2 Other		1.312.387	-	1.312.387	1.174.148	-	1.174.148
VII. SUNDRY CREDITORS		1.054.237	74.283	1.128.520	724.281	18.154	742.435
VIII. OTHER LIABILITIES	(6)	395.773	172.638	568.411	392.985	140.658	533.643
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES	(7)	1.818	-	1.818	565	1	566
10.1 Finance lease payables		2.754	-	2.754	830	1	831
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		936	-	936	265	-	265
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(8)	-	-	-	-	-	-
11.1 Fair value risk hedging		-	-	-	-	-	-
11.2 Cash flow risk hedging		-	-	-	-	-	-
11.3 Net abroad investment risk hedging		-	-	-	-	-	-
XII. PROVISIONS	(9)	1.235.239	16.714	1.251.953	840.813	15.869	856.682
12.1 General loan provisions		656.783	-	656.783	390.121	-	390.121
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Employee benefits provisions		318.014	-	318.014	275.039	-	275.039
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		260.442	16.714	277.156	175.653	15.869	191.522
XIII. TAX LIABILITY	(10)	184.059	3	184.062	268.539	1	268.540
13.1 Current tax liability		184.059	3	184.062	268.539	1	268.540
13.2 Deferred tax liability		-	-	-	-	-	-
XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
14.1 Held for sale purpose		-	-	-	-	-	-
14.2 Held from discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED CAPITAL	(12)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(13)	8.983.520	(343.524)	8.639.996	7.504.470	(59.790)	7.444.680
16.1 Paid-in capital		1.250.000	-	1.250.000	1.250.000	-	1.250.000
16.2 Capital Reserves		1.301.619	(343.524)	958.095	1.400.217	(59.790)	1.340.427
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities revaluation fund		76.746	(343.524)	(266.778)	175.514	(59.790)	115.724
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		4.422	-	4.422	4.252	-	4.252
16.2.8 Hedging Funds (effective portion)		-	-	-	-	-	-
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		4.386.767	-	4.386.767	2.843.860	-	2.843.860
16.3.1 Legal reserves		749.652	-	749.652	610.282	-	610.282
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		3.589.934	-	3.589.934	2.186.397	-	2.186.397
16.3.4 Other profit reserves		47.181	-	47.181	47.181	-	47.181
16.4 Profit/Loss		2.045.134	-	2.045.134	2.010.393	-	2.010.393
16.4.1 Prior years income/loss		-	-	-	-	-	-
16.4.2 Period profit/loss		2.045.134	-	2.045.134	2.010.393	-	2.010.393
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		62.380.324	28.743.336	91.123.660	53.445.230	19.497.155	72.942.385

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

TÜRKİYE HALK BANKASI AŞ

UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

AS OF 31 DECEMBER 2011

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

II. STATEMENT OF OFF-BALANCE SHEET ITEMS	Note	Audited Current period 31 December 2011			Audited Prior period 31 December 2010		
		TRY	FC	Total	TRY	FC	Total
OFF BALANCE SHEET							
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		80.613.586	16.672.333	97.285.919	17.089.689	10.385.583	27.475.272
I. GUARANTEES AND SURETYSHIPS	(1)	8.825.107	9.021.350	17.846.457	6.747.813	5.978.539	12.726.352
1.1 Letters of guarantee		7.625.151	5.089.747	12.714.898	5.140.511	3.802.506	8.943.017
1.1.1 Guarantees subject to public procurement law		543.113	4.062.660	4.605.773	477.740	3.006.494	3.484.234
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		7.082.038	1.027.087	8.109.125	4.662.771	796.012	5.458.783
1.2 Bank loans		5.620	622.372	627.992	-	149.594	149.594
1.2.1 Import acceptances		-	147.772	147.772	-	88.531	88.531
1.2.2 Other bank acceptances		5.620	474.600	480.220	-	61.063	61.063
1.3 Letters of credit		988.711	3.091.800	4.080.511	1.521.453	1.855.885	3.377.338
1.3.1 Documentary letters of credit		988.711	3.091.800	4.080.511	1.521.453	1.855.885	3.377.338
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		205.395	217.431	422.826	85.619	170.554	256.173
1.9 Other suretyships		-	230	230	-	-	230
II. COMMITMENTS	(1)	70.356.620	884.411	71.241.031	9.198.369	689.509	9.887.978
2.1 Irrevocable commitments		10.371.656	884.411	11.256.067	9.195.150	689.509	9.884.659
2.1.1 Forward asset purchase commitments		154.699	522.386	677.085	248.007	383.194	631.201
2.1.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		1.000	-	1.000	2.000	-	2.000
2.1.4 Loan granting commitments		528.010	362.025	890.035	296.308	306.315	602.623
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for cheques		3.976.513	-	3.976.513	3.604.999	-	3.604.999
2.1.8 Tax and fund liabilities from export commitments		11.389	-	11.389	34.849	-	34.849
2.1.9 Commitments for credit card expenditure limits		4.614.215	-	4.614.215	4.089.791	-	4.089.791
2.1.10 Commitments for credit cards and banking services promotions		26.857	-	26.857	26.217	-	26.217
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		1.058.973	-	1.058.973	892.979	-	892.979
2.2 Revocable commitments		59.984.964	-	59.984.964	3.219	-	3.219
2.2.1 Revocable loan granting commitments		59.984.964	-	59.984.964	-	-	-
2.2.2 Other revocable commitments		-	-	-	3.219	-	3.219
III. DERIVATIVE FINANCIAL INSTRUMENTS	(1)	1.431.859	6.766.572	8.198.431	1.143.507	3.717.535	4.861.042
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
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		1.431.859	6.766.572	8.198.431	1.143.507	3.717.535	4.861.042
3.2.1 Forward foreign currency buy/sell transactions		253.014	2.009.232	2.262.246	43.389	61.207	104.596
3.2.1.1 Forward foreign currency transactions-buy		107.162	253.156	360.318	15.883	36.443	52.326
3.2.1.2 Forward foreign currency transactions-sell		145.852	1.756.076	1.901.928	27.506	24.764	52.270
3.2.2 Currency and interest rate swaps		907.911	2.904.372	3.812.283	814.044	2.365.756	3.179.800
3.2.2.1 Currency swap-buy		37.792	1.878.713	1.916.505	154.773	1.451.293	1.606.066
3.2.2.2 Currency swap-sell		870.119	1.025.659	1.895.778	659.271	914.463	1.573.734
3.2.2.3 Interest rate swap-buy		-	-	-	-	-	-
3.2.2.4 Interest rate swap-sell		-	-	-	-	-	-
3.2.3 Currency, interest rate and marketable securities options		72.864	65.896	138.760	88.004	104.185	192.189
3.2.3.1 Currency call options		36.410	32.970	69.380	43.922	52.174	96.096
3.2.3.2 Currency put options		36.454	32.926	69.380	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	1.787.072	1.985.142	198.070	1.186.387	1.384.457
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		467.898.270	257.727.659	725.625.929	357.239.267	151.968.388	509.207.655
IV. CUSTODIES		86.088.157	9.065.031	95.153.188	65.376.468	6.599.017	71.975.485
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		30.256.672	300.524	30.557.196	27.240.403	279.199	27.519.602
4.3 Cheques in collection process		5.914.701	5.311.108	11.225.809	4.208.585	2.885.911	7.094.496
4.4 Commercial notes in collection process		32.414.352	274.624	32.688.976	19.368.036	191.272	19.559.308
4.5 Other assets in collection process		613	-	613	1.099	-	1.099
4.6 Underwritten securities		640	-	640	129	-	129
4.7 Other custodies		2.214	3.418	5.632	3.114	7.881	10.995
4.8 Custodians		17.498.965	3.175.357	20.674.322	14.555.102	3.234.754	17.789.856
V. PLEDGED ASSETS		381.810.113	248.662.628	630.472.741	291.862.799	145.369.371	437.232.170
5.1 Marketable securities		1.439.628	221.573	1.661.201	1.356.594	184.735	1.541.329
5.2 Collateral notes		4.487.499	413.970	4.901.469	3.479.922	166.385	3.646.307
5.3 Commodity		25.830	-	25.830	25.830	-	25.830
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		78.493.823	35.516.868	114.010.691	56.206.027	17.792.541	73.998.568
5.6 Other pledged assets		294.493.598	212.035.121	506.528.719	228.224.748	127.085.348	355.310.096
5.7 Pledges		2.869.735	475.096	3.344.831	2.569.678	140.362	2.710.040
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		548.511.856	274.399.992	822.911.848	374.328.956	162.353.971	536.682.927

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

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

III. STATEMENT OF INCOME		Audited Current period	Audited Prior period
		1 January- 31 December 2011	1 January- 31 December 2010
	INCOME AND EXPENSES		
I.	INTEREST INCOME	(1)	7.278.660
1.1	Interest on loans	5.245.901	4.256.255
1.2	Interest received from reserve deposits	222	177
1.3	Interest received from banks	9.229	71.414
1.4	Interest received from money market placements	56	89
1.5	Interest income on marketable securities	2.018.505	2.014.419
1.5.1	Financial assets held for trading	5.252	3.361
1.5.2	Financial assets at fair value through profit and loss	-	-
1.5.3	Financial assets available-for-sale	722.768	614.122
1.5.4	Investments held-to-maturity	1.290.485	1.396.936
1.6	Finance lease income	-	-
1.7	Other interest income	4.747	8.261
II.	INTEREST EXPENSE	(2)	3.805.417
2.1	Interest on deposits	3.172.192	2.772.055
2.2	Interest on borrowings	126.515	66.207
2.3	Interest on money market borrowings	453.091	271.819
2.4	Interest on bonds issued	17.310	-
2.5	Other interest expense	36.309	49.520
III.	NET INTEREST INCOME [I - II]	3.473.243	3.191.014
IV.	NET FEES AND COMMISSIONS INCOME	728.167	525.864
4.1	Fees and commissions income	839.956	623.440
4.1.1	Non-cash loans	112.394	78.769
4.1.2	Other	727.562	544.671
4.2	Fees and commissions expenses	111.789	97.576
4.2.1	Non-cash loans	7	17
4.2.2	Other	111.782	97.559
V.	DIVIDEND INCOME	(3)	48.531
VI.	NET TRADING PROFIT (NET)	(4)	207.539
6.1	Profit/loss from capital market operations	96.048	221.661
6.2	Profit/loss from financial derivative transactions	156.098	(72.856)
6.3	Foreign exchange gains/losses	(44.607)	(34.049)
VII.	OTHER OPERATING INCOME	(5)	594.451
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)	5.051.931	4.462.989
IX.	LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	689.984
X.	OTHER OPERATING EXPENSES(-)	(7)	1.725.251
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)	2.636.696	2.509.285
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)	2.636.696
XVI.	TAX INCOME PROVISION (±)	(9)	(591.562)
16.1	Current tax provision	(366.556)	(531.855)
16.2	Deferred tax provision	(225.006)	32.963
XVII.	NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	2.045.134
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)	2.045.134
	Earnings/losses per share (Full TRY)	1,63611	1,60831

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

TÜRKİYE HALK BANKASI AŞ**UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011**

(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 2011	1 January - 31 December 2010
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	(458.200)	104.786
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
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS	170	(93.497)
IX. DEFERRED TAX OF VALUATION DIFFERENCES	75.698	(18.888)
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	(382.332)	30.561
XI. PROFIT/LOSS	2.045.134	2.010.393
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	63.393	31.486
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	1.981.741	2.009.435
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	1.662.802	2.040.954

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Paid in additional capital	Effect of inflation	Share certificate premium	Share certificate profit	Legal reserves	Statutory reserves	Extra-ordinary reserves	Other reserves	Current period net (loss)	Prior period net (loss)	Valuation changes in marketable sec. int. assets	Revaluation changes in prop. and int. assets	Bonus shares	Hedging funds	Total holder's equity	
1 January 2010 - 31 December 2010																	
I.	Balance at end of prior period	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.	Corrections according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	The effect of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	The effect of changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New balance (I + II)	1.250.000	1.220.451	-	-	507.495	-	1.013.914	47.181	1.631.091	-	119.882	-	61	30.528	-	5.759.547
Changes within the period																	
IV.	Changes effected by merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Valuation changes in marketable securities	-	-	-	-	-	-	-	-	-	-	(4.158)	-	-	-	-	(4.158)
VI.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	30.528	-	30.528
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Hedges for investment made in foreign countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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)	-	-	-	-	-	-	-	-	-	-	-	-	4.191	-	-	4.191
X.	Changes after disposal of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes after reclassification of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Effect of changes in shareholders equity of investments and associates to bank's shareholders equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Net profit or losses	-	-	-	-	-	-	-	2.010.393	-	-	-	-	-	-	-	2.010.393
XX.	Profit distribution	-	-	-	-	102.787	-	1.172.483	-	(1.631.091)	-	-	-	-	-	-	(355.821)
20.1	Dividends distributed	-	-	-	-	-	-	-	-	(355.821)	-	-	-	-	-	-	(355.821)
20.2	Transfers to legal reserves	-	-	-	-	102.787	-	1.172.483	-	(1.278.270)	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	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
1 January 2011 - 31 December 2011																	
I.	Balance at end of prior period	1.250.000	1.220.451	-	-	610.282	-	2.186.397	47.181	2.010.393	-	115.724	-	4.252	-	-	7.444.680
II.	Increase or decrease generated by merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Valuation changes in marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	(382.502)	-	-	-	-	(382.502)
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.	Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-	-	-	-	-	-	-	-	-	170	-	-	170
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.3	Issuance of share certificates at end of period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Net profit or losses	-	-	-	-	-	-	-	2.045.134	-	-	-	-	-	-	-	2.045.134
XVIII.	Profit distribution	-	-	-	-	139.370	-	1.403.537	-	(2.010.393)	-	-	-	-	-	-	(467.686)
18.1	Dividends distributed	-	-	-	-	-	-	-	-	(467.686)	-	-	-	-	-	-	(467.686)
18.2	Transfers to legal reserves	-	-	-	-	139.370	-	1.403.537	-	(1.542.907)	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	2.010.393	-	-	-	-	-	-	-
	Closing balance	1.250.000	1.220.451	-	-	749.652	-	3.589.934	47.181	2.045.134	-	(266.778)	-	4.422	-	-	8.639.996

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

TÜRKİYE HALK BANKASI AŞ

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION TABLE FOR THE YEAR ENDED 31 DECEMBER 2011

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

VI. STATEMENT OF CASH FLOWS	Note	Audited Current period 31 December 2011	Prior Audited 31 December 2010
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities	1.055.248	2.132.132
1.1.1	Interest received	6.882.373	6.560.045
1.1.2	Interest paid	(3.697.552)	(3.112.100)
1.1.3	Dividend received	47.463	16.111
1.1.4	Fees and commissions received	839.956	623.440
1.1.5	Other income	315.188	356.002
1.1.6	Collections from previously written off loans	470.888	477.630
1.1.7	Cash payments to personnel and service suppliers	(910.104)	(698.519)
1.1.8	Taxes paid	(518.781)	(555.927)
1.1.9	Other	(1) (2.374.183)	(1.534.550)
1.2	Assets and Liabilities Subject to Banking Operations	1.619.776	(2.581.366)
1.2.1	Net decrease in financial assets held for sale	19.527	(19.005)
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	(11.588.010)	(11.983.097)
1.2.5	Net (increase) decrease in other assets	(2.885.482)	(943.777)
1.2.6	Net increase (decrease) in bank deposits	3.529.348	1.304.598
1.2.7	Net increase (decrease) in other deposits	7.865.842	9.493.726
1.2.8	Net increase (decrease) in loans borrowed	2.446.321	1.781.890
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	(1) 2.232.230	(2.215.701)
I.	Net cash provided from banking operations	2.675.024	(449.234)
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II.	Net cash provided from/ (used in) investing activities	(3.229.155)	1.470.292
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	(167.910)	(10.912)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	-	-
2.3	Fixed assets purchases	(511.065)	(324.544)
2.4	Fixed assets sales	375.239	486.530
2.5	Cash paid for purchase of financial assets available for sale	(4.506.529)	(8.820.055)
2.6	Cash obtained from sale of financial assets available for sale	3.052.009	6.344.419
2.7	Cash paid for purchase of investment securities	(1.719.331)	(2.612.078)
2.8	Cash obtained from sale of investment securities	260.012	6.408.307
2.9	Other	(11.580)	(1.375)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash used in financing activities	32.441	(355.633)
3.1	Cash obtained from loans borrowed and securities issued	498.675	-
3.2	Cash used for repayment of loans borrowed and securities issued	-	-
3.3	Bonds issued	-	-
3.4	Dividends paid	(467.486)	(355.821)
3.5	Payments for finance leases	(366)	(106)
3.6	Other	1.618	294
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(1) 865.256	76.658
V.	Net increase / (decrease) in cash and cash equivalents	343.566	742.083
VI.	Cash and cash equivalents at beginning of the period	(4) 4.438.336	3.696.253
VII.	Cash and cash equivalents at end of the period	(5) 4.781.902	4.438.336

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

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

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

VII. STATEMENT OF PROFIT DISTRIBUTION TABLE	Audited Current Period 31 December 2011 ⁽¹⁾	Prior Audited 31 December 2010
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1. Current Period Profit	2.636.696	2.509.285
1.2. Taxes and Legal Duties Payables (-)	591.562	498.892
1.2.1. Corporate Tax (Income Tax)	366.556	531.855
1.2.2. Withholding Tax	-	-
1.2.3. Other Taxes and Duties	225.006	(32.963)
A. Net Profit For The Period (1.1-1.2)	2.045.134	2.010.393
1.3. Accumulated Losses (-)	-	-
1.4. First Legal Reserves (-)	-	98.871
1.5. Other Statutory Reserves (-) ⁽²⁾	-	32.963
B. Net Profit Available for Distribution [(A)-(1.3+1.4+1.5)]	2.045.134	1.878.559
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 (-)	-	72.000
1.8. Dividends to Board of Directors (-)	-	-
1.9. Second Dividend to Shareholders (-)	-	332.986
1.9.1. To Owners of Ordinary Shares	-	332.986
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 (-)	-	40.499
1.11. Status Reserves (-)	-	-
1.12. Extraordinary Reserves	-	1.370.574
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	1,63611	1,60831
3.2. To Owners of Ordinary Shares (%)	-	%160,1
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	-	0,31639
4.2. To Owners of Ordinary Shares (%)	-	%31,64
4.3. To Owners of Privileged Shares	-	-
4.4. To Owners of Privileged Shares (%)	-	-

⁽¹⁾ As of the report date, Board of Directors meeting was not held.

⁽²⁾ As of 31 December 2011, the deferred tax income was presented in this line.

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

As per the additional Article 1 of "Accounting and Recording Rules" of the Turkish Banking Law No. 5411 published on the Official Gazette no.28103 dated 2 November 2011 and became effective, 28103 published in Official Gazette dated November 2, 2011, and entered into force with Decree Law No. 660 of Law No. 2499 TASB Additional article 1 of the establishment clause has been canceled and Public Oversight of Accounting and Auditing Standards Board ("The Authority") is decided to establish by Council of Ministers. Existing regulations regarding to these issues will be continued to enforce until standards and regulations according to Temporary article 1 of this Decree-Law, come into force when released by the Authority This situation does not affect the the "Basis of Presentation" for the current period.

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

Additional paragraph for convenience translation to English

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

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

a) The Bank's strategy on financial instruments:

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

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

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

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

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.

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

III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

IV. INTEREST INCOME AND EXPENSES

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

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

V. FEES AND COMMISSION INCOME AND EXPENSES

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

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

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

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.

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2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

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

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

2.2. Financial assets at fair value through profit and loss

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

The Bank has not any financial assets at fair value through profit and loss as of 31 December 2011 and 31 December 2010.

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.

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Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return at the subsequent recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

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

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

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

6. Associates and subsidiaries:

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

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

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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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For loans and receivables; the Bank's management performs consistent loan portfolio reviews and if any doubts on the collectibility of the loans arise, the related loans are classified in accordance with legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published in the Official Gazette numbered 26333 and dated 1 November 2006. The Bank does not limit the provision amount for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting 100% provision for the outstanding follow-up risk amount excluding the suretyship type of collaterals defined in the Article 9 of the related legislation. Specific provision rate for the standing non-cash loans extended to follow-up entities in order to cash ensuring is 100%, specific provision rate for other non-cash loans is 50%. Collections made related to those loans are offset against the capital and interest collections are recognized under the "Interest Received from Non-performing Loans" item of the income statement.

Other than specific allowances, the Bank provides "general allowances" for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The Bank was providing 0.5% general allowance for cash loans and other receivables; 0.1% general allowances for non-cash loans until 1 November 2006. With the changes in the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No: 26333 dated 1 November 2006, the Bank started to provide general allowance as follows: after 31 October 2006, if standard cash loans and other receivables increased; for the increased part, the provision is 1%; 2% of close monitoring loans, for the account of 31 October 2006 it is 0.5%; after 31 October 2006, if there is an increase in non-cash loans, for the increased part it is 0.2%; 0.4% of close monitoring loans, and for the account of 31 October 2006 it is 0.1%. In accordance with the communiqué "The change in the regulation of identifying the properties and determining the methods and principles to allocate provisions for loans and other receivables" published on 28 May 2011 No: 27947 Official Gazette, banks are able to change the terms of the payment plans of their loans and other receivables monitored under standard and other receivables group given that those loans and receivables qualify for the prerequisites. However if the changes made extend the initial payment plan, a general provision allocated accordingly with the related loans and other receivables given that it is no less than the 5 fold of the predetermined ratio, for loans and other receivables followed under close monitoring provision cannot fall below 2,5 fold of the designated ratio.

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

VIII. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

Reverse repo transactions are recognized under the "Receivables from Reverse Repo Transactions" account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method.

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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.

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Leasehold improvements are depreciated over the lower of the periods of the respective leases and useful lives, on a straight-line basis. In any case useful life can not exceed the lease period. If the duration of lease agreement is not determined or longer than five years, amortization duration is considered as five years.

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

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

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XIII. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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

XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

XV. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

In accordance with the principles set out by the Council of Ministers' decision, numbered 2006/11345 published in the Official Gazette numbered 26377 and dated 15 December 2006 regarding the determination of procedures and principles for the application of transfer requirements and based on the technical balance sheet report prepared using a 10,24% of technical interest rate, for Türkiye Halk Bankası AŞ Employee Pension Fund TRY 9.251 of technical provision has been allocated as of 31 December 2006 and kept in financial statements as of 31 December 2007. As of 31 March 2008, part of the related technical provision was set as provision for possible risks and the remaining amount was cancelled. Based on the results of the actuarial report prepared as of 31 December 2011 and 31 December 2010, no technical deficit has been reported. Besides, no technical deficit for T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported.

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

XVI. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 31 December 2010 has been paid in April 2010, accrued advance tax as of 31 December 2011 will be paid in February 2012.

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

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

Tax practices in the countries that foreign branches operate:

Turkish Republic of Northern Cyprus (TRNC)

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

Bahrain

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

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XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

XVIII. EXPLANATIONS ON SHARES AND SHARE ISSUE

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

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

XIX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXI. EXPLANATIONS ON SEGMENT REPORTING

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

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

XXII. EXPLANATION ON OTHER MATTERS

None.

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

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

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

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

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

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

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

2. Capital adequacy ratio summary:

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

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3. Information on equity items:

	Current period	Prior period
CORE CAPITAL		
Paid-in capital	1.250.000	1.250.000
<i>Nominal capital</i>	1.250.000	1.250.000
<i>Capital commitments (-)</i>	-	-
Adjustment to paid-in capital	1.220.451	1.220.451
Share premium	-	-
Share repeal	-	-
Legal reserves	749.652	610.282
<i>First legal reserve (Turkish Commercial Code 466/1)</i>	395.998	297.127
<i>Second legal reserve (Turkish Commercial Code 466/2)</i>	352.151	312.163
<i>Other legal reserve per special legislation</i>	1.503	992
Status reserves	-	-
Extraordinary reserves	3.637.115	2.233.578
<i>Reserves allocated by the General Assembly</i>	3.589.934	2.186.397
<i>Retained earnings⁽¹⁾</i>	47.181	47.181
Accumulated loss	-	-
<i>Foreign currency share capital exchange difference</i>	-	-
Adjustment to legal, status and extraordinary reserves	-	-
Profit	2.045.134	1.970.569
<i>Net current period profit</i>	2.045.134	1.970.569
<i>Prior period profit</i>	-	-
Provisions for possible losses up to 25% of core capital	194.000	7.600
Profit on sale of associates, subsidiaries and buildings	-	-
Primary subordinated loans up to 15% of core capital	-	-
Loss that is not covered with reserves (-)	-	-
<i>Net current period loss</i>	-	-
<i>Prior period loss</i>	-	-
Leasehold improvements (-)	70.079	66.169
Prepaid expenses (-)	-	262.019
Intangible assets (-)	27.570	17.665
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-
Total Core Capital	8.998.703	6.946.627
SUPPLEMENTARY CAPITAL		
General reserves	656.783	390.121
45% of increase in revaluation fund of movables	-	-
45% of increase in revaluation fund of fixed assets	-	-
Bonus shares from investment and associates, subsidiaries and joint ventures (business partners) ⁽²⁾	4.422	44.076
Primary subordinated loans which are ignored in the calculation of core capital	-	-
Secondary subordinated loans	-	-
45% of marketable securities and investment securities value increase fund	(266.778)	52.076
<i>Associates and subsidiaries</i>	-	-
<i>Financial assets available for sale</i>	(266.778)	52.076
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal, status and extraordinary reserves)	-	-
Total Supplementary Capital	394.427	486.273
TIER III CAPITAL	-	-
CAPITAL	9.393.130	7.432.900
DEDUCTIONS FROM THE CAPITAL	40.457	33.116
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	8.819	6.581
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank	-	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	-	-
Loans extended being noncompliant with articles 50 and 51 of the Law	-	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	28.350	26.535
Other	3.288	-
TOTAL SHAREHOLDERS' EQUITY	9.352.673	7.399.784

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

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

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

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

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

As of 31 December 2011, general loan loss provision related to the credit risk incurred by the Bank in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 656.783 (31 December 2010: TRY 390.121).

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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	38.014.676	28.466.360	406.269	2.074.764	12.760	12.760	746.044	660.862
Public Sector	1.775.449	1.630.707	-	-	22.373.124	19.268.347	386.611	174.796
Banks	-	-	89.299	60.927	9.300	-	1.474.781	989.341
Retail	14.950.316	11.326.183	-	-	-	-	-	-
Share Certificates	-	-	-	-	-	-	-	-
Total	54.740.441	41.423.250	495.568	2.135.691	22.395.184	19.281.107	2.607.436	1.824.999

Information according to geographical concentration

Domestic	54.329.646	41.237.747	495.568	2.095.185	22.374.926	19.270.321	1.559.145	1.542.104
EU countries	218.113	66.885	-	-	8.636	8.636	870.367	231.805
OECD Countries ⁽³⁾	187	-	-	-	-	-	12.058	6.172
Offshore banking regions	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	38.731	13.471
Other Countries	192.495	118.618	-	40.506	11.622	2.150	127.135	31.447
Total	54.740.441	41.423.250	495.568	2.135.691	22.395.184	19.281.107	2.607.436	1.824.999

- (1) Includes marketable securities designated at fair value through profit or loss, available for sale and held-to-maturity. Re-discount of marketable securities amounting TRY 857.047 are not included to the table above. (31 December 2010: TRY 891.177)
- (2) Includes the on balance sheet transactions classified in the Uniform Chart of Accounts except the ones in the first three categories and the transactions defined as loan in the Article 48 of the Banking Act No: 5411.
- (3) OECD Countries other than EU Countries, USA and Canada.
- (4) Interest and income accruals for the loans amounting TRY 713.437 (31 December 2010: TRY 444.323) are not included in the table above.

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

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

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

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

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

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Sector concentrations for cash loans:

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

⁽¹⁾ Accruals are included in other line.

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

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

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

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

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

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

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

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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 ⁽³⁾	Past due and individually impaired ⁽²⁾	Total
Receivables from banks	989.394	-	-	989.394
Financial assets at fair value through profit or loss	89.359	-	-	89.359
Loans ⁽¹⁾	42.671.630	185.393	293.223	43.150.246
<i>Corporate Lending</i>	16.498.322	1.768	74.520	16.574.610
<i>SME Lending</i>	12.683.185	158.555	188.111	13.029.851
<i>Consumer Lending</i>	11.384.327	25.070	30.592	11.439.989
<i>Other</i>	2.105.796	-	-	2.105.796
Financial assets available for sale	7.398.053	-	-	7.398.053
Investments held to maturity	12.719.179	-	-	12.719.179

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

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

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

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

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

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

⁽³⁾ Only graded firms are included.

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

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

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

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

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

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

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

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The net value and type of collaterals of the loans amounting TRY 641.037 followed under loans and other receivables under close monitoring section is below: (31 December 2010 : TRY 906.886).

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

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

⁽²⁾ Income accruals amounting to TRY 8.280 (31 December 2011: TRY 9.253) are not included in the table.

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

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

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

⁽²⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

III. EXPLANATIONS RELATED TO THE MARKET RISK

The Bank has established market risk management operations and taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" issued on Official Gazette dated 1 November 2006 numbered 26333.

The Board of Directors determines the limits for the basic risk that the Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Bank. Additionally, the Board of Directors has ensured that the risk management division and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the Bank.

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Interest rate and exchange rate risks, arising from the volatility in the financial markets, of the financial positions taken by the Bank related to balance sheet and off-balance sheet accounts are measured, and in the computation of capital adequacy, the amount subject to Value At Risk (VAR) calculated by using the standard method (summarised below) is considered. Beside the standard method, VAR is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by three different methods which are historic simulation, Monte Carlo simulation and parametric method, and these results are also reported daily to the management.

In addition to the standard method, market risk is also calculated by internal model method (Value At Risk), and the results are supported by scenario analysis and stress tests.

a) Information related to market risk:

	Amount
(I) Capital requirement to be employed for general market risk - Standard method	139.257
(II) Capital requirement to be employed for specific risk - Standard method	1.778
(III) Capital requirement to be employed for currency risk - Standard method	14.989
(IV) Capital requirement to be employed for commodity risk - standard method	-
(V) Capital requirement to be employed for settlement risk - Standard method	-
(VI) Total capital requirement to be employed for market risk resulting from options-Standard method	229
(VII) Total capital requirement to be employed for market risk in banks using risk measurement model	-
(VIII) Total capital requirement to be employed for market risk (I+II+III+IV+V+VI)	156.253
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	1.953.163

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

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

IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK

In the calculation of the Bank's operational risk, "Basic Indicator Method" is used. The amount subject to operational risk is calculated in accordance with Section 4 of the Communiqué on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 26333 on 1 November 2006 and this section is named as "Calculation of Operational Risk Base Amount" which came into effect as of 1 June 2007. The calculation is performed parallel to the practice within the country, by multiplying 15% of the Bank's last three years' average gross revenue with 12,5. Amount subject to operational risk is TRY 6.119.332 for the current period.

V. EXPLANATIONS RELATED TO THE CURRENCY RISK

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

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

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Announced current foreign exchange buying rates of the Bank as at 31 December 2011 and the previous five working days in full TRY are as follows:

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

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

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

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Information related to currency risk:

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

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

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

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

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

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

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

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

VI. EXPLANATIONS RELATED TO THE INTEREST RATE RISK

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

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

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

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

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

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

⁽²⁾ TRY 266.958 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

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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	7.770	-	-	-	-	4.641.790	4.649.560
Banks and financial institutions	913.003	-	-	-	-	76.391	989.394
Financial assets at fair value through profit and loss	817	28.064	26.970	25.484	8.024	-	89.359
Money market placements	120.025	-	-	-	-	-	120.025
Financial assets available-for-sale	1.287.224	972.680	788.634	3.252.003	1.084.752	12.760	7.398.053
Loans	14.931.731	6.601.889	9.898.339	10.147.610	1.664.774	758.921	44.003.264
Held-to-maturity investments	3.262.196	3.824.793	1.568.526	2.883.288	1.180.376	-	12.719.179
Other assets	36.352	-	-	-	-	2.937.199	2.973.551
Total assets	20.559.118	11.427.426	12.282.469	16.308.385	3.937.926	8.427.061	72.942.385
Liabilities							
Bank deposits	1.974.261	52.911	21.077	-	-	1.175.579	3.223.828
Other deposits	31.152.080	10.526.245	2.373.468	2.469	-	7.503.924	51.558.186
Money market balances	2.430.599	337.188	387.268	-	-	-	3.155.055
Sundry creditors	14.779	-	-	-	-	727.656	742.435
Bonds issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	1.072.743	1.830.161	711.700	93.338	115.650	795	3.824.387
Other liabilities	1.162.042	76.225	85.326	-	-	9.114.901	10.438.494
Total liabilities	37.806.504	12.822.730	3.578.839	95.807	115.650	18.522.855	72.942.385
Balance sheet long position	-	-	8.703.630	16.212.578	3.822.276	-	28.738.484
Balance sheet short position	(17.247.386)	(1.395.304)	-	-	-	(10.095.794)	(28.738.484)
Off-balance sheet long position	70.776	230.923	-	-	-	-	301.699
Off-balance sheet short position	(35.363)	(37.586)	-	(198.070)	-	-	(271.019)
Total position	(17.211.973)	(1.201.967)	8.703.630	16.014.508	3.822.276	(10.095.794)	30.680

- (1) TRY 221.471 of deferred tax assets is disclosed under the non-interest bearing column in other assets.
(2) TRY 293.223 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.
(3) Shareholders' equity balance is disclosed under the non-interest bearing column.
(4) Funds provided from other financial institutions include borrowings.

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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 ⁽⁵⁾	0,5	-	-	5
Due from other banks and financial institutions ⁽¹⁾	0,82	0,25	-	1,45
Financial assets at fair value through profit and loss	-	4,60	-	9,83
Money market placements	-	-	-	-
Available-for-sale financial assets	4,90	4,97	-	8,72
Loans ⁽²⁾	4,55	3,82	-	12,46
Held-to-maturity investments	6,38	7,02	-	11,09
Liabilities				
Bank deposits	1,29	0,99	-	10,84
Other deposits ⁽⁴⁾	3,75	3,77	-	9,44
Money market borrowings	2,11	1,59	-	9,16
Sundry creditors ⁽³⁾	-	-	-	4,50
Bonds issued	-	-	-	8,82
Funds provided from other financial institutions	2,35	1,60	-	6,90
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,5	-	-	5
Due from other banks and financial institutions ⁽¹⁾	0,52	1,18	-	7,19
Financial assets at fair value through profit and loss	-	3,93	-	11,30
Money market placements	-	-	-	-
Available-for-sale financial assets	5,00	4,64	-	10,03
Loans ⁽²⁾	3,61	3,03	3,50	11,69
Held-to-maturity investments	6,33	6,85	-	13,62
Liabilities				
Bank deposits	0,28	0,85	-	7,02
Other deposits	2,07	2,52	-	8,29
Money market borrowings	-	1,73	-	6,76
Sundry creditors	-	-	-	4,50
Bonds issued	-	-	-	-
Funds provided from other financial institutions ⁽⁴⁾	1,68	1,18	-	6,77

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

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

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

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

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

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Interest rate sensitivity:

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

As of the balance sheet date, any variations in the TRY and foreign currency interest rates which affects the Bank's trading accounts hence profit and loss, is measured by value at risk analysis. Parametric and historical simulation methods are carried out by using value at risk analysis. As of December 31, 2011 the effect of changes in the risk factors affecting trading accounts - considering 10 day retention time, and the 99% confidence interval - amounted to TRY 117.331 (31 December 2010: TRY 97.867).

The potential impact of interest rate shocks that may occur on the banking accounts is calculated through analysis of change in the economic value. In this context, TRY and foreign currency yield curves are shifted upward in parallel and are applied to shock 200 basis points. As of 31 December 2011 loss that might occur in exchange for the banking accounts in result of economic shocks, amounted to TRY 699.117. The main reason for that is change in fair value of fixed rate loans (31 December 2010: TRY 818.070).

VII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK

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

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

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

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Presentation of assets and liabilities according to their remaining maturities:

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

Current period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	1.187.159	1.758.631	2.813.389	1.468.609	44.311	271	-	7.272.370
Banks and financial institutions	113.556	1.288.851	72.593	-	-	-	-	1.475.000
Financial assets at fair value through profit and loss	-	8.446	35.019	3.058	76.090	5.586	-	128.199
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	282.040	193.566	463.493	5.066.991	3.201.220	12.760	9.220.070
Loans ⁽²⁾	279.619	4.197.571	4.704.799	18.342.599	24.896.154	3.528.704	-	55.949.446
Held-to-maturity investments	-	147.153	803.965	1.106.406	9.895.320	2.045.084	-	13.997.928
Other assets ⁽³⁾	297.942	10.468	34.978	8.739	79.697	9.133	2.639.690	3.080.647
Total assets	1.878.276	7.693.160	8.658.309	21.392.904	40.058.563	8.789.998	2.652.450	91.123.660
Liabilities								
Bank deposits	3.040.575	3.707.469	64.098	37.641	130.671	-	-	6.980.454
Other deposits	10.193.796	31.960.662	13.209.246	3.774.197	126.066	2.513	-	59.266.480
Funds provided from other financial institutions ⁽⁴⁾	797	96.816	250.379	2.948.746	1.199.615	1.794.874	-	6.291.227
Money market balances	-	4.234.296	332.118	338.118	-	-	-	4.904.532
Bonds issued	-	495.615	-	-	-	-	-	495.615
Sundry creditors	1.107.409	21.111	-	-	-	-	-	1.128.520
Other liabilities ⁽¹⁾	1.598.056	638.110	467.618	293.482	212.145	207.425	8.639.996	12.056.832
Total liabilities	15.940.633	41.154.079	14.323.459	7.392.184	1.668.497	2.004.812	8.639.996	91.123.660
Liquidity gap	(14.062.357)	(33.460.919)	(5.665.150)	14.000.720	38.390.066	6.785.186	(5.987.546)	-
Previous period								
Total assets	2.021.819	9.844.178	5.843.923	13.698.679	32.213.636	6.681.766	2.638.384	72.942.385
Total liabilities	11.505.063	35.796.954	11.250.507	4.342.346	1.064.092	1.538.743	7.444.680	72.942.385
Liquidity gap	(9.483.244)	(25.952.776)	(5.406.584)	9.356.333	31.149.544	5.143.023	(4.806.296)	-

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

(2) TRY 266.958 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

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

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

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

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

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

In accordance with the Communique on the "Measurement and Assessment of Liquidity of the Banks" published in the official gazette dated 1 November 2006 No: 26333, beginning from 1 June 2007 liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%. Liquidity ratio as at 31 December 2011 and 2010 are presented below:

	Current Period				Prior Period			
	First maturity Tranche(Weekly)		First maturity Tranche(Monthly)		First maturity Tranche(Weekly)		First maturity Tranche(Monthly)	
	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC
Average	154,91	154,98	104,30	106,78	168,36	194,30	113,40	119,53
Maximum	214,63	206,10	129,89	121,41	218,68	248,76	139,41	130,76
Minimum	119,96	136,93	81,85	100,23	118,89	172,05	92,27	108,27

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

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	465.213	162.649	70.521	-	-	698.383
Forward Contracts - Sell	466.418	1.703.426	71.104	-	-	2.240.948
Swaps - Buy	1.670.280	153.225	-	93.000	-	1.916.505
Swaps - Sell	1.683.159	153.119	-	59.500	-	1.895.778
Credit Default Swap - Buy	-	186.000	-	93.000	-	279.000
Credit Default Swap - Sell	-	138.970	-	59.100	-	198.070
Forward Precious Metal - Buy	-	1.500.223	-	-	-	1.500.223
Forward Precious Metal - Sell	-	7.849	-	-	-	7.849
Money Buy Options	36.785	10.663	21.932	-	-	69.380
Money Sell Options	36.811	10.638	21.931	-	-	69.380
Total	4.358.666	4.026.762	185.488	304.600	-	8.875.516

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	339.864	21.192	7.391	-	-	368.447
Forward Contracts - Sell	338.793	21.153	7.404	-	-	367.350
Swaps - Buy	1.218.848	59.343	251.625	76.250	-	1.606.066
Swaps - Sell	1.207.894	58.750	247.590	59.500	-	1.573.734
Credit Default Swap - Buy	-	-	-	228.750	-	228.750
Credit Default Swap - Sell	-	-	-	198.070	-	198.070
Forward Precious Metal - Buy	-	483.170	-	-	-	483.170
Forward Precious Metal - Sell	-	474.467	-	-	-	474.467
Money Buy Options	87.092	9.004	-	-	-	96.096
Money Sell Options	87.267	8.826	-	-	-	96.093
Total	3.279.758	1.135.905	514.010	562.570	-	5.492.243

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.

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

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

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

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

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Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2011 are presented in the table below.

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

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury / investment column.

In this context net of property, plant and equipment amounting TRY 1.011.022 (net) and deferred tax assets amounting TRY 72.164 in other assets are presented under the Treasury / Investment column.

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

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Prior Period	Corporate	Commercial	SME/ Intagrated	Treasury / Investment ⁽¹⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	772.010	492.956	6.074.668	5.177.666	(6.166.685)	6.350.615
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
Interest on marketable bonds issued	-	-	-	-	-	-
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
Bonds issued	-	-	-	-	-	-
Other liabilities	32.227	60.387	1.797.216	682.046	-	2.571.876
Provisions and tax payable	6.101	9.367	72.105	1.037.649	-	1.125.222
Shareholders' equity	-	-	-	7.444.680	-	7.444.680
TOTAL LIABILITIES	7.256.397	2.768.067	40.942.573	21.975.348	-	72.942.385
OFF BALANCE SHEET ITEMS						
Guarantees and suretyships	6.987.939	2.407.489	3.329.660	1.264	-	12.726.352
Commitments	48.183	105.255	4.670.000	5.064.440	-	9.887.878
Derivative financial instruments	-	32.354	30.180	4.798.508	-	4.861.042

(1) Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 945.368 (net) and deferred tax assets amounting TRY 221.471 in other assets are presented under the Treasury / Investment column.

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

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IX. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

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

⁽¹⁾ As of 31 December 2011 TRY 12.760 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2010: TRY 12.760).

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

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

i- The fair value of the held to maturity assets is determined by market places, when the market prices are not available, quoted market prices of other marketable securities which are subject to redemption with the same terms of interest maturity and other similar conditions have been used.

ii- The applicable interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial institutions and sundry creditors.

Classification of Fair Value Measurement

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

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

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

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

Classification requires using observable market data if possible.

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

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

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	53.127	34.307	1.925	89.359
<i>Debt securities</i>	53.127	-	-	53.127
<i>Derivative financial assets held for trading purpose</i>	-	34.307	-	34.307
<i>Bonds</i>	-	-	-	-
<i>Other Securities</i>	-	-	1.925	1.925
Available-for-sale financial assets ⁽¹⁾	7.337.229	48.064	-	7.385.293
<i>Debt securities</i>	7.337.229	48.064	-	7.385.293
Total Financial Assets	7.390.356	82.371	1.925	7.474.652
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	39.151	-	39.151
Total Financial Liabilities	-	39.151	-	39.151

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

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

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

The Bank does not engage in transaction based on trust.

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

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

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

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

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

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

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

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

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

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

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

None.

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

None.

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

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

(3) Information on banks and other financial institutions:

a) Information on banks:

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

b) Information on foreign banks:

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

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

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

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

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

None.

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

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

b) Information on financial assets available for sale portfolio:

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

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

(5) Information on loans:

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

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

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

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

⁽¹⁾ Includes TRY 88.966 of personnel loans.

⁽²⁾ Includes TRY 28.821 of personnel credit cards.

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

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

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

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c) Loans according to their maturity structure:

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

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

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

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

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

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

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

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

f) Loan according to type of borrowers:

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

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g) Domestic and foreign loans:

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

h) Loans granted to subsidiaries and associates:

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

i) Specific provisions provided against loans:

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

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

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

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

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

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

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

None.

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period (Net)	54.971	8.551	203.436
Loans to granted real persons and legal entities (Gross)	144.021	30.350	1.452.789
Specific provisions (-)	89.050	21.799	1.249.353
Loans to granted real persons and legal entities (Net)	54.971	8.551	203.436
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	138	258	41.139
Specific provisions (-)	138	258	41.139
Other loans and receivables (Net)	-	-	-
Prior period (Net)	67.736	30.831	194.656
Loans to granted real persons and legal entities (Gross)	194.110	106.510	1.419.636
Specific provisions (-)	126.374	75.679	1.224.980
Loans to granted real persons and legal entities (Net)	67.736	30.831	194.656
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	915	2	36.580
Specific provisions (-)	915	2	36.580
Other loans and receivables (Net)	-	-	-

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

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

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

l) Explanations on write-off policy:

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

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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	244	1.483	1.451	3.178
SME Loans	79.147	26.178	13.677	119.002
Consumer Loans	12.901	4.792	2.236	19.929
Credit cards	79.797	13.358	4.216	97.371
Total	172.089	45.811	21.580	239.480

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

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

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

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

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

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

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

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

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

c) Information on held-to-maturity investments:

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

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

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

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

⁽²⁾ In accordance with the tainting rules defined in paragraph 9 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2011, the Bank reclassified TRY 734.142 of financial assets from held to maturity investments portfolio to available for sale portfolio. Related amount was presented in "Disposals Through Sales and Redemptions" row.

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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⁾	6.592.294	-	7.038.990	-	5.048.183	-	5.322.236	-
Obtained with the transfer	2.340.938	-	2.402.709	-	2.340.938	-	2.388.965	-
Reclassified from other securities portfolios ⁽¹⁾	2.424.517	1.229.627	2.554.706	1.289.865	2.989.881	1.203.581	3.096.506	1.254.814
Other	-	684.876	-	711.658	-	635.878	-	656.658
Total	11.357.749	1.914.503	11.996.405	2.001.523	10.379.002	1.839.459	10.807.707	1.911.472

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

⁽²⁾ The Bank has not reclassified any financial assets from other portfolios to held to maturity investment portfolio during 2011. The additions for the period and financial assets are shown under "Obtained from Under Secretariat of Treasury of Republic of Turkey" row.

(7) Information on associates (Net):

a) Information on associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demirhalkbank NV	Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	32,26
3. Fintek AŞ	Ankara	24,00	29,76
4. Bileşim Alternatif Dağ. Kan. AŞ	İstanbul	24,00	24,00
5. Kredi Kayıt Bürosu AŞ	İstanbul	18,18	18,18
6. Bankalararası Kart Merkezi AŞ	İstanbul	18,95	18,95
7. Kredi Garanti Fonu AŞ	Ankara	1,67	1,67

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

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

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

c) Movement of associates:

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

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

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

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

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d) Sectoral information and related carrying amounts of associates:

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

e) Associates quoted to a stock exchange:

None.

(8) Information on subsidiaries (Net):

a) Information on subsidiaries:

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

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

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

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

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

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c) Movement of the subsidiaries:

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

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

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

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

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

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

e) Subsidiaries quoted in the stock exchange:

None.

(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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(12) Information on tangible assets:

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

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Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Immovables	948.799	30.044	(304.789)	(12.677)	661.377
Tangible assets purchased through financial lease	108.100	639	(62.844)	-	45.895
Office machines	147.874	48.224	(18.463)	-	177.635
Fixed assets obtained due to non-performing loans	259.089	181.746	(40.644)	(91.335)	308.856
Lease hold improvements costs	80.201	38.932	(18.525)	-	100.608
Other	225.053	24.959	(41.273)	-	208.739
Total Cost	1.769.116	324.544	(486.538)	(104.012)	1.503.110
Accumulated depreciation:					
Immovables	200.505	12.941	(24.665)	(3.046)	185.735
Tangible assets purchased through financial lease	99.806	5.085	(62.737)	-	42.154
Office machines	101.439	18.008	(14.182)	-	105.265
Fixed assets obtained due to non-performing loans	9.245	5.373	(1.582)	(1.086)	11.950
Lease hold improvements costs	27.876	16.332	(9.769)	-	34.439
Other	175.081	14.225	(33.704)	-	155.602
Total accumulated depreciation	613.952	71.964	(146.639)	(4.132)	535.145
Provision for impairment (-)					
Immovables	8.656	303	(251)	(251)	8.457
Tangible assets purchased through financial lease	-	-	-	-	-
Office machines	-	-	-	-	-
Fixed assets obtained due to non-performing loans	7.546	8.764	(3.000)	830	14.140
Other	-	-	-	-	-
Total provision for impairment (-)	16.202	9.067	(3.251)	579	22.597
Net Book Value	1.138.962	243.513	(336.648)	(100.459)	945.368

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(13) Information on intangible assets:

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

(14) Information on investment property:

None.

(15) Information on deferred tax assets:

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

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

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

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

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

(17) Information on other assets:

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

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II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

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

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a.2. Prior period:

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

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

b.1. Amounts exceeding insurance limit:

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

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

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

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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	151.869	152.388
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	3.734	2.141
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	45.829	-	601
Swap transactions	-	19.443	-	37.673
Future transactions	-	-	-	-
Options	44	42	7	870
Other	-	-	-	-
Total	44	65.314	7	39.144

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	221.380	216.162	126.442	128.796
Foreign banks, institutions and funds	157.703	5.695.982	75.287	3.493.862
Total	379.083	5.912.144	201.729	3.622.658

b) Maturity structure of funds borrowed:

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

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

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

Main liability of the Bank is deposit, which is composed of 37% of saving deposits and 25% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Bank's 51% of banks deposits and 31% of other deposits consist of foreign currency deposits.

Information on funds provided from repurchase agreement transactions:

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

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Bonds	495.615	-	-	-
Securities	-	-	-	-
Total	495.615	-	-	-

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

(5) Explanations to the funds:

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

a) Maturity structure of funds:

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

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(6) Information on other liabilities:

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

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

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

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

b) Explanation on finance lease payables:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years ⁽¹⁾	2.754	1.818	831	566
More than 4 years	-	-	-	-
Total	2.754	1.818	831	566

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

c) Explanations regarding operational leases:

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

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

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

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

None.

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

As of 31 December 2011, the Bank's specific provisions for unindemnified non-cash loans balance is TRY 41.419 (31 December 2010: TRY 46.665). The Bank provides 50% of provision for these non cash loans. TRY 2.525 (31 December 2010: TRY 2.538) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

d) Information on other provisions:

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

d.1. Movement of employee termination benefits

Severance indemnity provision is calculated by an independent company by using the Severance indemnity provision as of 31 December 2011 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation, according to TAS 19, is as follows:

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

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

Calculated amounts as a result of actuarial conjectures are as follows

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

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

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

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e) Liabilities on pension rights

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

None.

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

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

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

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

a.2. Information on taxes payable:

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

a.3. Information on premiums:

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

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b) Explanations regarding deferred tax liability:

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

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

None.

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

None.

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

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

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

None.

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

None.

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

None.

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

None.

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

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

g) Information on preferred shares:

None.

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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)	-	-	-	-
Revaluation difference	76.746	(343.524)	175.514	(59.790)
Exchange rate difference	-	-	-	-
Total	76.746	(343.524)	175.514	(59.790)

i) Information on legal reserves:

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

j) Information on the extraordinary reserves

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

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

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

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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	4.080.511	3.377.338
Letters of credit	627.992	149.594
Other guarantees	423.056	256.403
Total	5.131.559	3.783.335

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

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

b.3. Total non-cash loans:

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

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

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

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

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

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

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

d) Information on contingent liabilities and assets:

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

e) Services supplied on behalf of others:

None.

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

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

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	-	-	66.622	-
Domestic banks	53	737	174	343
Overseas banks	751	7.688	930	3.345
Head office and branches	-	-	-	-
Total	804	8.425	67.726	3.688

c) Interest income from marketable securities:

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

d) Interest income from subsidiaries and associates:

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

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(2) Information on interest expenses:

a) Information on interest expense on borrowings:

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

b) Interest expenses to subsidiaries and associates:

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

c) Information on interest expenses to bonds issued:

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

d) Maturity structure of interest expenses on deposits:

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

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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	620	411
Other	47.911	55.524
Total	48.531	55.935

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

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

b) Information on derivative financial instruments:

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

(5) Information on other operating income:

The Bank's other operating income mainly consist of gains from sale of property and income on cancellation of specific provisions due to the principal collection of non-performing loans.

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

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(6) Impairment losses on loans and other receivables:

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

(7) Information on other operating expenses:

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

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

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

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

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

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

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

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

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

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

a) Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Bank's performance for the period between 1 January 2011 and 31 December 2011.

b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.

c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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:

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

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

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

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

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

None.

(4) Period beginning cash and cash equivalents balance:

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

⁽¹⁾ Others items include precious metals.

(5) Period ending cash and cash equivalents balance:

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

⁽¹⁾ Other items include precious metals.

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

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

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK

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

a) Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	75.704	36.366	-	-	-	-
Closing balance	144.642	84.051	-	-	-	-
Interest and commissions income	5.581	168	-	-	-	-

b) Prior period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	58.611	22.311	-	-	-	-
Closing balance	75.704	36.366	-	-	-	-
Interest and commissions income	3.160	134	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Beginning balance	284.026	115.585	-	-	-	-
Closing Balance	306.082	284.026	-	-	-	-
Interest expense on deposits	28.193	12.712	-	-	-	-

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

None.

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

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

(2) Disclosures for risk group:

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

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

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

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

	Amount	% compared to the amounts in the financial statements
Cash loans	144.642	0,26%
Non-cash loans	84.051	0,47%
Deposits	306.082	0,46%
Forward and option contracts	-	-
Banks and financial institutions	-	-

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

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

Explained in b).

d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 5.253 as of 31 December 2011 (31 December 2010: TRY 4.145).

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

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

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

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

The Bank opened 61 domestic branches during the year.

IX. SUBSEQUENT EVENTS

Related to domestic bank bill or bond issuance:

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

Establishment of Halk Faktoring Anonim Şirketi

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

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

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

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

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

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

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

SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

SECTION VII: INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements as of and for the year ended 31 December 2011 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 16 February 2012 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

**TÜRKİYE HALK BANKASI
ANONİM ŞİRKETİ**

**CONSOLIDATED FINANCIAL
STATEMENTS AS OF AND
FOR THE YEAR ENDED
31 DECEMBER 2011**

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

**WITH INDEPENDENT
AUDITORS' REPORT THEREON**



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**

Kavacak Rüzgarlı Bahçe Mah.
Kavak Sok. No:3
Beykoz 34805 İstanbul

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Internet www.kpmg.com.tr

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

**INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2011**

To the Board of Directors of Türkiye Halk Bankası AŞ;

We have audited the consolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") and its financial affiliates (together "the Group") as of 31 December 2011 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.

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.

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

Independent Auditors' Opinion:

In our opinion, except for the effect of the matter described in the fourth paragraph above on the consolidated financial statements, 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 2011 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 other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Agency.

İstanbul
8 March 2012

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Partner

Additional paragraph for convenience translation to English:

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

TÜRKİYE HALK BANKASI AŞ THE CONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED 31 December 2011

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

The 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:

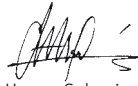
- **Section One** : GENERAL INFORMATION ABOUT THE PARENT BANK
- **Section Two** : CONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES
- **Section Four** : INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP
- **Section Five** : EXPLANATIONS AND NOTES TO THE CONSOLIDATED 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	
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	
5. Halk Finansal Kiralama AŞ	
6. Halk Portföy Yönetimi AŞ	
7. Halk Banka AD, Skopje	

Unless otherwise indicated, these year end consolidated financial statements and explanatory footnotes and disclosures as of 31 December 2011 are prepared in thousand Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on "Banks' Accounting Practice and Maintaining Documents", Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Ankara, 8 March 2012



Hasan Cebeci
Chairman of the
Board of Directors



Süleyman Aslan
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



Mustafa Savaş
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 - 0312 289 30 13
Fax No: 0312 289 30 50

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TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION I: GENERAL INFORMATION ABOUT THE 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 2011 the shareholders' structure and their respective ownerships are summarized as follows:

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

⁽¹⁾ As per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007; 25% of the public shares that were previously held by the Privatization Administration were privatized by a public offering and the 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 İstanbul Stock Exchange as of 10 May 2007.

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	31
Mehmet Emin ÖZCAN	Vice Chairman of the Board of Directors	24.05.2010	Ankara University, Faculty of Political Sciences - Department of Economics and Finance.	28
Süleyman ASLAN	Member of the Board of Directors, Chief Executive Officer	15.07.2011	METU Faculty of Economic and Administrative Sciences- International Relations Department.	19
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	28
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: Marmara Uni. Banking and Insurance Ins. - International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	21
İbrahim Hakkı TUNCAY	Member of the Board of Directors	09.04.2008	METU Business Administration.	31
Dr.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: İstanbul Uni. - Business Administration.	20
Salim ALKAN	Member of the Board of Directors	24.05.2010	Ankara Uni. Faculty of Political Science-Business Administration.	39
Sabahattin BİRDAL	Member of the Board of Directors	27.10.2010	İstanbul Uni. Faculty of Economics Business Administration-Finance	26

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

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

Name	Title	Assignment date	Educational background	Experience in banking and business administration
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.	1
Yusuf DAĞCAN	Member of the Audit Committee	27.03.2003	Eskişehir Economics and Trade Academy-Economy&Finance.	32
Yakup DEMİRCİ	Executive Vice President	11.06.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	22
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	09.3.2005 - 3.6.2005 By proxy 14.6.2005 Principal	METU Faculty of Arts and Sciences-Mathematics Department.	22
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.	20
Selahattin SÜLEYMANOĞLU	Executive Vice President	01.07.2007	Master Degree: Selcuk University Social Sciences Ins.-International Relations.	21
Mehmet Akif AYDEMİR	Executive Vice President	04.03.2010	Ankara University, Faculty of Political Sciences -Economics.	25
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.	22
Mürsel ERTAŞ	Executive Vice President	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences-Foreign Trade & Exchange.	25
İsmail Hakkı İMAMOĞLU	Executive Vice President	28.03.2011	Ankara Eco. Com. Science (ECS) Academy - Faculty of Management Sciences - Department of Social Politics.	27
Atalay TARDUŞ	Executive Vice President	04.08.2011	METU Faculty of Economic and Administrative Sciences- Department of Economics.	19
Mehmet Hakan ATİLLA	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.	16
Murat UYSAL	Executive Vice President	11.11.2011	Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department Bachelor Degree: Istanbul Uni. - Faculty of Economic and Administrative Sciences- Department of Economics	13

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

a) The professionals to the Parent Bank's top management who have assigned to their position in 2011 are listed with titles and dates of assignment.

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

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

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

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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 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 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 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.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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
- Halk Finansal Kiralama AŞ
- Halk Portföy Yönetimi AŞ
- Halk Banka AD, Skopje

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

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 2010, 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.

Halk Finansal Kiralama AŞ ("Halk Leasing"), was an associate of the Parent Bank with 47,75% of the shares and consolidated according to the equity method until 27 May 2011. The Group obtained the control of Halk Leasing by acquiring 52,24% of the shares and voting interests in the company as of 27 May 2011. As a result, the Group's equity interest in Halk Leasing has increased from 47,75% to 99,99%. Halk Leasing was established in September 1991 in Turkey and operates under the provisions of the Turkish financial leasing law number 3226.

Halk Banka AD Skopje, formerly Export and Credit Bank AD Skopje is a subsidiary of the Parent Bank. The Group obtained the control of Halk Banka AD, Skopje by acquiring 98,12% of the shares and voting interests of the company as of 8 April 2011 and 8 August 2011. Halk Banka AD, Skopje is operating in Republic of Macedonia. Its main activities include commercial lending, receiving of deposits, foreign exchange deals, and payment operation services in the country and abroad and retail banking services.

Halk Portföy Yönetimi AŞ ("Halk Portföy"), a subsidiary of the Parent Bank established in 2011, was registered on 30 June 2011. Halk Portföy's main line of business is to provide portfolio and fund management services. 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 AŞ

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2011

(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 2011			Audited Prior period 31 December 2010		
		TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	2.511.197	4.776.536	7.287.733	2.782.649	1.866.916	4.649.565
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	39.599	109.900	149.499	46.631	43.356	89.987
2.1 Trading financial assets		39.599	109.900	149.499	46.631	43.356	89.987
2.1.1 Public sector debt securities		22.435	10.413	32.848	44.720	8.958	53.678
2.1.2 Share certificates		-	-	-	77	-	77
2.1.3 Financial assets held for trading		37	92.902	92.939	3	34.304	34.307
2.1.4 Other marketable securities		17.127	6.585	23.712	1.831	94	1.925
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)	38.568	1.500.137	1.538.705	103.332	909.336	1.012.668
IV. MONEY MARKET PLACEMENTS		33.313	-	33.313	216.125	-	216.125
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market placements		32.394	-	32.394	95.719	-	95.719
4.3 Receivables from reverse repurchase agreements		919	-	919	120.406	-	120.406
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	7.770.489	1.619.931	9.390.420	5.929.654	1.565.336	7.494.990
5.1 Share certificates		5.476	10.095	15.571	4.774	8.861	13.635
5.2 Public sector debt securities		7.765.013	1.609.836	9.374.849	5.924.880	1.556.475	7.481.355
5.3 Other marketable securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	(5)	38.597.858	17.685.745	56.283.603	32.227.015	12.069.472	44.296.487
6.1 Loans and receivables		38.330.900	17.682.932	56.013.832	31.933.792	12.069.472	44.003.264
6.1.1 Loans extended to risk group of the Bank		-	-	-	9.130	66.574	75.704
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		38.330.900	17.682.932	56.013.832	31.924.662	12.002.898	43.927.560
6.2 Loans under follow-up		1.668.695	12.189	1.680.884	1.757.753	-	1.757.753
6.3 Specific provisions (-)		1.401.737	9.376	1.411.113	1.464.530	-	1.464.530
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	12.019.233	2.045.225	14.064.458	10.838.368	1.911.472	12.749.840
8.1 Public sector debt securities		12.019.233	2.045.225	14.064.458	10.838.368	1.911.472	12.749.840
8.2 Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	24.215	131.273	155.488	72.356	115.566	187.922
9.1 Accounted under equity method		14.344	131.273	145.617	64.723	115.566	180.289
9.2 Unconsolidated associates		9.871	-	9.871	7.633	-	7.633
9.2.1 Financial investments		8.819	-	8.819	6.581	-	6.581
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)	124.961	764.572	889.533	-	-	-
12.1 Finance lease receivables		159.285	889.299	1.048.584	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		34.324	124.727	159.051	-	-	-
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)	1.292.527	22.334	1.314.861	1.234.390	47	1.234.437
XV. INTANGIBLE ASSETS (Net)	(13)	29.508	16.035	45.543	18.655	-	18.655
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		29.508	16.035	45.543	18.655	-	18.655
XVI. INVESTMENT PROPERTIES (Net)	(14)	-	-	-	-	-	-
XVII. TAX ASSET	(15)	106.486	97	106.583	222.820	-	222.820
17.1 Current assets for tax		12.815	97	12.912	-	-	-
17.2 Deferred assets for tax		93.671	-	93.671	222.820	-	222.820
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	85.623	-	85.623	98.131	-	98.131
18.1 Held for sale purpose		85.623	-	85.623	98.131	-	98.131
18.2 Held from discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	744.739	70.556	815.295	714.198	41.054	755.252
TOTAL ASSETS		63.418.316	28.742.341	92.160.657	54.504.324	18.522.555	73.026.879

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2011

(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 2011			Audited Prior period 31 December 2010		
		TRY	FC	Total	TRY	FC	Total
LIABILITIES AND SHAREHOLDERS' EQUITY							
I. DEPOSITS	(1)	44.029.636	22.198.874	66.228.510	39.449.915	15.104.500	54.554.415
1.1 Deposits Held by the Risk Group of the Parent Bank		69.408	14.622	84.030	50.153	6.274	56.427
1.2 Other		43.960.228	22.184.252	66.144.480	39.399.762	15.098.226	54.497.988
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	44	65.314	65.358	7	39.144	39.151
III. BORROWING FUNDING LOANS	(3)	435.310	6.575.035	7.010.345	203.429	3.622.658	3.826.087
IV. MONEY MARKET BALANCES		4.093.779	847.930	4.941.709	2.666.667	614.156	3.280.823
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Takasbank takings		37.177	-	37.177	125.768	-	125.768
4.3 Funds from repurchase agreements	(3)	4.056.602	847.930	4.904.532	2.540.899	614.156	3.155.055
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	495.611	-	495.611	-	-	-
5.1 Treasury bills		495.611	-	495.611	-	-	-
5.2 Asset-backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS	(5)	1.345.234	-	1.345.234	1.295.232	-	1.295.232
6.1 Borrower Funds		32.847	-	32.847	121.084	-	121.084
6.2 Other		1.312.387	-	1.312.387	1.174.148	-	1.174.148
VII. SUNDRY CREDITORS		1.084.441	86.946	1.171.387	755.869	19.362	775.231
VIII. OTHER LIABILITIES	(6)	397.572	184.256	581.828	392.985	140.658	533.643
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES	(7)	-	-	-	565	1	566
10.1 Finance lease payables		-	-	-	830	1	831
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	265	-	265
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(8)	-	-	-	-	-	-
11.1 Fair value risk hedging		-	-	-	-	-	-
11.2 Cash flow risk hedging		-	-	-	-	-	-
11.3 Net abroad investment risk hedging		-	-	-	-	-	-
XII. PROVISIONS	(9)	1.547.395	19.890	1.567.285	1.059.388	15.869	1.075.257
12.1 General loan provisions		656.783	3.131	659.914	390.121	-	390.121
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Employee benefits provisions		320.290	-	320.290	276.605	-	276.605
12.4 Insurance technical reserves (Net)		309.277	-	309.277	216.750	-	216.750
12.5 Other provisions		261.045	16.759	277.804	175.912	15.869	191.781
XIII. TAX LIABILITY	(10)	190.674	1.846	192.520	274.148	1	274.149
13.1 Current tax liability		190.674	23	190.697	274.148	1	274.149
13.2 Deferred tax liability		-	1.823	1.823	-	-	-
XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
14.1 Held for sale purpose		-	-	-	-	-	-
14.2 Held from discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED CAPITAL	(12)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(13)	8.848.336	(287.466)	8.560.870	7.436.636	(64.311)	7.372.325
16.1 Paid-in capital		1.250.000	-	1.250.000	1.250.000	-	1.250.000
16.2 Capital Reserves		1.297.443	(354.964)	942.479	1.398.353	(64.311)	1.334.042
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities revaluation fund		76.761	(354.964)	(278.203)	177.841	(64.311)	113.530
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		231	-	231	61	-	61
16.2.8 Hedging Funds (effective portion)		-	-	-	-	-	-
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		4.260.209	19.859	4.280.068	2.893.106	-	2.893.106
16.3.1 Legal reserves		765.200	-	765.200	620.349	-	620.349
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		3.447.828	-	3.447.828	2.225.576	-	2.225.576
16.3.4 Other profit reserves		47.181	19.859	67.040	47.181	-	47.181
16.4 Profit/Loss		2.035.430	46.053	2.081.483	1.888.693	-	1.888.693
16.4.1 Prior years income/loss		8.731	45.373	54.104	45.998	-	45.998
16.4.2 Period profit/loss		2.026.699	680	2.027.379	1.842.695	-	1.842.695
16.5 Minority shares	(14)	5.254	1.586	6.840	6.484	-	6.484
TOTAL LIABILITIES AND EQUITY		62.468.032	29.692.625	92.160.657	53.534.841	19.492.038	73.026.879

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

TÜRKİYE HALK BANKASI AŞ

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2011

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

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS	Note	Audited Current period 31 December 2011			Audited Prior period 31 December 2010		
		TRY	FC	Total	TRY	FC	Total
OFF BALANCE SHEET							
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		80.613.586	16.627.863	97.241.449	17.089.689	10.385.583	27.475.272
I. GUARANTEES AND SURETYSHIPS	(1)	8.825.107	9.030.170	17.855.277	6.747.813	5.978.539	12.726.352
1.1 Letters of guarantee		7.625.151	5.097.170	12.722.321	5.140.511	3.802.506	8.943.017
1.1.1 Guarantees subject to public procurement law		543.113	4.062.660	4.605.773	477.740	3.006.494	3.484.234
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		7.082.038	1.034.510	8.116.548	4.662.771	796.012	5.458.783
1.2 Bank loans		5.620	622.372	627.992	-	149.594	149.594
1.2.1 Import acceptances		-	147.772	147.772	-	88.531	88.531
1.2.2 Other bank acceptances		5.620	474.600	480.220	-	61.063	61.063
1.3 Letters of credit		988.711	3.093.197	4.081.908	1.521.453	1.855.885	3.377.338
1.3.1 Documentary letters of credit		988.711	3.093.197	4.081.908	1.521.453	1.855.885	3.377.338
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guarantee 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		205.395	217.431	422.826	85.619	170.554	256.173
1.9 Other suretyships		230	-	230	230	-	230
II. COMMITMENTS	(1)	70.356.620	893.328	71.249.948	9.198.369	689.509	9.887.878
2.1 Irrevocable commitments		10.371.656	893.328	11.264.984	9.195.150	689.509	9.884.659
2.1.1 Forward asset purchase commitments		154.699	522.386	677.085	248.007	383.194	631.201
2.1.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		1.000	-	1.000	2.000	-	2.000
2.1.4 Loan granting commitments		528.010	362.025	890.035	296.308	306.315	602.623
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for cheques		3.976.513	-	3.976.513	3.604.999	-	3.604.999
2.1.8 Tax and fund liabilities from export commitments		11.389	-	11.389	34.849	-	34.849
2.1.9 Commitments for credit card expenditure limits		4.614.215	4.369	4.618.584	4.089.791	-	4.089.791
2.1.10 Commitments for credit cards and banking services promotions		26.857	-	26.857	26.217	-	26.217
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		1.058.973	4.548	1.063.521	892.979	-	892.979
2.2 Revocable commitments		59.984.964	-	59.984.964	3.219	-	3.219
2.2.1 Revocable loan granting commitments		59.984.964	-	59.984.964	-	-	-
2.2.2 Other revocable commitments		-	-	-	3.219	-	3.219
III. DERIVATIVE FINANCIAL INSTRUMENTS	(1)	1.431.859	6.704.365	8.136.224	1.143.507	3.717.535	4.861.042
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		1.431.859	6.704.365	8.136.224	1.143.507	3.717.535	4.861.042
3.2.1 Forward foreign currency buy/sell transactions		253.014	1.947.025	2.200.039	43.389	61.207	104.596
3.2.1.1 Forward foreign currency transactions-buy		107.162	222.569	329.731	15.883	36.443	52.326
3.2.1.2 Forward foreign currency transactions-sell		145.852	1.724.456	1.870.308	27.506	24.764	52.270
3.2.2 Currency and interest rate swaps		907.911	2.904.372	3.812.283	814.044	2.365.756	3.179.800
3.2.2.1 Currency swap-buy		37.792	1.878.713	1.916.505	154.773	1.451.293	1.606.066
3.2.2.2 Currency swap-sell		870.119	1.025.659	1.895.778	659.271	914.463	1.573.734
3.2.2.3 Interest rate swap-buy		-	-	-	-	-	-
3.2.2.4 Interest rate swap-sell		-	-	-	-	-	-
3.2.3 Currency, interest rate and marketable securities options		72.864	65.896	138.760	88.004	104.185	192.189
3.2.3.1 Currency call options		36.410	32.970	69.380	43.922	52.174	96.096
3.2.3.2 Currency put options		36.454	32.926	69.380	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	1.787.072	1.985.142	198.070	1.186.387	1.384.457
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		468.439.063	257.727.659	726.166.722	357.507.925	151.968.388	509.476.317
IV. CUSTODIES		86.517.071	9.065.031	95.582.102	65.622.963	6.599.017	72.221.980
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		30.685.555	300.524	30.986.079	27.486.898	279.199	27.766.097
4.3 Cheques in collection process		5.914.701	5.311.108	11.225.809	4.208.585	2.885.911	7.094.496
4.4 Commercial notes in collection process		32.414.352	274.624	32.688.976	19.368.036	191.272	19.559.308
4.5 Other assets in collection process		613	-	613	1.099	-	1.099
4.6 Underwritten securities		640	-	640	129	-	129
4.7 Other custodies		2.245	3.418	5.663	3.114	7.881	10.995
4.8 Custodians		17.498.965	3.175.357	20.674.322	14.555.102	3.234.754	17.789.856
V. PLEDGED ASSETS		381.921.992	248.662.628	630.584.620	291.884.962	145.369.371	437.254.333
5.1 Marketable securities		1.528.764	221.573	1.750.337	1.356.594	184.735	1.541.329
5.2 Collateral notes		4.491.731	413.970	4.905.701	3.483.737	166.385	3.650.122
5.3 Commodity		25.830	-	25.830	25.830	-	25.830
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		78.511.399	35.516.868	114.028.267	56.223.803	17.792.541	74.016.344
5.6 Other pledged assets		294.494.533	212.035.121	506.529.654	228.225.320	127.085.348	355.310.668
5.7 Pledges		2.869.735	475.096	3.344.831	2.569.678	140.362	2.710.040
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		549.052.649	274.355.522	823.408.171	374.597.614	162.353.971	536.951.585

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF INCOME FOR
THE YEAR ENDED 31 DECEMBER 2011

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

III. CONSOLIDATED STATEMENT OF INCOME		Audited Current period	Audited Prior period
		1 January- 31 December 2011	1 January- 31 December 2010
	INCOME AND EXPENSES		
I.	INTEREST INCOME	7.339.262	6.363.935
1.1	Interest on loans	5.250.985	4.256.240
1.2	Interest received from reserve deposits	222	177
1.3	Interest received from banks	10.076	73.470
1.4	Interest received from money market placements	245	263
1.5	Interest income on marketable securities	2.033.640	2.019.832
1.5.1	Financial assets held for trading	5.751	3.372
1.5.2	Financial assets at fair value through profit and loss	-	-
1.5.3	Financial assets available-for-sale	735.228	616.755
1.5.4	Investments held-to-maturity	1.292.661	1.399.705
1.6	Finance lease income	33.526	-
1.7	Other interest income	10.568	13.953
II.	INTEREST EXPENSE	3.805.504	3.151.775
2.1	Interest on deposits	3.152.749	2.763.395
2.2	Interest on borrowings	140.845	66.207
2.3	Interest on money market borrowings	458.659	272.513
2.4	Interest on marketable securities issued	17.308	-
2.5	Other interest expense	35.943	49.660
III.	NET INTEREST INCOME [I - II]	3.533.758	3.212.160
IV.	NET FEES AND COMMISSIONS INCOME	703.029	509.975
4.1	Fees and commissions income	828.526	615.500
4.1.1	Non-cash loans	112.284	78.714
4.1.2	Other	716.242	536.786
4.2	Fees and commissions expenses	125.497	105.525
4.2.1	Non-cash loans	853	58
4.2.2	Other	124.644	105.467
V.	DIVIDEND INCOME	5.673	1.223
VI.	NET TRADING PROFIT (NET)	210.259	133.355
6.1	Profit/loss from capital market operations	95.747	221.758
6.2	Profit/loss from financial derivative transactions	154.339	(72.840)
6.3	Foreign exchange gains/losses	(39.827)	(15.563)
VII.	OTHER OPERATING INCOME	818.732	597.805
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)	5.271.451	4.454.518
IX.	LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	691.716	458.470
X.	OTHER OPERATING EXPENSES(-)	1.945.093	1.653.949
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)	2.634.642	2.342.099
XII.	AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER	-	-
XIII.	PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES	905	10.911
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION	-	-
XV.	INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	2.635.547	2.353.010
XVI.	TAX INCOME PROVISION (±)	(608.848)	(509.719)
16.1	Current tax provision	(381.227)	(544.120)
16.2	Deferred tax provision	(227.621)	34.401
XVII.	NET OPERATING INCOME AFTER TAX (XV±XVI)	2.026.699	1.843.291
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)	-	-
XXI.	PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)	-	-
21.1	Current tax provision	-	-
21.2	Deferred tax provision	-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)	-	-
XVIII.	NET PROFIT/(LOSS) (XVII+XXII)	2.026.699	1.843.291
23.1	Group's profit/loss	2.027.379	1.842.695
23.2	Minority shares profit/loss	(680)	596
Earnings/losses per share (Full TRY)		1,62190	1,47416

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 2011

(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	Audited Prior period
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	1 January - 31 December 2011	1 January - 31 December 2010
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	(468.026)	97.648
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	19.859	69
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	-	12.609
VII. (Effective portion of fair value differences)	-	-
VIII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
IX. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS	170	-
X. DEFERRED TAX OF VALUATION DIFFERENCES	76.279	(13.212)
XI. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	(371.718)	97.114
XI. PROFIT/LOSS	2.026.699	1.843.291
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	69.655	31.486
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	1.957.044	1.821.892
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	1.654.981	1.940.405

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

TÜRKİYE HALK BANKASI AŞ

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS	Note	Audited Current period 31 December 2011	Audited Prior period 31 December 2010
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1		1.093.990	2.175.697
Operating profit before changes in operating assets and liabilities			
1.1.1		6.931.011	6.564.846
1.1.2		(3.697.639)	(3.104.103)
1.1.3		4.604	1.223
1.1.4		828.526	615.500
1.1.5		537.486	378.135
1.1.6		470.888	477.630
1.1.7		(1.014.250)	(718.169)
1.1.8		(528.535)	(562.814)
1.1.9	(1)	(2.438.101)	(1.476.551)
1.2		1.486.901	(2.252.756)
Assets and Liabilities Subject to Banking Operations			
1.2.1		4.537	(19.427)
1.2.2		-	-
1.2.3		-	-
1.2.4		(11.473.185)	(11.983.097)
1.2.5		(3.283.302)	(626.339)
1.2.6		3.517.613	1.304.598
1.2.7		7.870.751	9.336.559
1.2.8		2.606.309	1.783.419
1.2.9		-	-
1.2.10	(1)	2.244.178	(2.048.469)
I.		2.580.891	(77.059)
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II.		(3.174.677)	1.183.025
Net cash provided from/ (used in) investing activities			
2.1		(39.133)	(944)
2.2		-	-
2.3		(512.305)	(328.588)
2.4		355.074	184.137
2.5		(4.569.024)	(8.872.143)
2.6		3.052.009	6.431.573
2.7		(1.725.718)	(2.624.557)
2.8		273.824	6.408.587
2.9		(9.404)	(15.040)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.		31.185	(357.394)
Net cash used in financing activities			
3.1		498.671	-
3.2		-	-
3.3		-	-
3.4		(467.486)	(357.821)
3.5		-	(106)
3.6		-	533
IV.	(1)	788.962	76.689
Effect of change in foreign exchange rate on cash and cash equivalents			
V.		226.361	825.261
Net increase / (decrease) in cash and cash equivalents			
VI.	(4)	4.557.605	3.732.344
Cash and cash equivalents at beginning of the period			
VII.	(5)	4.783.966	4.557.605
Cash and cash equivalents at end of the period			

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

TÜRKİYE HALK BANKASI AŞ
STATEMENT OF PROFIT DISTRIBUTION TABLE FOR
THE YEAR ENDED 31 DECEMBER 2011

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

VII. STATEMENT OF PROFIT DISTRIBUTION TABLE		Audited	Audited
		Current Period	Prior Period
		31 December 2011	31 December 2010
I. DISTRIBUTION OF CURRENT YEAR PROFIT			
1.1.	CURRENT PERIOD PROFIT	2.636.696	2.509.285
1.2.	TAXES AND LEGAL DUTIES PAYABLE (-)	591.562	498.892
1.2.1.	Corporate tax (Income tax)	366.556	531.855
1.2.2.	Withholding tax	-	-
1.2.3.	Other taxes and duties	225.006	(32.963)
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	2.045.134	2.010.393
1.3.	ACCUMULATED LOSSES (-)	-	-
1.4.	FIRST LEGAL RESERVES (-)	-	98.871
1.5.	OTHER STATUTORY RESERVES (-)(2)	-	32.963
B.	NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	2.045.134	1.878.559
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 (-)	-	72.000
1.8.	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9.	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	332.986
1.9.1.	To owners of ordinary shares	-	332.986
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 (-)	-	40.499
1.11.	STATUS RESERVES (-)	-	-
1.12.	EXTRAORDINARY RESERVES	-	1.370.574
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	1,63611	1,60831
3.2.	TO OWNERS OF ORDINARY SHARES (%)	%163,6	%160,1
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	-	0,31639
4.2.	TO OWNERS OF ORDINARY SHARES (%)	-	%31,64
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.

⁽²⁾ As of 31 December 2010; deferred tax income is presented in this line.

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

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

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

Additional paragraph for convenience translation to English

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

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

1. The Groups'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.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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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.

a. Basis of consolidation of subsidiaries:

The Parent Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ and Halk Banka AD, Skopje are included in the scope of consolidation. The Parent Bank's subsidiaries Halk Sigorta AŞ. is consolidated with the 30 September 2011 financials and the other subsidiaries is consolidated with 31 December 2011 financials.

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.

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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:

Accounting for business combinations

From 1 January 2010 the Group will apply IFRS 3 Business Combinations (2008) in accounting for business combinations. Business Combinations that occurred before 1 January 2010 had not been restated and the accounting policies applicable to those acquisitions are set out below. The new accounting policy in respect of business combinations is as follows.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 January 2010

The Group measures goodwill at the acquisition date as the total of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions before 1 January 2010

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisitions.

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.

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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.

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.

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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 2011 and 31 December 2010.

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.

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.

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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.

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.

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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%.

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

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

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.

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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).

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	2-25	4-50%
Assets held under financial leases	4-5	20-25%

Leasehold improvements are depreciated over the lower of the periods of the respective leases and useful lives, on a straight-line basis. In any case useful life can not exceed the lease period. If the duration of lease agreement is not determined or longer than five years, amortization duration is considered as five years.

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

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

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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.

In the cases of the Group is renter, at the beginning of the lease operation the value of assets held under financial leases are recognized as financial lease receivables in the balance sheet. Interest income obtained by the difference between total financial lease receivables and investment value of assets held under financial leases is recorded in the income statement by distributing the receivables in the related accounting period with the constant interest rate. The interest income which is not accrued in the related period, is recognized in the account of unaccrued interest income.

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.

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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.

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

In accordance with the Act No: 5754 "Act about the amendments in Social Security and General Health Insurance Act and Some of Acts and Decrees" published in the Official Gazette dated 8 May 2008 and numbered 26870, bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution within three years beginning from the date of publication without any required further action. Three years transfer period would be extended by two years at most with the decision of Council of Ministers.

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9,8%. Moreover, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

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 2010 has been paid in April 2010, accrued advance tax as of 31 December 2011 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 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 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

Halk Gayrimenkul Yatırım Ortaklığı AŞ

The Parent Bank's subsidiary, Halk Gayrimenkul Yatırım Ortaklığı AŞ, is established in the 2010. 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.

Halk Banka AD Skopje

The Parent Bank's newly acquired subsidiary in 2011 Halk Banka AD, Skopje is subject to tax regulations in the Republic of Macedonia. A new tax regime had become effective according which the base for income tax computation had been shifted from the profit before taxes to the income "distribution" concept in the Republic of Macedonia. "Distributions" are split into two components:

- Tax on any dividend distribution - i.e. the tax base is the dividend paid;
- Tax on non deductible items - i.e. the tax base is the non deductible items specified in the tax rulebook less any allowable tax credits. The tax on non deductible items is paid each month in monthly advance installments based on the previous fiscal year computation of such non deductible differences. At year end a final tax computation is prepared with a final tax settlement.

As such, the new income tax regime provokes certain implications on the presentation of the tax in the financial statements which are summarized below:

(i) Tax on dividend distribution:

Tax on dividend distribution is considered to be income tax within scope of International Accounting Standards - Tax on Income ("IAS 12").

The timing of recognition of this type of income tax is to be consistent with the underlining dividend liability recognition (i.e., recognized when the dividend is paid and/or declared). As such no provisions are required for income tax arising from dividend distribution until the dividend is declared and/or paid.

When the tax on dividend distribution arises on interim (advance) dividend paid before the year end, the income tax charge is recognized and presented in the Statement of comprehensive income after profit and loss before tax as income tax expense.

When the tax on dividend distribution arises from retained earnings, it is recognized and presented in the Statement of changes in equity.

(ii) Tax on non deductible items:

Tax on non deductible items is not income tax and is out of scope of IAS 12. Accordingly, such tax expense is presented within the operating results, and related tax payable/receivable is presented within the other assets/other liabilities in the statement of financial position.

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Recognition of tax provisions:

In case of tax contingencies, provisions are made in line with International Accounting Standards - Provisions, Contingent Liabilities and Contingent Assets adopted in the Republic of Macedonia ("IAS 37").

Such provisions are not presented as deferred tax assets or deferred tax liabilities, but as other assets or other liabilities.

Recognition/reversal of such tax provisions (that is not income taxes) is presented within the other expenses/other income.

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.

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.

XXIII. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of 31 December 2011, Halk Finansal Kiralama A.Ş.(consolidated entity) has an amount of TRY 81.810 of investment incentives which could be utilized.

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

None.

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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 2011, the Bank’s consolidated capital adequacy ratio calculated based on the essentials of the related communiqué is 13,85 % (31 December 2010: 15,48%).

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

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

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

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

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

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1. Information on the consolidated capital adequacy ratio:

	Risk weights													
	Bank Only					Consolidated								
	0%	10%	20%	50%	100%	150%	200%	0%	10%	20%	50%	100%	150%	200%
Credit risk base amount														
Balance sheet items (Net)	25.681.894	-	2.134.556	19.822.149	31.339.079	518.985	2.139.230	25.832.439	-	2.198.204	20.298.767	31.314.318	532.145	2.139.230
Cash	481.801	-	15	-	-	-	-	486.600	-	15	-	-	-	-
Matured marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the Central Bank of Turkey	2.825.305	-	-	-	-	-	-	2.825.305	-	-	-	-	-	-
Domestic, foreign banks, head office and overseas branches balances	-	-	1.469.445	-	5.336	-	-	-	-	1.530.285	-	5.393	-	-
Money market placements	-	-	-	-	-	-	-	32.394	-	-	-	-	-	-
Receivables from reverse repos transactions	-	-	-	-	-	-	-	863	-	-	-	-	-	-
Reserve deposits	3.965.249	-	-	-	-	-	-	3.975.813	-	-	-	-	-	-
Loans	4.218.351	-	490.150	19.592.745	28.273.260	518.985	2.139.230	4.219.271	-	490.150	19.604.058	28.310.538	532.145	2.139.230
Non-performing loans (Net)	-	-	-	-	266.958	-	-	-	-	-	-	269.771	-	-
Finance lease receivables	-	-	-	-	-	-	-	-	-	-	461.617	420.852	-	-
Financial assets available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments held to maturity	13.272.252	-	-	-	-	-	-	13.337.783	-	-	-	-	-	-
Receivables from the asset sale on credit terms	-	-	-	-	47.999	-	-	-	-	-	-	47.999	-	-
Miscellaneous receivables	55.825	-	10.379	-	170.946	-	-	55.825	-	10.379	-	170.946	-	-
Interest and Income accruals	754.079	-	5.965	229.404	449.884	-	-	755.134	-	8.773	233.092	454.975	-	-
Subsidiaries, associates and jointly controlled entities (joint ventures) (Net)	-	-	-	-	918.657	-	-	-	-	-	-	1.052	-	-
Property and equipment	-	-	-	-	994.765	-	-	-	-	-	-	1.299.508	-	-
Other assets	109.032	-	158.602	-	211.274	-	-	143.451	-	158.602	-	333.284	-	-
Off-balance sheet items	223.379	-	447.271	892.298	10.066.204	-	-	223.379	-	447.271	892.298	10.083.941	-	-
Non-cash loans and commitments	223.379	-	357.468	892.298	10.061.768	-	-	223.379	-	357.468	892.298	10.079.505	-	-
Derivative instruments	-	-	89.803	-	4.436	-	-	-	-	89.803	-	4.436	-	-
Non-risk weighted accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total risk-weighted assets	25.905.273	-	2.581.827	20.714.447	41.405.283	518.985	2.139.230	26.055.818	-	2.645.475	21.191.065	41.398.259	532.145	2.139.230

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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)	57.335.809	39.764.632	57.599.564	39.418.982
Market risk base amount (MRBA)	1.953.163	1.550.350	1.990.125	1.514.638
Operational risk base amount (ORBA)	6.119.332	5.120.983	6.211.069	5.212.748
Shareholders' Equity	9.352.673	7.399.784	9.110.541	7.142.715
Shareholders' Equity / (CRBA+MRBA+ORBA)*100	14,30	15,94	13,85	15,48

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
<i>Nominal capital</i>	1.250.000	1.250.000	1.250.000	1.250.000
<i>Capital commitments (-)</i>	-	-	-	-
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	749.652	610.282	765.200	620.349
<i>I. Degree Legal Reserve (Turkish Commercial Code 466/1)</i>	395.998	297.127	401.181	301.942
<i>II. Degree Legal Reserve (Turkish Commercial Code 466/2)</i>	352.151	312.163	362.516	317.415
<i>Reserves per Specific Acts</i>	1.503	992	1.503	992
Statutory Reserves	-	-	-	-
Extraordinary Reserves	3.637.115	2.233.578	3.514.868	2.272.757
<i>Reserves allocated per General Assembly Minute</i>	3.589.934	2.186.397	3.447.828	2.225.576
<i>Retained Earnings⁽¹⁾</i>	47.181	47.181	67.040	47.181
<i>Accumulated Loss</i>	-	-	-	-
<i>Foreign Currency Share Capital Exchange Difference</i>	-	-	-	-
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-	-	-	-
Profit	2.045.134	1.970.569	2.081.483	1.888.693
<i>Net period profit</i>	2.045.134	1.970.569	2.027.379	1.842.695
<i>Retained Earnings</i>	-	-	54.104	45.998
Portion of Provisions Allocated for Potential Risk up to 25% of Core Capital Amount	194.000	7.600	194.000	7.600
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	-	-	6.840	6.484
Losses that cannot be covered by reserves (-)	-	-	-	-
<i>Net period loss</i>	-	-	-	-
<i>Accumulated Loss</i>	-	-	-	-
Leasehold Improvements (-)	70.079	66.169	72.626	68.644
Prepaid Expenses (-)	-	262.019	-	264.186
Intangible Assets(-)	27.570	17.665	45.543	18.655
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	8.998.703	6.946.627	8.914.673	6.914.849

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	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
SUPPLEMENTARY CAPITAL				
General Loan Provisions	656.783	390.121	659.914	390.121
45% of Movable Assets Revaluation Fund	-	-	-	-
45% of Tangible Assets Revaluation Fund	-	-	-	-
Non-cash Shares of Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	4.422	44.076	231	61
Proportion of Primary Tier -II Capital excluded from the Core Capital Calculation	-	-	-	-
Secondary Tier -II Capital	-	-	-	-
45% of Marketable Securities Revaluation Fund	(266.778)	52.076	(278.203)	51.089
<i>From Subsidiaries and Associates</i>	-	-	-	-
<i>From Financial Assets Available for Sale</i>	(266.778)	52.076	(278.203)	51.089
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	394.427	486.273	381.942	441.271
TIER-III CAPITAL				
CAPITAL	9.393.130	7.432.900	9.296.615	7.356.120
DEDUCTIONS FROM CAPITAL				
Equity Shares in Banks and Financial Institutions Which Are Excluded from the Consolidation	8.819	6.581	8.819	6.581
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	-	-	145.617	180.289
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	28.350	26.535	28.350	26.535
Other	3.288	-	3.288	-
TOTAL EQUITY	9.352.673	7.399.784	9.110.541	7.142.715

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

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

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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.

As of 31 December 2011, the receivables of the Parent Bank from its top 100 cash loan customers is 20,96% of its total cash loans.

As of 31 December 2011, receivables of the Parent Bank from its top 100 non-cash loan is 57,75% of its total non-cash loans.

As of 31 December 2011, share of cash and non-cash receivables of the Parent Bank from its top 100 customers is 17,24% of its total balance sheet and off-balance sheet assets.

As of 31 December 2011, general loan loss provision related to the credit risk incurred by the Bank in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 659.914 (31 December 2010: TRY 390.121).

TÜRKİYE HALK BANKASI AŞ

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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	37.965.175	28.466.360	406.269	2.074.764	23.971	14.263	802.601	158.088
Public Sector	1.777.776	1.630.707	-	-	22.566.015	19.395.070	1.169.451	174.796
Banks	-	-	89.299	60.927	52.924	-	1.535.678	1.012.668
Retail	15.060.161	11.326.183	-	-	-	-	-	-
Share Certificates	-	-	-	-	-	-	-	-
Total	54.803.112	41.423.250	495.568	2.135.691	22.642.910	19.409.333	3.507.730	1.345.552
Information according to geographical concentration								
Domestic	54.185.004	41.237.747	495.568	2.095.185	22.566.359	19.398.547	2.468.016	1.021.754
EU countries	218.113	66.885	-	-	8.805	8.636	926.981	272.655
OECD Countries ⁽³⁾	187	-	-	-	-	-	12.058	6.172
Offshore banking regions	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	38.731	13.471
Other Countries	399.808	118.618	-	40.506	67.746	2.150	61.944	31.500
Total	54.803.112	41.423.250	495.568	2.135.691	22.642.910	19.409.333	3.507.730	1.345.552

(1) Includes marketable securities designated at fair value through profit or loss, available for sale and held-to-maturity. Excludes TRY 868.528 of accrual of marketable securities (31 December 2010: TRY 891.177).

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

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

(4) Interest and income accruals for the loans amounting TRY 715.152 are not included in the table above. (31 December 2010: TRY 444.323)

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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	90.345.396	72.662.286	17.714.520	29.691	2.026.697
EU countries	1.036.026	3.006.754	62.284	139.909	(207)
OECD Countries ⁽¹⁾	12.245	253.539	5.021	-	-
Offshore Banking Regions	-	-	-	-	-
USA, Canada	40.803	2.146.696	35.906	-	-
Other Countries	555.128	5.530.512	37.546	1.459	889
Associates, Subsidiaries and Entities under Common control (Joint Ventures)	-	-	-	-	-
Undistributed Assets / Liabilities (4)	-	-	-	-	-
Total	91.989.598	83.599.787	17.855.277	171.059	2.027.379
Prior 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

⁽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	663.254	1,73	52.450	0,30	698.812	2,19	38.141	0,31
<i>Farming and raising livestock</i>	652.065	1,70	48.019	0,27	686.288	2,15	30.651	0,25
<i>Forestry</i>	1.937	0,01	-	0,00	2.807	0,01	-	0,00
<i>Fishing</i>	9.252	0,02	4.431	0,03	9.717	0,03	7.490	0,06
Manufacturing	7.272.225	18,97	8.578.416	48,51	6.001.460	18,79	5.942.927	49,23
<i>Mining</i>	135.350	0,35	120.675	0,68	92.322	0,29	86.915	0,72
<i>Production</i>	7.073.992	18,46	7.858.387	44,44	5.848.346	18,31	5.175.926	42,88
<i>Electric, gas and water</i>	62.883	0,16	599.354	3,39	60.792	0,19	680.086	5,63
Construction	1.361.351	3,55	274.174	1,55	1.274.501	3,99	158.718	1,32
Services	12.594.781	32,86	7.101.644	40,16	12.112.598	37,93	4.763.990	39,48
<i>Wholesale and retail trade</i>	7.425.809	19,37	1.724.511	9,76	6.288.656	19,69	929.340	7,70
<i>Hotel, food and beverage services</i>	433.579	1,13	1.097.861	6,21	348.260	1,09	920.453	7,63
<i>Transportation and telecommunication</i>	1.982.637	5,17	663.447	3,75	1.334.864	4,18	737.703	6,11
<i>Financial institutions</i>	286.651	0,75	519.813	2,94	1.776.151	5,56	698.219	5,79
<i>Real estate and renting services</i>	1.867.958	4,87	2.683.364	15,17	1.859.528	5,82	1.230.487	10,20
<i>Self-employment services</i>	289.200	0,75	-	0,00	200.614	0,63	-	0,00
<i>Education services</i>	91.063	0,24	39.657	0,22	95.348	0,30	34.260	0,28
<i>Health and social services</i>	217.884	0,57	372.991	2,11	209.177	0,66	213.528	1,77
Other ⁽¹⁾	16.439.289	42,89	1.676.248	9,48	11.846.421	37,10	1.165.696	9,66
Total	38.330.900	100,00	17.682.932	100,00	31.933.792	100,00	12.069.472	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.

	Current Period	Prior Period
Gross Maximum Exposure		
Due from banks	1.538.705	1.012.668
Money Market Receivables	33.313	216.125
Financial Assets at Fair Value through profit or loss	149.499	89.987
Financial Assets Available for Sale	9.374.849	7.481.355
Held to maturity Investments	14.064.458	12.749.840
Loans	56.283.603	44.296.487
Finance Lease Receivables (Net)	889.533	-
Total	82.333.960	65.846.462
Contingent Liabilities	17.855.277	12.726.352
Commitments	11.264.984	9.884.659
Total	29.120.261	22.611.011
Total Credit Risk Exposure	111.454.221	88.457.473

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

	Neither past due nor impaired	Past due and individually not impaired ⁽³⁾	Past due and individually impaired ⁽²⁾	Total
Receivables from banks	1.538.705	-	-	1.538.705
Financial assets at fair value through profit or loss	149.499	-	-	149.499
Loans ⁽¹⁾	54.488.375	239.896	269.771	54.998.042
<i>Corporate Lending</i>	21.576.240	3.549	28.207	21.607.996
<i>SME Lending</i>	16.079.234	119.002	195.681	16.393.917
<i>Consumer Lending</i>	14.901.670	117.345	45.145	15.064.160
<i>Other</i>	1.931.231	-	738	1.931.969
Financial assets available for sale	9.374.849	-	-	9.374.849
Investments held to maturity	14.064.458	-	-	14.064.458
Financial Lease Receivables (Net)	852.298	9.794	27.441	889.533

⁽¹⁾ As of 31 December 2011, loans for which the risk does not belong to the Parent Bank amounting TRY 1.285.561 are not included the table above.

⁽²⁾ Specific provision amounting TRY 1.411.113 is made for overdue and impaired assets amounting TRY 1.680.884.

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

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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 ⁽³⁾	Past due and individually impaired ⁽²⁾	Total
Receivables from banks	1.012.668	-	-	1.012.668
Financial assets at fair value through profit or loss	89.987	-	-	89.987
Loans ⁽¹⁾	42.671.630	185.393	293.223	43.150.246
<i>Corporate Lending</i>	16.498.322	1.768	74.520	16.574.610
<i>SME Lending</i>	12.683.185	158.555	188.111	13.029.851
<i>Consumer Lending</i>	11.384.327	25.070	30.592	11.439.989
<i>Other</i>	2.105.796	-	-	2.105.796
Financial assets available for sale	7.494.990	-	-	7.494.990
Investments held to maturity	12.749.840	-	-	12.749.840
Finance Lease Receivables (Net)	-	-	-	-

⁽¹⁾ As of 31 December 2010, 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.

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

(1) As of 31 December 2011, Loans for which the risk does not belong to the Parent Bank amounting TRY 1.285.561 are not included the table above.

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

(3) Only graded firms are included.

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

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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 it's 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 it's financial and non financial criteria considered together, and have poor credibility.	39 - 27
3,21 - 3,60	C	The firm has no credibility when its financial and non financial criteria considered together	26 - 13
3,61 - 4,00	D	The firm has no credibility under any condition.	12 - 0

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

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

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

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

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

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The net value and type of collaterals of the loans amounting TRY 660.783 followed under loans and other receivables under close monitoring section is below: (31 December 2010 : TRY 906.886).

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Real estate mortgage	428.717	640.047
Salary pledge, vehicle pledge and pledge of commercial undertaking	53.484	51.711
Financial collaterals (cash, securities pledge, etc.)	33	283
Cheque /bills	5.090	12.447
Suretyship	92.888	145.568
Other	80.571	56.830
Total	660.783	906.886

- (1) The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered in the table above.
- (2) Income accruals amounting to TRY 8.280 (31 December 2011: TRY 9.253) are not included in the table.

The net value and type of collaterals belong to loans amounted TRY 1.680.884 followed under non performing loans section is below: (31 December 2011: TRY 1.757.753)

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Cash	2.045	12.877
Mortgage	499.189	578.297
Pledge	28.854	51.662
Cheque, bills	8.723	4.411
Suretyship	786.225	715.001
Bond	3	7
Other ⁽²⁾	355.845	395.498
Total	1.680.884	1.757.753

- (1) The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered in the table above.
- (2) Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

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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 (summarized 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	141.425
(II) Capital requirement to be employed for specific risk - Standard method	2.019
(III) Capital requirement to be employed for currency risk - Standard method	15.537
(IV) Capital requirement to be employed for commodity risk - standard method	-
(V) Capital requirement to be employed for settlement risk - Standard method	-
(VI) Total capital requirement to be employed for market risk resulting from options-Standard method	229
(VII) Total capital requirement to be employed for market risk in banks using risk measurement model	-
(VIII) Total capital requirement to be employed for market risk (I+II+III+IV+V+VI)	159.210
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	1.990.125

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	131.149	150.944	114.310	83.282	103.111	66.527
Common stock risk	2.555	3.076	2.192	1.971	2.362	1.750
Currency Risk	16.237	38.424	8.936	15.381	29.016	8.410
Commodity Risk	-	-	-	-	-	-
Clearance Risk	-	-	-	-	-	-
Option Risk	395	1.234	32	486	1.429	58
Total Value Subject to Risk	150.336	193.678	125.470	101.120	135.918	76.745

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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 6.211.069 for the current period.

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

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

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

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

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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	3.971.057	46.540	81	758.858	4.776.536
Banks and financial institutions	1.330.188	111.886	6.129	51.934	1.500.137
Financial assets at fair value through profit and loss ⁽³⁾	8.707	69.328	-	65	78.100
Money market placements	-	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	729.509	880.494	-	1.067	1.611.070
Loans ⁽²⁾	7.293.948	10.324.264	-	120.235	17.738.447
Subsidiaries, associates and entities under common control	131.273	-	-	-	131.273
Held-to-maturity investments	963.095	1.038.428	-	43.702	2.045.225
Derivative financial assets held for risk management	-	-	-	-	-
Tangible assets	-	-	-	22.334	22.334
Intangible assets	-	-	-	-	-
Other assets ⁽³⁾	425.850	402.778	-	9.375	838.003
Total Assets	14.853.627	12.873.718	6.210	1.007.570	28.741.125
Liabilities					
Bank deposits	2.770.009	638.625	-	178.549	3.587.183
Foreign currency deposits	9.130.473	7.160.229	8.675	2.312.314	18.611.691
Money market balances	139.070	708.860	-	-	847.930
Funds provided from other financial institutions	4.244.383	2.329.052	-	1.600	6.575.035
Marketable securities issued	-	-	-	-	-
Sundry creditors	29.627	57.291	7	21	86.946
Derivative financial assets held for risk management	-	-	-	-	-
Other liabilities ⁽³⁾	60.631	181.736	47	9.449	251.863
Total liabilities	16.374.193	11.075.793	8.729	2.501.933	29.960.648
Net balance sheet position	(1.520.566)	1.797.925	(2.519)	(1.494.363)	(1.219.523)
Net off-balance sheet position					
Financial derivative assets ⁽⁴⁾	1.452.427	744.174	82.278	1.634.596	3.913.475
Financial derivative liabilities ⁽⁴⁾	132.037	2.505.762	80.493	72.598	2.790.890
Non-cash loans ⁽¹⁾	2.806.749	6.050.271	45.396	127.754	9.030.170
Prior period					
Total assets	8.535.408	9.908.242	3.914	111.911	18.559.475
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	987.958	702.391	-	561.481	2.251.830
Financial derivative liabilities	63.814	1.325.610	-	76.281	1.465.705
Non-cash loans ⁽¹⁾	1.973.961	3.899.018	29.407	76.153	5.978.539

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

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

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 31.800), foreign currency intangible assets (TRY 16.035), prepaid expenses (TRY 35) in assets; and derivative financial instruments foreign currency expense accruals (TRY 19.443), shareholders' equity negative (TRY 287.466) and foreign currency minority shares (TRY 1.586) in liabilities are not taken into consideration in the currency risk measurement. Halk Banka AD, Skopje's nonperforming loans with no specific provision amounting to (TRY 2.813) is presented in other assets.

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

⁽⁵⁾ Magyar 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	3.634	(8.505)
EURO	10% increase	(20.018)	(11.184)
Other	10% increase	6.690	1.030

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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(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	19.916	-	-	-	-	7.267.817	7.287.733
Banks and financial institutions	1.319.319	74.056	-	-	-	145.330	1.538.705
Financial assets at fair value through profit and loss	16.176	43.575	6.037	78.004	5.586	121	149.499
Money market placements	33.313	-	-	-	-	-	33.313
Financial assets available-for-sale	1.413.567	1.139.245	1.185.680	3.978.649	1.657.708	15.571	9.390.420
Loans	24.692.744	6.738.282	10.795.891	11.004.591	1.822.924	959.400	56.013.832
Held-to-maturity investments	3.466.143	3.669.329	2.602.180	2.990.431	1.336.375	-	14.064.458
Other assets ^{(1), (2)}	111.872	51.486	168.936	566.486	106.328	2.677.589	3.682.697
Total assets	31.073.050	11.715.973	14.758.724	18.618.161	4.928.921	11.065.828	92.160.657
Liabilities							
Bank deposits	3.707.469	64.100	37.665	130.671	-	3.040.932	6.980.837
Other deposits	31.983.368	13.175.156	3.841.321	49.707	90	10.198.031	59.247.673
Money market balances	4.271.473	332.118	338.118	-	-	-	4.941.709
Sundry creditors	21.112	-	-	-	-	1.150.275	1.171.387
Marketable securities issued	495.611	-	-	-	-	-	495.611
Funds provided from other financial institutions ⁽⁴⁾	2.009.608	2.443.210	1.737.918	688.020	130.578	1.011	7.010.345
Other liabilities ⁽³⁾	1.461.551	348.600	40.745	-	-	10.462.199	12.313.095
Total liabilities	43.950.192	16.363.184	5.995.767	868.398	130.668	24.852.448	92.160.657
Balance sheet long position	-	-	8.762.957	17.749.763	4.798.253	-	31.310.973
Balance sheet short position	(12.877.142)	(4.647.211)	-	-	-	(13.786.620)	(31.310.973)
Off-balance sheet long position	-	7.951	281.562	815	-	-	290.328
Off-balance sheet short position	-	(7.951)	(141.532)	(815)	(59.100)	-	(209.398)
Total position	(12.877.142)	(4.647.211)	8.902.987	17.749.763	4.739.153	(13.786.620)	80.930

⁽¹⁾ TRY 93.671 of deferred tax assets is disclosed under the non interest bearing column in other assets.

⁽²⁾ TRY 269.771 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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(Amounts expressed in thousand Turkish Lira [TRY] unless otherwise stated.)

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	-	-	-	-	-	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 ^{(1), (2)}	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 ⁽⁴⁾	1.072.743	1.830.161	711.700	93.338	115.650	2.495	3.826.087
Other liabilities ⁽³⁾	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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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	0,1 - 0,50	-	-	5,00
Due from other banks and financial institutions ⁽¹⁾	0,82	0,25	-	1,45
Financial assets at fair value through profit and loss	-	4,60	-	9,83
Money market placements	-	-	-	-
Available-for-sale financial assets	4,90	4,97	-	8,72
Loans ⁽²⁾	4,55	3,82	-	12,46
Held-to-maturity investments	6,38	7,02	-	11,09
Liabilities				
Bank deposits	1,29	0,99	-	10,84
Other deposits ⁽⁴⁾	3,75	3,77	-	9,44
Money market borrowings	2,11	1,59	-	9,16
Sundry creditors ⁽³⁾	-	-	-	4,50
Marketable securities issued	-	-	-	8,82
Funds provided from other financial institutions ⁽⁴⁾	2,35	1,60	-	6,90
Prior Period				
	EURO	USD	YEN	TL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	0,5	-	-	5
Due from other banks and financial institutions ⁽¹⁾	0,52	1,18	-	7,19
Financial assets at fair value through profit and loss	-	3,93	-	11,30
Money market placements	-	-	-	13,05
Available-for-sale financial assets	5,00	4,64	-	10,03
Loans ⁽²⁾	3,61	3,03	3,50	11,69
Held-to-maturity investments	6,33	6,85	-	13,62
Liabilities				
Bank deposits	0,28	0,85	-	7,02
Other deposits	2,07	2,52	-	8,29
Money market borrowings	-	1,73	-	6,76
Sundry creditors	-	-	-	4,50
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions ⁽⁴⁾	1,68	1,18	-	6,77

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

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

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

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

⁽⁵⁾ Required reserve ratio on Central Bank of TRNC and Central Bank of Macedonia.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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Interest rate sensitivity:

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

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

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

VII. EXPLANATIONS RELATED TO THE 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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

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	1.191.958	1.758.650	2.813.389	1.479.154	44.311	271	-	7.287.733
Banks and financial institutions	160.668	1.303.981	74.056	-	-	-	-	1.538.705
Financial assets at fair value through profit and loss	13.694	8.942	38.935	6.037	76.305	5.586	-	149.499
Money market placements	-	33.313	-	-	-	-	-	33.313
Financial assets available-for-sale	4.965	285.019	196.696	481.377	5.184.512	3.222.280	15.571	9.390.420
Loans ⁽²⁾	279.619	4.186.597	4.748.500	18.311.583	24.939.550	3.547.983	-	56.013.832
Held-to-maturity investments	-	190.855	803.965	1.106.406	9.918.148	2.045.084	-	14.064.458
Other assets ⁽³⁾	301.009	68.545	90.968	169.187	596.473	73.263	2.383.252	3.682.697
Total assets	1.951.913	7.835.902	8.766.509	21.553.744	40.759.299	8.894.467	2.398.823	92.160.657
Liabilities								
Bank deposits	3.040.932	3.707.469	64.100	37.665	130.671	-	-	6.980.837
Other deposits	10.281.894	31.895.565	13.168.394	3.755.619	139.163	7.038	-	59.247.673
Funds provided from other financial institutions ⁽⁴⁾	3.046	234.052	466.330	3.280.519	1.215.422	1.810.976	-	7.010.345
Money market balances	-	4.271.473	332.118	338.118	-	-	-	4.941.709
Marketable securities issued	-	495.611	-	-	-	-	-	495.611
Sundry creditors	1.103.442	24.638	456	12.586	2.909	-	27.356	1.171.387
Other liabilities ⁽¹⁾	1.601.430	642.442	470.031	360.827	265.825	210.547	8.761.993	12.313.095
Total liabilities	16.030.744	41.271.250	14.501.429	7.785.334	1.753.990	2.028.561	8.789.349	92.160.657
Liquidity gap	(14.078.831)	(33.435.348)	(5.734.920)	13.768.410	39.005.309	6.865.906	(6.390.526)	-
Previous period								
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
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)	-

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

(2) TRY 269.771 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	49.042.356	13.408.764	3.921.640	276.747	7.040	(428.037)	66.228.510
Funds provided from other financial institutions	255.752	458.066	3.370.828	1.463.648	1.989.147	(527.096)	7.010.345
Money market borrowings	4.296.885	333.153	344.220	-	-	(32.549)	4.941.709
Securities issued	498.671	-	-	-	-	(3.060)	495.611
Funds	616.898	75.101	253.089	227.475	224.475	(51.804)	1.345.234
Sundry Creditors	548.604	50.228	196.574	375.975	6	-	1.171.387
Total	55.259.166	14.325.312	8.086.351	2.343.845	2.220.668	(1.042.546)	81.192.796

Prior 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

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

In accordance with the Communiqué on the "Measurement and Assessment of Liquidity of the Banks" published in the official gazette dated 1 November 2006 No: 26333, beginning from 1 June 2007 liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%. Liquidity ratio as at 31 December 2011 and 2010 are presented below:

	Current Period				Prior Period			
	First maturity Tranche(Weekly)		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	154,91	154,98	104,30	106,78	168,36	194,30	113,40	119,53
Maximum	214,63	206,10	129,89	121,41	218,68	248,76	139,41	130,76
Minimum	119,96	136,93	81,85	100,23	118,89	172,05	92,27	108,27

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

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	434.626	162.649	70.521	-	-	667.796
Forward Contracts - Sell	434.798	1.703.426	71.104	-	-	2.209.328
Swaps - Buy	1.670.280	153.225	-	93.000	-	1.916.505
Swaps - Sell	1.683.159	153.119	-	59.500	-	1.895.778
Credit Default Swap - Buy	-	186.000	-	93.000	-	279.000
Credit Default Swap - Sell	-	138.970	-	59.100	-	198.070
Forward Precious Metal - Buy	-	1.500.223	-	-	-	1.500.223
Forward Precious Metal - Sell	-	7.849	-	-	-	7.849
Money Buy Options	36.785	10.663	21.932	-	-	69.380
Money Sell Options	36.811	10.638	21.931	-	-	69.380
Total	4.296.459	4.026.762	185.488	304.600	-	8.813.309

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	339.864	21.192	7.391	-	-	368.447
Forward Contracts - Sell	338.793	21.153	7.404	-	-	367.350
Swaps - Buy	1.218.848	59.343	251.625	76.250	-	1.606.066
Swaps - Sell	1.207.894	58.750	247.590	59.500	-	1.573.734
Interest Rate Swaps - Buy	-	-	-	228.750	-	228.750
Interest Rate Swaps - Sell	-	-	-	198.070	-	198.070
Credit Default Swap - Buy	-	483.170	-	-	-	483.170
Credit Default Swap - Sell	-	474.467	-	-	-	474.467
Forward Precious Metal - Buy	87.092	9.004	-	-	-	96.096
Forward Precious Metal - Sell	87.267	8.826	-	-	-	96.093
Total	3.279.758	1.135.905	514.010	562.570	-	5.492.243

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.

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

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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 2011 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES							
Interest income	901.228	766.928	7.573.218	6.019.369	47.713	(7.969.194)	7.339.262
Interest on loans	472.732	598.862	3.863.407	315.984	-	-	5.250.985
Interest income on marketable securities	-	-	-	2.019.637	14.003	-	2.033.640
Interest received from banks	-	-	-	9.892	184	-	10.076
Other interest income ⁽²⁾	428.496	168.066	3.709.811	3.673.856	33.526	(7.969.194)	44.561
Interest expense	651.343	540.020	5.458.666	5.111.675	12.994	(7.969.194)	3.805.504
Interest on deposits	272.666	113.428	2.539.616	227.039	-	-	3.152.749
Interest on borrowings	2.612	11.229	5.651	108.359	12.994	-	140.845
Interest on money market borrowings	-	-	-	458.659	-	-	458.659
Interest on marketable securities issued	-	-	-	17.308	-	-	17.308
Other interest expense ⁽²⁾	376.065	415.363	2.913.399	4.300.310	-	(7.969.194)	35.943
Net interest income	249.885	226.908	2.114.552	907.694	34.719	-	3.533.758
Net fees and commissions income	71.346	97.301	484.841	51.679	(2.138)	-	703.029
Net trading profit / (loss)	-	-	-	207.253	3.006	-	210.259
Dividend income	-	-	-	5.534	139	-	5.673
Other income	4.861	29.863	326.791	192.389	265.733	-	819.637
Loans and other receivables' impairment loss	3.433	45.545	168.136	473.051	1.551	-	691.716
Other expenses	14.508	50.787	850.320	820.902	208.576	-	1.945.093
Income before taxes	308.151	257.740	1.907.728	70.596	91.332	-	2.635.547
Income tax provision	-	-	-	(595.971)	(12.877)	-	(608.848)
Net profit for the period	308.151	257.740	1.907.728	(525.375)	78.455	-	2.026.699
SEGMENT ASSETS							
Marketable securities	-	-	-	23.317.706	193.732	-	23.511.438
Derivative financial assets held for trading	-	-	-	92.939	-	-	92.939
Banks and money market receivables	-	-	-	1.544.906	27.112	-	1.572.018
Associates and subsidiaries (net)	-	-	-	155.488	-	-	155.488
Loans	7.122.471	8.298.222	35.063.374	5.799.536	-	-	56.283.603
Other assets ⁽¹⁾	671	160.081	933.226	8.447.531	1.003.662	-	10.545.171
TOTAL ASSETS	7.123.142	8.458.303	35.996.600	39.358.106	1.224.506	-	92.160.657
SEGMENT LIABILITIES							
Deposits	6.921.885	2.813.885	46.615.466	9.877.274	-	-	66.228.510
Derivative financial liabilities held for trading	-	-	-	65.358	-	-	65.358
Money market balances	-	-	-	4,941.709	-	-	4,941.709
Borrowing funding loans	35.746	204.493	159.670	5,944.379	666.057	-	7,010.345
Marketable securities issued	-	-	-	495.611	-	-	495.611
Other liabilities	25.354	47.019	2,126.270	850.994	48.812	-	3,098.449
Provisions	6.812	13.866	80.975	1,341.073	317,079	-	1,759,805
Shareholders' equity	-	-	-	8,514,318	46,552	-	8,560,870
TOTAL LIABILITIES	6.989.797	3.079.263	48.982.381	32.030.716	1.078.500	-	92.160.657
OFF BALANCE SHEET ITEMS	9.696.548	4.173.249	9.489.574	73.864.340	17.738	-	97.241.449
Guarantees and suretyships	9.672.659	3.959.359	4,160,754	53,685	8,820	-	17,855,277
Commitments	23,889	213,890	5,328,820	65,674,431	8,918	-	71,249,948
Derivative financial instruments	-	-	-	8,136,224	-	-	8,136,224

(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 1.314.861 (net) and deferred tax assets amounting TRY 93.671 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 ve Emeklilik AŞ, Halk Sigorta AŞ and Halk Finansal Kiralama AŞ and Halk Portföy Yönetimi AŞ transactions are shown in other column.

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Prior Period	Corporate	Commercial	SME/ Integrated	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 ⁽¹⁾	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
Interest on marketable securities issued	-	-	-	-	-	-	-
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	-	-	-	20.173.443	127.067	-	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 ⁽¹⁾	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	31.435.051	503.752	-	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
Marketable securities issued	-	-	-	-	-	-	-
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 Portföy Yönetimi AŞ transactions are shown in other column.

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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	89.351.922	70.202.804	87.067.588	70.434.904
Cash and Balances with the Central Bank of Turkey	7.287.733	4.649.565	7.287.733	4.649.565
Financial assets fair value changes reflected to income statement	149.499	89.987	149.499	89.987
Banks	1.538.705	1.012.668	1.538.705	1.012.620
Money market placements	33.313	216.125	33.313	216.114
Available for sale financial assets ⁽¹⁾	9.374.849	7.481.355	9.374.849	7.481.355
Held to maturity investments	14.064.458	12.749.840	13.788.354	13.002.901
Loans ⁽²⁾	56.013.832	44.003.264	54.005.602	43.982.362
Finance lease receivables (Net)	889.533	-	889.533	-
Financial Liabilities	79.912.920	62.476.273	79.464.628	62.518.677
Deposits	66.228.510	54.554.415	66.331.477	54.613.683
Derivative financial liabilities held for trading	65.358	39.151	65.358	39.151
Funds provided from other financial institutions	7.010.345	3.826.087	6.577.207	3.809.266
Money market borrowings	4.941.709	3.280.823	4.941.709	3.280.823
Securities issued	495.611	-	495.611	-
Miscellaneous payables	1.171.387	775.231	1.053.266	775.188
Finance lease payables	-	566	-	566

⁽¹⁾ As of 31 December 2011, TRY 15.571 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2010: TRY 13.635).

⁽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).

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Classification requires using observable market data if possible.

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:	47.996	99.406	2.097	149.499
<i>Debt securities</i>	32.848	-	-	32.848
<i>Derivative financial assets held for trading purpose</i>	-	92.939	-	92.939
<i>Bonds</i>	-	-	-	-
<i>Other Securities</i>	15.148	6.467	2.097	23.712
Available-for-sale financial assets ⁽¹⁾	8.955.870	418.979	-	9.374.849
<i>Debt securities</i>	8.955.870	418.979	-	9.374.849
Total Financial Assets	9.003.866	518.385	2.097	9.524.348
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	65.358	-	65.358
Total Financial Liabilities	-	65.358	-	65.358

(1) As of 31 December 2011 share certificates amounting to TRY 15.571 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	53.755	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 ⁽¹⁾	7.433.291	48.064	-	7.481.355
<i>Debt securities</i>	7.433.291	48.064	-	7.481.355
Total Financial Assets	7.487.046	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

(1) As of 31 December 2010 share certificates amounting to TRY 13.365 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

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

The 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.

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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	386.373	100.227	316.636	62.649
Central Bank of Turkey	2.124.824	4.676.294	2.466.013	1.804.255
Other	-	15	-	12
Total	2.511.197	4.776.536	2.782.649	1.866.916

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	2.120.213	705.092	2.458.657	491.046
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Other ⁽²⁾	4.611	3.971.202	7.356	1.313.209
Total	2.124.824	4.676.294	2.466.013	1.804.255

⁽¹⁾ Reserve deposits are kept as unrestricted amounts by Central Bank of Turkey (CMT).

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

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

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

With the Board of Minutes No. 129 dated 2006 of Central Bank of Macedonia, required reserve ratio are 10% for MKD currency liabilities and 13% for foreign currency liabilities.

Reserve deposits required by the Central Bank of Turkey are not interest bearing except those kept by the Central Banks of TRNC and Macedonia.

(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.

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	3.930	-	10.049
Swap transactions	-	88.970	-	23.537
Futures transactions	-	-	-	-
Options	37	2	3	718
Other	-	-	-	-
Total	37	92.902	3	34.304

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	27.258	602.919	82.304	722.132
Foreign banks	11.310	897.218	21.028	187.204
Branches and offices abroad	-	-	-	-
Total	38.568	1.500.137	103.332	909.336

b) Information on foreign banks:

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	813.392	157.089	-	-
USA and Canada	40.803	13.471	-	-
OECD Countries ⁽¹⁾	12.058	6.172	-	-
Offshore Banking Regions	-	-	-	-
Other	42.275	31.500	-	-
Total	908.528	208.232	-	-

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, security and other financial assets	90.932	-	-	-
Other	-	-	-	-
Total	90.932	-	-	-

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

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

b) Information on financial assets available for sale portfolio:

	Current period	Prior period
Debt securities	9.485.019	7.484.123
<i>Quoted on a stock exchange</i>	9.485.019	7.484.123
<i>Not quoted</i>	-	-
Share certificates	27.925	25.970
<i>Quoted on a stock exchange</i>	-	-
<i>Not quoted</i>	27.925	25.970
Impairment provision(-)	122.524	15.103
Total	9.390.420	7.494.990

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

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(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	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	120.545	-	97.620	-
Total	120.545	-	97.620	-

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	42.997.063	77.638	528.353	22.198
<i>Discount notes</i>	32.690	-	-	-
<i>Export loans</i>	2.761.038	-	1.635	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	495.568	-	-	-
<i>Overseas loans</i>	409.801	-	973	21
<i>Consumer loans⁽¹⁾</i>	13.932.924	72	147.201	19.812
<i>Credit cards⁽²⁾</i>	935.360	17	22.536	2.359
<i>Precious metals loans</i>	-	-	-	-
<i>Other</i>	24.429.682	77.549	356.008	6
Specialized lending	11.525.627	37.569	110.232	-
Other receivables	-	-	-	-
Accruals	705.384	1.488	7.993	287
Total	55.228.074	116.695	646.578	22.485

⁽¹⁾ Includes TRY 91.515 of personnel loans.

⁽²⁾ Includes TRY 29.030 of personnel credit cards.

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

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

	Standard loans and other receivables		Loans and receivables under close monitoring	
	Up to 1 year	1 year or longer	Up to 1 year	1 year or longer
The number of loans whose terms of payment has been changed	4.036	2.765	306	594

c) Loans according to their maturity structure:

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Restructured or rescheduled ⁽¹⁾	Loans and other receivables	Restructured or rescheduled ⁽¹⁾
Cash loans				
Short-term loans and other receivables	15.527.343	601	144.644	585
<i>Non-specialized loans</i>	14.833.599	519	138.857	578
<i>Specialized loans</i>	496.035	74	3.978	-
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	197.709	8	1.809	7
Medium and long-term loans and other receivables	39.700.731	116.094	501.934	21.900
<i>Non-specialized loans</i>	28.163.464	77.119	389.496	21.620
<i>Specialized loans</i>	11.029.592	37.495	106.254	-
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	507.675	1.480	6.184	280
Total	55.228.074	116.695	646.578	22.485

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

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	207.019	13.452.419	13.659.438
<i>Real estate loans</i>	4.025	5.379.089	5.383.114
<i>Automobile loans</i>	864	50.258	51.122
<i>Consumer loans</i>	202.130	8.023.072	8.225.202
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	268	268
<i>Real estate loans</i>	-	268	268
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	1.153	93.064	94.217
<i>Real estate loans</i>	119	10.444	10.563
<i>Automobile loans</i>	304	2.661	2.965
<i>Consumer loans</i>	690	77.269	77.959
<i>Other</i>	40	2.690	2.730
Individual credit cards-TRY	845.979	2.107	848.086
<i>Installment</i>	238.887	-	238.887
<i>Non-installment</i>	607.092	2.107	609.199
Individual credit cards-FC	-	8.138	8.138
<i>Installment</i>	-	8.138	8.138
<i>Non-installment</i>	-	-	-
Personnel loans-TRY	5.935	83.031	88.966
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	5.935	83.031	88.966
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	31	2.518	2.549
<i>Real estate loans</i>	-	894	894
<i>Automobile loans</i>	6	48	54
<i>Consumer loans</i>	25	1.549	1.574
<i>Other</i>	-	27	27
Personnel credit cards-TRY	28.807	14	28.821
<i>Installment</i>	8.210	-	8.210
<i>Non-installment</i>	20.597	14	20.611
Personnel credit cards-FC	-	209	209
<i>Installment</i>	-	209	209
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY (Retail customer)	249.839	-	249.839
Overdraft accounts-FC (Retail customer)	4.732	-	4.732
Total	1.343.495	13.641.768	14.985.263

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

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	30.389	589.685	620.074
<i>Business residential loans</i>	10.547	367.344	377.891
<i>Automobile loans</i>	19.842	222.341	242.183
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	19.369	79.695	99.064
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	19.369	79.695	99.064
Corporate credit cards-TRY	74.898	-	74.898
<i>Installment</i>	13.583	-	13.583
<i>Non-installment</i>	61.315	-	61.315
Corporate credit cards-FC	-	120	120
<i>Installment</i>	-	120	120
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY (Commercial customer)	248.814	-	248.814
Overdraft accounts-FC (Commercial customer)	-	-	-
Total⁽¹⁾	373.470	669.500	1.042.970

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

f) Loan according to type of borrowers:

	Current period	Prior period
Public	1.798.381	1.647.341
Private	54.215.451	42.355.923
Total	56.013.832	44.003.264

g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	55.388.703	43.746.012
Foreign loans ⁽¹⁾	625.129	257.252
Total	56.013.832	44.003.264

⁽¹⁾ Consumer loans amounting to TRY 101.498, non-specialized loans amounting to TRY 97.348 and credit cards amounting to TRY 8.467 of Halk Banka AD Skopje are represented in foreign loans.

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h) Loans granted to subsidiaries and associates:

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

i) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	90.410	127.289
Loans and receivables with doubtful collectability	22.897	75.681
Uncollectible loans and receivables	1.297.806	1.261.560
Total	1.411.113	1.464.530

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

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

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	195.025	106.512	1.456.216
Additions (+) ⁽¹⁾	257.412	40.707	95.900
Transfers from other categories of loans under follow-up (+)	-	47.936	285.560
Transfers to other categories of loans under follow-up (-)	203.692	129.804	-
Collections (-)	101.667	33.583	335.638
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance⁽¹⁾	147.078	31.768	1.502.038
Specific provision (-) ⁽¹⁾	90.410	22.897	1.297.806
Net balance on balance sheet⁽¹⁾	56.668	8.871	204.232

⁽¹⁾ Included the effect of consolidated affiliates presented in Section Five Note V.h.3.

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

	III. Grup	IV. Grup	V. Grup
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	2.919	1.160	8.110
Specific provisions(-)	1.222	840	7.314
Net balance in the balance sheet	1.697	320	796
Prior period			
Balance at the end of the period	-	-	-
Specific provisions(-)	-	-	-
Net balance in the balance sheet	-	-	-

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

	III. Grup	IV. Grup	V. Grup
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	56.668	8.871	204.232
Loans to granted real persons and legal entities (Gross)	146.940	31.510	1.460.899
Specific provisions (-)	90.272	22.639	1.256.667
Loans to granted real persons and legal entities (Net)	56.668	8.871	204.232
Banks (Gross)			
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	138	258	41.139
Specific provisions (-)	138	258	41.139
Other loans and receivables (Net)	-	-	-
Prior period (Net)	67.736	30.831	194.656
Loans to granted real persons and legal entities (Gross)	194.110	106.510	1.419.636
Specific provisions (-)	126.374	75.679	1.224.980
Loans to granted real persons and legal entities (Net)	67.736	30.831	194.656
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	915	2	36.580
Specific provisions (-)	915	2	36.580
Other loans and receivables (Net)	-	-	-

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

The 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.

l) Explanations on write-off policy:

In compliance with the "Procedure for Write Off and Procedures for Overdue Receivables for Legal Follow-Up" of the Parent Bank and Turkish Tax Procedural Code, 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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m) Aging analysis of past due but not impaired financial assets per classes of financial instruments:

Current Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	244	1.537	1.768	3.549
SME Loans	79.147	26.178	13.677	119.002
Consumer Loans	12.901	4.827	2.245	19.973
Credit cards	79.797	13.359	4.216	97.372
Total	172.089	45.901	21.906	239.896

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

(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	2.643.807	417.083	2.290.572	86.107
Other	-	-	-	-
Total	2.643.807	417.083	2.290.572	86.107

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

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

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

	Current period	Prior period
Government bonds	14.064.458	12.749.840
Treasury bills	-	-
Other public sector debt securities	-	-
Total	14.064.458	12.749.840

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	14.064.458	12.749.840
<i>Quoted on a stock exchange</i>	<i>11.618.046</i>	<i>10.360.874</i>
<i>Not quoted</i>	<i>2.446.412</i>	<i>2.388.966</i>
Impairment provision (-)	-	-
Total	14.064.458	12.749.840

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

	Current period	Prior period
Beginning balance	12.749.840	16.573.548
Foreign currency differences on monetary assets	329.521	(14.112)
Purchases during the year ⁽¹⁾	1.949.361	3.127.589
Disposals through sales and redemptions ⁽²⁾	(1.007.966)	(6.937.185)
Impairment provision (-) / provision reversal (+)	-	-
Effect of the subsidiaries included in the consolidation	43.702	-
Balance at the end of the period	14.064.458	12.749.840

⁽¹⁾ As of 31 December 2011, Interest income accrual amounting TRY 726.675 have been included in purchases row (31 December 2010: TRY 503.032).

⁽²⁾ In accordance with the tainting rules defined in paragraph 9 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2011, the Parent Bank reclassified TRY 734.142 of financial assets from held to maturity investments portfolio to available for sale portfolio. Related amount was presented in "Disposals Through Sales and Redemptions" row.

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d.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⁾	6.614.199	-	7.061.818	-	5.076.530	-	5.352.897	-
Obtained with the transfer	2.340.938	-	2.402.709	-	2.340.938	-	2.388.965	-
Reclassified from other securities portfolios ⁽¹⁾	2.424.517	1.229.627	2.554.706	1.289.865	2.989.881	1.203.581	3.096.506	1.254.814
Other	-	728.502	-	755.360	-	635.878	-	656.658
Total	11.379.654	1.958.129	12.019.233	2.045.225	10.407.349	1.839.459	10.838.368	1.911.472

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

⁽²⁾ The Parent Bank has not reclassified any financial assets from other portfolios to held to maturity investment portfolio during the current period. Also the additions for the period 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	Hollanda	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	32,26
3. Fintek AŞ	Ankara	24,00	29,76
4. Bileşim Alternatif Dağ. Kan. AŞ	İstanbul	24,00	24,00
5. Kredi Kayıt Bürosu AŞ	İstanbul	18,18	18,18
6. Bankalararası Kart Merkezi AŞ	İstanbul	18,95	18,95
7. Kredi Garanti Fonu AŞ	Ankara	1,67	1,67

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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
1.	4.127.201	437.577	33.499	93.438	(26.011)	(691)	3.381	-
2.	45.752	45.579	183	-	-	3.533	887	-
3.	10.716	4.781	75	243	118	555	345	-
4.	22.331	11.731	3.712	908	-	1.547	4.571	-
5.	44.844	33.989	2.465	2.614	4	18.340	14.132	-
6.	25.225	18.484	10.344	1.116	-	2.619	1.465	-
7.	202.715	196.820	3.051	7.637	-	2.656	4.321	-

(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 2011 audited financial statements. Demir Halkbank NV obtained from 31 December 2011 unaudited financial statements, remaining associates are obtained from 30 September 2010 unaudited financial statements.

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	187.922	176.665
Movements during the period	(32.434)	11.257
<i>Purchases⁽¹⁾</i>	1.000	944
<i>Free shares obtained profit from current year's share⁽¹⁾</i>	1.238	-
<i>Profit in current year income</i>	905	10.911
<i>Sales</i>	-	-
<i>Transfer⁽²⁾</i>	(51.490)	-
<i>Revaluation decrease (-) / increase⁽³⁾</i>	15.913	(598)
<i>Provision for impairment (-) / reversals (+)⁽⁴⁾</i>	-	-
Balance at the end of the period	155.488	187.922
Capital commitments ⁽³⁾	1.000	2.000
Share percentage at the end of the period (%)	0,00	0,00

(1) Current period additions are the increase of non-paid-up shares of Bankalararası Kart Merkezi AŞ.

(2) Halk Finansal Kiralama AŞ 's 52,24% paid-in-capital with a nominal value of TRY 36.960 within a total paid-in-capital of TRY 70.750, was purchased by the Bank with a payment of TRY 62.663 on 27 May 2011. In the current period, Halk Finansal Kiralama AŞ is classified as a subsidiary of the Bank since the share of the Bank on Halk Finansal Kiralama AŞ has been increased after the purchase transaction. Total transfer amount consists of TRY 49.660 of cost and TRY 1.830 of difference caused by equity method.

(3) The Parent Bank has TRY 1.000 as capital commitment to Kredi Garanti Fonu AŞ.

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d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	131.273	115.566
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	51.491
Financing companies	-	-
Other financial investments	24.215	19.813

e) 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 (%)
1. Halk Yatırım Menkul Değerler AŞ	Istanbul	99,94	99,96
2. Halk Sigorta AŞ ⁽³⁾	Istanbul	89,18	89,18
3. Halk Hayat ve Emeklilik AŞ	Istanbul	94,40	99,46
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	Istanbul	99,84	99,99
5. Halk Finansal Kiralama AŞ	İstanbul	99,99	99,99
6. Halk Portföy Yönetimi AŞ	İstanbul	55,99	98,71
7. Halk Banka AD, Skopje	Macedonia	98,12	98,12

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value
1.	99.672	51.742	2.026	13.289	118	10.396	11.124	-
2. ⁽³⁾	195.844	45.529	3.454	5.909	1.607	(8.259)	4.002	-
3.	275.974	87.994	1.803	21.494	12.394	38.260	29.372	-
4.	531.455	509.251	497.833	2.031	2	30.422	1.829	-
5.	937.690	120.021	4.211	34.003	-	12.169	17.215	-
6.	4.818	4.761	83	209	1	(239)	-	-
7.	347.819	84.543	20.137	12.104	1.015	729	-	-

⁽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 2011.

⁽³⁾ Halk Sigorta AŞ. is consolidated with financials of 30. September 2011.

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c) Movement of the subsidiaries:

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

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

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

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

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

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

e) Acquisition of subsidiaries:

Halk Finansal Kiralama AŞ

On 27 May 2011, the Group obtained the control of and started to consolidate Halk Leasing by acquiring 52,24% of the shares and voting interests in the company in cash amounting to TRY 62.663 and thus, the Group's equity interest in Halk Leasing increased to 99,99%.

The Group expects to increase its market share in the financial leasing market.

If the acquisition had occurred on 1 January 2011, management estimates that consolidated profit for the period would have been TRY 2.038.977.

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Identifiable assets acquired and liabilities assumed:

	30 June 2011
Financial lease receivables	659.783
Deferred tax assets	20.358
Cash and cash equivalents	4.698
Tangible assets	4.522
Intangible assets	60
Other assets	36.888
Loans and advances from banks	(597.495)
Other liabilities	(20.962)
Total net identifiable assets	107.852

As of 31 December 2011, The values of assets, liabilities and contingent liabilities for the Halk Finansal Kiralama AŞ. recognized on acquisition are their estimated fair values and according to their estimated fair values no goodwill has been recognized as a result of Halk Leasing acquisition.

Halk Banka AD, Skopje

On 8 April 2011, the Group obtained the control of Halk Banka AD, Skopje, formerly Export and Credit Bank AD Skopje by acquiring 91,56% of the shares and voting interests in the company in cash amounting to TRY 42.145.

Taking control of Halk Banka AD, Skopje will enable the Group to operate in Republic of Macedonia.

Identifiable assets acquired and liabilities assumed:

	30 June 2011
Loans and advances	191.400
Cash and cash equivalents	60.977
Investment securities	34.445
Property and equipment	21.731
Intangible assets	17.280
Other assets	22.496
Deposits	(236.092)
Loans and advances from banks	(58.430)
Deferred tax liabilities	(1.949)
Other liabilities	(5.828)
Total net identifiable assets	46.030

Pre-acquisition carrying amounts of Halk Banka AD, Skopje were determined based on the applicable IFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognized on acquisition are their estimated fair values and according to their estimated fair values no goodwill has been recognized as a result of Halk Banka AD, Skopje acquisition. In accordance with IFRS 3 "Business Combinations", the measurement period shall not exceed one year from the acquisition date and the provisional amounts recognized in the acquisition date should be corrected.

Net cash outflow

Consideration paid	104.808
Cash associated with purchased assets	(65.675)
Net cash outflow due to acquisition	39.133

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f) Subsidiaries quoted in the stock exchange:

None.

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

None.

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

a) Maturity structure of investments on financial lease:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	277.392	204.216	-	-
Between 1-4 years	623.771	550.873	-	-
More than 4 years	147.421	134.444	-	-
Total	1.048.584	889.533	-	-

b) Information on gross investments of financial lease:

	Current period	Prior period
Gross financial lease investment	1.048.584	-
Unearned revenues from financial lease	(159.051)	-
Total	889.533	-

c) Information on receivables from non- performing loans of financial lease:

	Cari Dönem	Önceki Dönem
Financial lease receivables with limited collectability	2.608	-
Financial lease receivables with doubtful collectability	9.603	-
Uncollectible financial lease receivables	47.850	-
Specific provisions	(32.620)	-
Total	27.441	-

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

None.

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(12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Additions	Acquisitions through business combinations	Disposals	Transfers	Balance at the end of the period
Cost:						
Immovables	970.331	22.103	-	(40.796)	(15.162)	936.476
Tangible assets purchased through financial lease	46.868	2.854	-	(8.267)	-	41.455
Office machines	180.957	108.078	1.085	(91.342)	-	198.778
Fixed assets obtained due to non-performing loans	308.856	333.416	-	(198.727)	(87.378)	356.167
Lease hold improvements costs	102.480	29.103	660	(9.166)	-	123.077
Other	211.624	16.751	26.830	(6.776)	-	248.429
Total Cost	1.821.116	512.305	28.575	(355.074)	(102.540)	1.904.382
Accumulated depreciation (-)						
Immovables	212.151	14.251	-	(5.290)	(4.741)	216.371
Tangible assets purchased through financial lease	42.283	3.495	-	(8.098)	-	37.680
Office machines	107.779	24.365	949	(38.550)	-	94.543
Fixed assets obtained due to non-performing loans	11.950	3.924	-	(11.038)	1.509	6.345
Lease hold improvements costs	34.740	21.790	131	(6.210)	-	50.451
Other	155.179	16.866	1.242	(1.355)	-	171.932
Total accumulated depreciation (-)	564.082	84.691	2.322	(70.541)	(3.232)	577.322
Provision for impairment (-)						
Immovables	8.457	24	-	(1.008)	(290)	7.183
Fixed assets obtained due to non-performing loans	14.140	4.326	-	(13.450)	-	5.016
Total provision for impairment (-)	22.597	4.350	-	(14.458)	(290)	12.199
Net Book Value	1.234.437	423.264	26.253	(270.075)	(99.018)	1.314.861

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Prior 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
Fixed assets obtained due to non-performing loans	7.546	8.764	(3.000)	830	14.140
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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(13) Information on intangible assets:

Current Period	Balance at the end of the prior period	Additions	Acquisitions through business combinations	Disposals	Transfers	Balance at the end of the period
Cost:						
Other intangible assets	23.640	12.738	17.948	(2.071)	-	52.255
Total Cost	23.640	12.738	17.948	(2.071)	-	52.255
Accumulated Depreciation (-)						
Other intangible assets	4.985	2.434	608	(1.315)	-	6.712
Total Accumulated Depreciation (-)	4.985	2.434	608	(1.315)	-	6.712
Net Book Value	18.655	10.304	17.340	(756)	-	45.543

Prior 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
Net Book Value	12.090	9.128	(2.457)	(106)	18.655

(14) Information on investment property:

None.

(15) Information on tax assets:

a) Information on current assets

As of 31. December 2011, the Group has TRY 12.912 of current assets for tax. (31 December 2010: None).

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b) Information on deferred tax assets:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	77.384	79.106
Revaluation of Financial Assets	(4.425)	132.660
Other	20.712	11.054
Deferred Tax (Asset) /Liability:	93.671	222.820
Deferred tax accounted in shareholders' equity	(32.733)	43.546
Available for sale financial assets IRR-fair value difference	(32.733)	43.546

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

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

	Current period	Prior period
Cost	87.460	98.131
Accumulated Depreciation (-) ⁽¹⁾	(1.837)	-
Net Book Value	85.623	98.131
Opening Balance	98.131	84.091
Acquisitions (Transfers) (Net)	102.540	105.564
Acquisitions through business combinations	3.451	-
Disposals(-),(Net)	(116.712)	(92.652)
Impairment Charge/Cancellation	50	1.128
Amortization Charge ⁽¹⁾	(1.837)	-
Net Book Value	85.623	98.131

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

(17) Information on other assets:

	Current period	Prior period
Prepaid expenses	201.289	264.187
Clearing House account	166.151	181.430
Receivables from credit card payments	157.768	71.971
Receivables from intermediary operations (Receivables from insurance operations and clients)	79.421	73.653
Receivables from asset sale on credit terms	47.999	40.467
Cash guarantees given	22.585	2.148
Guarantees given for derivative financial instruments	10.379	15.875
Other	129.703	105.521
Total	815.295	755.252

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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	2.134.100	-	487.067	18.873.956	2.058.919	317.385	852.893	90.331	24.814.651
Foreign currency deposits	2.058.800	-	2.785.748	7.051.621	2.154.193	789.567	1.694.754	10.818	16.545.501
Residents in Turkey	1.875.246	-	1.718.162	6.534.438	1.306.222	463.508	1.182.384	10.813	13.090.773
Residents abroad	183.554	-	1.067.586	517.183	847.971	326.059	512.370	5	3.454.728
Public sector deposits	1.732.329	-	728.399	2.569.662	540.507	32.252	652	-	5.603.801
Commercial inst. deposits	1.954.624	-	2.309.988	3.436.172	342.238	62.920	41.787	-	8.147.729
Other inst. deposits	335.851	-	32.901	992.193	432.832	256.614	19.410	-	2.069.801
Precious metals	2.066.190	-	-	-	-	-	-	-	2.066.190
Interbank deposits	3.040.932	-	3.012.839	740.108	31.060	25.230	130.668	-	6.980.837
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	4.539	-	2.816.026	37.006	30.030	4.139	-	-	2.891.740
Foreign banks	2.826.543	-	196.813	703.102	1.030	21.091	130.668	-	3.879.247
Participation banks	209.850	-	-	-	-	-	-	-	209.850
Total	13.322.826	-	9.356.942	33.663.712	5.559.749	1.483.968	2.740.164	101.149	66.228.510

a.2. Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over	Cumulative deposits	Total
Saving deposits	1.789.824	-	4.355.760	15.294.271	413.109	172.023	59.068	67.782	22.151.837
Foreign currency deposits	1.733.953	-	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
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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b) Information on saving deposits in the scope of Saving Deposits Insurance Fund:

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current period	Prior period	Current period	Prior period
Saving deposits	12.713.126	11.452.490	12.046.510	10.655.063
Foreign currency saving deposits	3.759.626	2.419.516	5.963.493	4.002.148
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	66.115	53.080	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

⁽¹⁾ 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	151.869	152.388
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	3.890	2.141
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	45.829	-	601
Swap transactions	-	19.443	-	37.673
Future transactions	-	-	-	-
Options	44	42	7	870
Other	-	-	-	-
Total	44	65.314	7	39.144

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(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	277.607	551.797	128.142	128.796
Foreign banks, institutions and funds	157.703	6.023.238	75.287	3.493.862
Total	435.310	6.575.035	203.429	3.622.658

b) Maturity structure of funds borrowed:

	Cari Dönem		Önceki Dönem	
	TRY	FC	TRY	FC
Short-term	199.725	3.047.697	128.142	1.833.822
Medium and long-term	235.585	3.527.338	75.287	1.788.836
Total	435.310	6.575.035	203.429	3.622.658

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 37% of saving deposits and 25% 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 51% of banks deposits and 31% 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	3.947.963	-	2.527.844	-
<i>Financial institutions and organizations</i>	3.891.146	-	2.423.650	-
<i>Other institutions and organizations</i>	26.422	-	70.940	-
<i>Real persons</i>	30.395	-	33.254	-
From overseas transactions	101.445	842.706	69	611.411
<i>Financial institutions and organizations</i>	101.257	842.706	-	611.411
<i>Other institutions and organizations</i>	-	-	-	-
<i>Real persons</i>	188	-	69	-
Accruals	7.194	5.224	12.986	2.745
Total	4.056.602	847.930	2.540.899	614.156

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(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Bonds	495.611	-	-	-
Securities	-	-	-	-
Total	495.611	-	-	-

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

(5) Marketable securities issued:

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
	2.719	1.342.515	75.832	1.219.400

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 581.828 and does not exceed 10% of the balance sheet total (31 December 2010: TRY 533.643).

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

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

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

b) Explanation on finance lease payables:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years ⁽¹⁾	-	-	831	566
More than 4 years	-	-	-	-
Total	-	-	831	566

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

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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.

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior Period
General provisions	659.914	390.121
Provisions for first group loans and receivables	598.240	339.845
Provisions for second group loans and receivables	8.183	9.553
Provisions for non cash loans	53.491	40.723

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

None.

c) Specific provisions provided for un-indemnified non-cash loans:

As of 31 December 2011, the Parent Bank's specific provisions for un-indemnified non-cash loans balance are TRY 41.419 (31 December 2010: TRY 46.665). The Parent Bank provides 50% of provision for these non cash loans. TRY 2.525 (31 December 2010: TRY 2.538) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

d) Information on other provisions:

Total other provision balance amounting to TRY 277.804 (31 December 2010: TRY 191.781) consists of TRY 41.419 (31 December 2010: TRY 46.665) for specific provisions for un-indemnified non cash loans, TRY 21.437 (31 December 2010: TRY 22.493) for legal cases filed against the Parent Bank, TRY 194.000 (31 December 2010: TRY 7.600) provision for prudency in consideration for any changes that may arise in the economy and the market, TRY 20.948 (31 December 2010: TRY 18.569) of other provisions. As per 31 December 2011 there are no provisions recognized for close monitoring loans and no provision for restructured from Group I loans 31 December 2010 amounts are TRY 69.390 and TRY 27.064, respectively.

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e) Movement of employee termination benefits:

Severance indemnity provision of the Parent Bank as of 31 December 2011 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation, according to TAS 19, is as follows;

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

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

Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	204.212	180.431
Subsidiaries consolidation effect	360	-
Current year service cost	16.858	12.065
Interest expense	19.756	19.246
Actuarial gain/loss	12.962	16.169
Payment/The limitation of benefits/ Loss (Gain) because of discharge	8.776	-
Benefits paid within the period(-)	(35.884)	(23.699)
Total	227.040	204.212

As of 31 December 2011, unused vacation provision is TRY 88.276. and severance indemnity provision for outsourced firms is TRY 4.974. This amount is followed under employee benefits provision liability (31 December 2010: TRY 69.401 for unused vacation provision; TRY 2.992 for severance indemnity provision for outsource firms).

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

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g) Explanations related to Insurance technical reserves (Net):

	Current period	Prior period
Life-Mathematical Provisions	155.962	99.538
Provisions for unearned premium claims	78.980	63.740
Provision for outstanding claims	65.133	46.566
Provisions for unexpired risk reserves	6.731	2.870
Other	2.471	4.036
Total	309.277	216.750

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2011, the Parent Bank's corporate tax payable is amounting to TRY 90.105 after setting off TRY 291.010 of prepaid taxes from TRY 381.115 of corporate tax liabilities.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	90.105	188.812
Income on securities tax	50.487	41.751
Property income tax	507	520
Banking and insurance transactions tax (BITT)	25.901	18.526
Foreign exchange transactions tax	2	8
Value added tax payable	501	553
Other	14.014	15.248
Total	181.517	265.418

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	123	75
Social insurance premiums-employer	312	193
Bank social aid pension fund premium-employee	3.386	3.235
Bank social aid pension fund premium-employer	4.609	4.507
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	12	5
Unemployment insurance-employer	23	16
Other	715	700
Total	9.180	8.731

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b) Explanations regarding deferred tax liability:

As of 31 December 2011, the Group has TRY 1.823 of deferred tax liability.

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

None.

(12) 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.

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

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

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

None.

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

None.

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

None.

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

None.

f) Indicators of the 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.

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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	76.761	(354.964)	177.841	(64.311)
Exchange rate difference	-	-	-	-
Total	76.761	(354.964)	177.841	(64.311)

h) Information on legal reserves:

	Current period	Prior period
First Legal Reserves	401.181	301.942
Second Legal Reserves	362.516	317.415
Legal reserves appropriated in accordance with the law	1.503	992
Total	765.200	620.349

i) Information on the extraordinary reserves

	Current period	Prior period
Reserves appropriated by General Assembly	3.447.828	2.225.576
Retained Earnings	67.040	47.181
Accumulated Reserves	-	-
Foreign Currency Translation Differences (-)	-	-
Total	3.514.868	2.272.757

(14) a) Information on minority interest shares:

	Current period	Prior period
Paid-in capital	5.782	4.390
Marketable Securities Revaluation Fund	4	13
Legal Reserves	258	152
Extraordinary Reserves	1.333	1.333
Retained Earnings	(16)	-
Other Profit Reserves	(59)	-
Export premium	218	-
Net Period Income / Loss	(680)	596
Closing Balance	6.840	6.484

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b) Movement of minority interest shares:

	Current period	Prior period
Beginning Balance	6.484	6.594
The effect of the inclusion of subsidiaries in the scope of consolidation	1.586	-
Change in Minority Interest	(14)	(706)
Dividend Payment	(536)	-
Net Period Income / Loss	(680)	596
Closing Balance	6.840	6.484

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	4.618.584	4.089.791
Payment commitments for cheques	3.976.513	3.604.999
Loan granting commitments	890.035	602.623
Two days forward foreign exchange buy/sell transactions	677.085	631.201
Commitments for credit cards and banking services promotions	26.857	26.217
Tax and fund liabilities from export commitments	11.389	34.849
Share capital commitments to associates and subsidiaries ⁽¹⁾	1.000	2.000
Other irrevocable commitments	1.063.521	892.979
Total	11.264.984	9.884.659

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

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

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

	Current period	Prior period
Bank acceptance loans	627.992	149.594
Letters of credit	4.081.908	3.377.338
Other guarantees	423.056	256.403
Total	5.132.956	3.783.335

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

	Current period	Prior period
Letters of tentative guarantees	948.430	490.139
Letters of certain guarantees	5.993.331	4.074.588
Letters of advance guarantees	1.660.373	1.217.092
Letters of guarantee given to customs offices	324.948	270.177
Other letters of guarantee	3.795.239	2.891.021
Total	12.722.321	8.943.017

b.3. Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	169.526	145.357
<i>Within one year or less original maturity</i>	8.658	110
<i>Within more than one year maturity</i>	160.868	145.247
Other non-cash loans	17.685.751	12.580.995
Total	17.855.277	12.726.352

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

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	9.191	0,10	14.283	0,16	11.756	0,17	479	0,01
<i>Farming and raising livestock</i>	8.840	0,10	14.283	0,16	9.579	0,14	458	0,01
<i>Forestry</i>	110	0,00	-	0,00	169	0,00	21	0,00
<i>Fishing</i>	241	0,00	-	0,00	2.008	0,03	-	0,00
Manufacturing	2.899.659	32,86	4.912.466	54,40	3.053.776	45,26	3.365.506	56,29
<i>Mining</i>	33.649	0,38	173.010	1,92	17.643	0,26	123.131	2,06
<i>Production</i>	2.592.261	29,37	4.455.591	49,34	2.730.719	40,47	2.661.617	44,52
<i>Electric, gas and water</i>	273.749	3,10	283.865	3,14	305.414	4,53	580.758	9,71
Construction	2.447.520	27,73	2.088.399	23,13	1.463.898	21,69	1.466.694	24,53
Services	3.426.793	38,83	1.809.848	20,04	2.193.689	32,51	916.912	15,34
<i>Wholesale and retail trade</i>	1.393.864	15,79	828.500	9,17	1.072.765	15,90	563.397	9,43
<i>Hotel, food and beverage services</i>	56.007	0,63	10.480	0,12	42.413	0,63	11.427	0,19
<i>Transportation and telecommunication</i>	106.658	1,21	60.094	0,67	90.501	1,34	40.486	0,68
<i>Financial Institutions</i>	1.606.045	18,20	358.091	3,97	825.382	12,23	193.768	3,24
<i>Real estate and renting services</i>	239.586	2,71	546.387	6,05	143.696	2,13	107.399	1,80
<i>Self-employment services</i>	5.339	0,06	344	0,00	4.308	0,06	282	0,00
<i>Education services</i>	2.842	0,03	5.357	0,06	3.300	0,05	138	0,00
<i>Health and social services</i>	16.452	0,19	595	0,01	11.324	0,17	15	0,00
Other	41.944	0,48	205.174	2,27	24.694	0,37	228.948	3,83
Total	8.825.107	100,00	9.030.170	100,00	6.747.813	100,00	5.978.539	100,00

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

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	8.796.385	9.024.198	28.722	5.972
Letters of guarantee	7.596.429	5.091.198	28.722	5.972
Bank acceptances	5.620	622.372	-	-
Letters of credit	988.711	3.093.197	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	205.625	217.431	-	-

c) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Risk Management	
	Current period	Prior period	Current period	Prior period
Types of trading transactions				
Foreign currency related derivative transactions (I)	6.151.082	3.476.585	-	-
Forward foreign currency buy/sell transactions	2.200.039	104.596	-	-
Currency buy/sell swap	3.812.283	3.179.800	-	-
Currency futures	-	-	-	-
Currency put/call options	138.760	192.189	-	-
Interest related derivative transactions (II)	-	-	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	-	-	-	-
Interest rate put/call options	-	-	-	-
Interest rate buy/sell futures	-	-	-	-
Other trading derivative transactions (III)⁽¹⁾	1.985.142	1.384.457	-	-
A. Total trading derivative transactions (I+II+III)	8.136.224	4.861.042	-	-
Types of derivative transactions for risk management				
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B.Total derivative transactions for hedging	-	-	-	-
Total derivative transactions (A+B)	8.136.224	4.861.042	-	-

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

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d) Information on contingent liabilities and assets:

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

e) Services supplied on behalf of others:

None.

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	1.623.275	194.172	1.530.556	155.357
Medium and long term loans	2.665.793	631.047	2.066.429	381.689
Interest on non-performing loans	132.115	4.583	122.201	8
Premiums from resource utilization support fund	-	-	-	-
Total	4.421.183	829.802	3.719.186	537.054

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

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	-	-	66.622	-
Domestic banks	486	820	2.230	343
Overseas banks	751	8.019	930	3.345
Head office and branches abroad	-	-	-	-
Total	1.237	8.839	69.782	3.688

c) Interest income from marketable securities:

	Current period		Prior period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	4.985	766	2.995	377
Financial Assets at Fair Value through profit or loss	-	-	-	-
Financial Assets available for sale	665.394	69.834	532.665	84.090
Investments held to maturity	1.175.312	117.349	1.297.535	102.170
Total	1.845.691	187.949	1.833.195	186.637

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d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries	38	3.160

(2) Information on interest expenses:

a) Information on interest expense on borrowings:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	15.631	115.273	16.947	48.971
<i>Central Bank of Turkey</i>	-	-	-	-
<i>Domestic banks</i>	15.631	5.466	9.844	3.623
<i>Overseas banks</i>	-	109.807	7.103	45.348
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	8.934	1.007	287	2
Total	24.565	116.280	17.234	48.973

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries	5.798	4.052

c) Information on interest expenses to marketable securities issued:

Interest expenses to marketable securities is TRY 17.308. (31 December 2010: None.)

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d) Maturity structure of interest expenses on deposits:

Account name	Time deposits						Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
TRY								
Bank deposits	83	139.916	6.841	949	178	-	-	147.967
Saving deposits	82	83.777	1.552.052	96.564	16.271	34.981	5.936	1.789.663
Public deposits	182	21.258	178.523	12.302	2.319	44	-	214.628
Commercial deposits	153	145.423	275.691	39.109	4.643	1.531	-	466.550
Other deposits	-	14.550	78.534	20.277	13.514	649	-	127.524
7 days call accounts	-	-	-	-	-	-	-	-
Total	500	404.924	2.091.641	169.201	36.925	37.205	5.936	2.746.332
Foreign currency								
Deposits	309	68.839	208.006	50.746	17.429	50.587	-	395.916
Bank deposits	-	10.501	-	-	-	-	-	10.501
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
Total	309	79.340	208.006	50.746	17.429	50.587	-	406.417
Grand total	809	484.264	2.299.647	219.947	54.354	87.792	5.936	3.152.749

(3) Information on dividend income:

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	620	418
Other	5.053	805
Total	5.673	1.223

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

	Current period	Prior period
Profit	7.911.772	6.066.833
Profit from the capital market operations	951.080	223.687
Profit on derivative financial instruments	1.677.946	945.348
Foreign exchange gains	5.282.746	4.897.798
Loss	(7.701.513)	(5.933.478)
Loss from the capital market operations	(855.333)	(1.929)
Loss on derivative financial instruments	(1.523.607)	(1.018.188)
Foreign exchange losses	(5.322.573)	(4.913.361)

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b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	1.677.946	945.348
Effect of the change in foreign exchange on profit	1.616.286	944.637
Effect of the change in interest rate on profit	61.660	711
Loss on derivative financial instruments	(1.523.607)	(1.018.188)
Effect of the change in foreign exchange on loss	(1.493.974)	(961.439)
Effect of the change in interest rate on loss	(29.633)	(56.749)
Profit/loss on derivative financial instruments	154.339	(72.840)

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	418.156	284.834
<i>Specific provision reversals for Loans under follow up</i>	284.486	220.190
<i>Other prior period expense reversals income</i>	133.670	64.644
Life insurance income	263.126	139.269
Receivable from the asset sale on credit terms	79.653	66.891
Rent income	17.248	6.605
Cheques	5.619	5.019
Other income	34.930	95.187
Total	818.732	597.805

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	211.204	316.369
<i>Group - III loans and receivables</i>	107.771	134.190
<i>Group - IV loans and receivables</i>	20.637	33.615
<i>Group - V loans and receivables</i>	82.796	148.564
General loan provision expenses	266.662	114.567
Provision expenses for possible losses	186.400	600
Marketable securities impairment losses	-	12.133
<i>Financial assets at fair value through profit and loss</i>	-	-
<i>Financial assets available for sale</i>	-	12.133
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Jointly controlled entities (joint ventures)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Other	27.450	14.801
Total	691.716	458.470

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(7) Information on other operating expenses:

	Cari Dönem	Önceki Dönem
Personnel expenses	761.503	689.537
Reserve for employee termination benefits	58.712	49.235
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	24	303
Depreciation expenses of fixed assets	82.313	69.582
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	2.863	1.802
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	4.326	8.764
Amortization expenses of assets that will be disposed of	3.924	5.373
Impairment expense for property and equipment held for sale	-	224
Other operating expenses	613.588	482.581
<i>Operational leasing expenses</i>	85.845	59.942
<i>Maintenance expenses</i>	16.873	21.134
<i>Advertisement expenses</i>	57.494	39.354
<i>Other expenses</i>	453.376	362.151
Loss on sales of assets	2.100	5.159
Other	415.740	341.389
Total	1.945.093	1.653.949

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

The Group's income before tax is due from continuing activities. TRY 3.533.758 of the income before tax consists of net interest income, TRY 703.029 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is TRY 2.635.547.

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

For the year ended 31 December 2011, the Group's tax provision amounting to TRY 608.848 consists of TRY 381.227 of current tax charge and TRY 227.621 of deferred tax income.

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

For the year ended 31 December 2011, the Group's net operating income after tax is TRY 2.026.699.

(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 2011 and 31 December 2011.

b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.

c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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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.

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:

The "net increase/(decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 2.244.178 thousands for the year 2011. The "others" item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TRY 2.438.101 thousands for the year 2011. For the year ended 31 December 2011, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 788.962 increase (31 December 2010: TRY 76.689, increase).

(2) Items of cash and cash equivalents, accounting policies used in the determination of those items:

Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.

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

None.

(4) Period beginning cash and cash equivalents balance:

	Current period	Prior period
Cash	4.649.565	3.415.724
<i>Cash in TRY and foreign currency</i>	<i>379.285</i>	<i>256.719</i>
<i>Central Bank, Legal Requirements and others⁽¹⁾</i>	<i>4.270.280</i>	<i>3.159.005</i>
Cash equivalents	1.228.793	1.172.112
<i>Banks - maturity less than 3 months</i>	<i>1.012.668</i>	<i>1.171.909</i>
<i>Money market placements</i>	<i>216.125</i>	<i>203</i>
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⁾ Others items include precious metals.

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(5) Period ending cash and cash equivalents balance:

	Current period	Prior period
Cash	7.287.733	4.649.565
Cash in TRY and foreign currency	486.600	379.285
Central Bank, Legal Requirements and others(1)	6.801.133	4.270.280
Cash equivalents	1.572.018	1.228.793
Banks - maturity less than 3 months	1.538.705	1.012.668
Money market placements	33.313	216.125
Total cash and cash equivalents	8.859.751	5.878.358
Restricted Legal Requirements	(3.975.813)	(1.317.067)
Bank blockage balance(2)	(96.889)	-
Legal Provision re-discounts	-	(3.498)
Money market placement discounts	(56)	(135)
Bank re-discounts	(3.027)	(53)
Cash and Cash Equivalents	4.783.966	4.557.605

(1) Other items include precious metals.

(2) Technical reserves of Halk Hayat ve Emeklilik AŞ, amounting to TRY 96.889, which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked

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	75.704	36.366	-	-	-	-
Closing balance	-	4.477	-	-	-	-
Interest and commissions income	38	58	-	-	-	-

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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	58.611	14.721	-	-	-	-
Closing balance	75.704	36.366	-	-	-	-
Interest and commissions income	3.160	79	-	-	-	-

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	56.427	45.128	-	-	-	-
Closing Balance	84.030	56.427	-	-	-	-
Interest expense on deposits	5.798	4.052	-	-	-	-

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.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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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
Non-cash loans	4.477	0,03%
Deposits	84.030	0,13%

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 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 9.004 as of 31 December 2011 (31 December 2010: TRY 6.380).

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	Total Assets	Legal Capital
Domestic Branches	766	13.609			
Agencies Abroad	1	2	Tehran/İRAN		
Overseas Branches	4	17	Nicosia/TRNC	154.120	50.000
		6	Famagusta/ TRNC	20.617	-
		6	Kyrenia/ TRNC	19.063	-
		2	Askeia/ TRNC	59	-
Off-shore Branches	1	3	Manama/BAHRAIN	6.306.939	-

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

The Bank opened 61 domestic branches during the year.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

Related to domestic bank bill or bond issuance:

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

Establishment of Halk Factoring Anonim Şirketi

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

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

It has been approved with the T.C.Prime Ministry Undersecretariat of treasury numbered B.02.1 HZN.O.10.06.01.273.05 that Bank's subsidiary Halk Hayat ve Emeklilik AŞ could operate in private pension plan activities.

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

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

Explanations regarding to cancellation of investment allowance exception by Constitutional Court:

Published in Official Gazette dated February 18, 2012 the Constitutional Court and the Presidency 28 208 2012/9 dated "Prompt suspension of execution in", No. 6009, dated July 23, 2010, "Income Tax Law and Certain Laws and Decree Law Amending 's, A-5. Temporary Article 69 of Law No. 193 added to the first paragraph, "so far, be able to deduct the tax base in determining the amount of investment allowance, shall not exceed 25% of the profits." shaped sentence, E.2010/93 dated February 9, 2012, decision No. K.2012/20 has been canceled, this sentence, arising from the implementation status and the prevention of losses and the subsequent removal difficult or impossible to cancel the decision not to be in vain to stop enforcement of the decision until the day was decided to be published in the Official Gazette.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE 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 2011 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 8 March 2012 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITORS

None.

Head Office (Main)

2. Cadde No: 63
Söğütözü 06520 Ankara-Turkey
Telephone: (+90 312) 289 2000

- Department of Budget and Performance Management
- Department of Administrative Services
- Department of Foreign Operations
- 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

Head Office (Support Unit)

Büyükdere Cad. No: 82
Gayrettepe 34387 Istanbul-Turkey
Telephone: (+90 212) 370 7070

- Department of Infrastructure Operation and Management
- Department of Retail Loans
- Department of Retail Products Marketing
- Department of Project Finance
- Department of SME Marketing-2
- Department of SME Loans-2
- Department of Loans Policies and Practices
- Department of Loan and Project Evaluation
- Department of Corporate Marketing
- Department of Operational Strategy and Innovation Management
- Department of Risk Collection and Liquidation -Istanbul
- Department of Technological Architecture Management
- Department of Commercial Marketing-2
- Department of Commercial Loans-2
- Department of Software Development

Head Office (Support Unit)

Meclisi Mebusan Cad. No: 13
Salıpazarı 34427 Istanbul-Turkey
Telephone: (+90 212) 393 0500

- Department of Financial Institutions and Investor Relations
- Department of Treasury Operations
- Department of Treasury Management Mid-Office
- Department of Money and Capital Markets
- Department of International Banking and Structured Finance

Head Office (Support Unit)

Fulya Mah. Ali Samiyen Sok. No: 5
34394 Gayrettepe, Istanbul-Turkey

- Department of Payment Card Systems
- Department of Channel Management

INTERNATIONAL NETWORK OF HALKBANK

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Manama-Bahrain
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Köşklü Çiftlik Mah. Osmanpaşa Cad.
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Telephone: (+392) 228 8045
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Gazimağusa Branch

İsmet İnönü Bulvarı Hasipoğlu
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Girne Branch

Yukarı Girne Mah.
Hakkı Borataş Cad.
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Fax: (+392) 816 0234

Paşaköy Satellite Branch

28'inci Mknz. P. Tüm. K.lığı
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