

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

Türkiye Halk Bankası Anonim Şirketi

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

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi
3 March 2011

*This report contains "Independent Auditors'
Report" comprising 1 page and; "Consolidated
Financial Statements and Related Disclosures
and Footnotes" comprising 102 pages.*

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

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

To the Board of Directors of

Türkiye Halk Bankası AŞ;

We have audited the consolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") and its financial affiliates (together "the Group") as of 31 December 2010 and the related consolidated income statement, statement of cash flows, statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements. The consolidated financial statements of the Group for the year ended 31 December 2009 have been audited by other auditors whose report, dated 3 March 2010, expressed an unqualified opinion.

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

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

Disclosure for the Responsibility of the Authorized Audit Firm:

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

Independent Auditors' Opinion:

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ and its financial affiliates as of 31 December 2010 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 and Article 38 of (Turkish) Banking Law No 5411 and the statements, communiqués and guidances published by the BRSA on accounting and financial reporting principles.

Istanbul
3 March 2011

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Partner

Additional paragraph for convenience translation to English:

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

TÜRKİYE HALK BANKASI AŞ

THE CONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

Subsidiaries, associates, and joint ventures which are consolidated within this financial report are as below:

Subsidiaries		Associates	
1.	Halk Yatırım Menkul Değerler AŞ	1.	Demir-Halkbank NV
2.	Halk Sigorta AŞ	2.	Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3.	Halk Hayat ve Emeklilik AŞ	3.	Halk Finansal Kiralama AŞ
4.	Halk Gayrimenkul Yatırım Ortaklığı AŞ		

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

Ankara, 3 March 2011

Hasan Cebeci	Hüseyin Aydın	Emin Süha Çayköylü	Salim Alkan	Osman Arslan	Yusuf Duran Ocak
Chairman of the Board of Directors	Member of the Board of Directors, Chief Executive Officer	Member of the Board of Directors, Member of the Audit Committee	Member of the Board of Directors, Member of the Audit Committee	Financial Management and Planning Vice Chief Executive Officer	Financial Accounting and Reporting Department Head

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

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

SECTION ONE

General Information about the Parent Bank

	Page No
I. Establishment Date of the Parent Bank, Initial Articles of Association, History of the Parent Bank Including The Changes of These Articles	3
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	3
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	4
IV. Information about the persons and institutions that have qualified shares attributable to the Parent Bank	6
V. Summary on the Parent Bank's Functions and Lines of Activity	6
VI. Explanation About the Companies Within the Scope of Consolidation	7

SECTION TWO

Consolidated Financial Statements

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

SECTION THREE

Explanations on Accounting Policies

I. Basis of Presentation	17
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	17
III. Information About the Associates and Subsidiaries Subject to Consolidation	18
IV. Explanations on Forward and Option Contracts and Derivative Instruments	20
V. Interest Income and Expenses	20
VI. Fees and Commission Income and Expenses	20
VII. Explanations and Disclosures on Financial Assets	20
VIII. Explanations on Impairment of Financial Assets	23
IX. Offsetting Financial Assets and Liabilities	25
X. Explanations on Sales and Repurchase Agreements (Repos) and Transactions on Securities Loaned	25
XI. Explanations on Assets Held For Sale and Discontinued Operations	25
XII. Explanations on Goodwill and Other Intangible Assets	26
XIII. Explanations on Property, Plant and Equipment	26
XIV. Explanations on Leasing Transactions	27
XV. Explanations on Insurance Technical Income and Expense	27
XVI. Explanations on Insurance Technical Provisions	27
XVII. Explanations on Provisions and Contingent Liabilities	28
XVIII. Explanations on Employee Benefit Liabilities	29
XIX. Explanations on Taxation	30
XX. Additional Explanations on Borrowings	31
XXI. Explanations on Shares and Share Issue	32
XXII. Explanations on Bill Guarantees and Acceptances	32
XXIII. Explanations on Government Incentives	32
XXIV. Explanations on Segment Reporting	32
XXV. Explanations on Other Matters	32

SECTION FOUR

Information on Consolidated Financial Structure

I.	Explanations Related to the Consolidated Capital Adequacy Ratio	33
II.	Explanations Related to the Consolidated Credit Risk	36
III.	Explanations Related to the Consolidated Market Risk	41
IV.	Explanations Related to the Consolidated Operational Risk	43
V.	Explanations Related to the Consolidated Currency Risk	43
VI.	Explanations Related to the Consolidated Interest Rate Risk	45
VII.	Explanations Related to the Consolidated Liquidity Risk	49
VIII.	Explanations Related to Consolidated Business Segmentation	53
IX.	Explanations on Presentation of Consolidated Financial Assets and Liabilities at Fair Value	56
X.	Explanations Related to Transactions Made on Behalf of Others and Transactions Based on Trust	57

SECTION FIVE

Explanations and Notes to the Consolidated Financial Statements

I.	Explanations and Notes Related to the Consolidated Assets	58
II.	Explanations and Notes Related to the Consolidated Liabilities	77
III.	Explanations and Notes Related to the Consolidated Off-Balance Sheet Items	86
IV.	Explanations and Notes Related to the Consolidated Income Statement	89
V.	Explanations and Notes Related to the Consolidated Statement of Changes in Shareholders' Equity	95
VI.	Explanations and Notes Related to the Consolidated Cash Flow Statement	96
VII.	Explanation Related to the Risk Group of the Parent Bank	97
VIII.	Explanation On the Parent Bank's Domestic Branches, Agencies/Branches Abroad and Off-Shore Branches	99
IX.	Explanations Related to the Subsequent Events	100

SECTION SIX

Other Explanations and Notes

I.	Other Explanations on the Parent Bank's Operations	101
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SECTION SEVEN

Independent Auditors' Report

I.	Explanations on the Independent Auditors' Report	102
II.	Explanations and Notes Prepared by the Independent Auditors	102

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010***(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)***SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)****III. EXPLANATIONS REGARDING THE PARENT BANK'S CHAIRMAN AND MEMBERS OF BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE PARENT BANK, IF ANY**

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan CEBECİ	Chairman of the Board of Directors	13.04.2005	Ankara Eco. and Com. Science (ECS) Academy- Economy&Finance	30
Mehmet Emin ÖZCAN(*)	Vice Chairman of the Board of Directors	24.05.2010	Ankara University - Faculty of Political Science-Economy&Finance	27
Hüseyin AYDIN	Member of the Board of Directors, Chief Executive Officer	01.06.2005	Ankara Eco. and Com. Science (ECS) Academy- Economy&Finance.	27
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.03.2003	Doctor's Degree: Washington International University- Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU – Faculty of Engineering - Mechanical Engineering.	27
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.04.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree in Finance; Marmara Uni. Banking and Insurance Ins. – International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	20
İbrahim Hakkı TUNCAY	Member of the Board of Directors	09.04.2008	METU Business Administration.	30
Ahmet YARIZ	Member of the Board of Directors	09.04.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins. - Banking Department. Bachelor Degree: Istanbul Uni. - Business Administration.	19
Salim ALKAN(*)	Member of the Board of Directors	24.05.2010	Ankara Uni. Faculty of Political Science-Business Administration.	38
Sabahattin BİRDAL(*)	Member of the Board of Directors	27.10.2010	Istanbul Uni. Faculty of Economics Business Administration-Finance	25
Faruk ÖZÇELİK(*)	Member of the Audit Committee	24.05.2010	Master's Degree: Selcuk University Social Sciences Ins.- International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	-
Yusuf DAĞCAN	Member of the Audit Committee	28.03.2003	Eskişehir Economics and Trade Academy- Economy&Finance.	31
Yakup DEMİRCİ	Executive Vice President	11.06.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	21
Mustafa SAVAŞ	Executive Vice President	12.08.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	20
Erol GÖNCÜ	Executive Vice President	09.03.2005 - 13.06.2005 By proxy 14.06.2005 Principal	METU Faculty of Arts and Sciences-Mathematics Department.	22
Yunus ESMEER	Executive Vice President	17.06.2005	Ankara ECS Academy Business Administration-Accounting Department.	32
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.06.2005	Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department. Master's Degree: Marmara University, Banking and Insurance Ins.- Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	19
Süleyman ASLAN	Executive Vice President	17.06.2005	METU Faculty of Economic and Administrative Sciences-International Relations Department.	18
Selahattin SÜLEYMANOĞLU	Executive Vice President	01.07.2007	Master Degree: Selcuk University Social Sciences Ins.- International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	20
Osman ARSLAN	Executive Vice President	01.07.2007	Master's Degree: METU Business Administration for Executives. Bachelor's Degree: METU Faculty of Arts and Sciences- Department of Statistics.	15
Bilgehan KURU	Executive Vice President	01.07.2007	Master's Degree: METU Faculty of Arts and Sciences Bachelor's Degree: METU Faculty of Engineering-Mining Engineering.	24
Mehmet Akif AYDEMİR(*)	Executive Vice President	04.03.2010	Ankara University, Political Sciences Faculty –Economics.	24
Taner AKSEL(*)	Executive Vice President	26.03.2010	Anadolu University, Faculty of Economic and Administrative Sciences -Economics.	25
Ufuk Hacer DENİZCİ YÜCE (*)	Executive Vice President	12.10.2010	Istanbul Technical University Business Administration Faculty- Business Engineering.	21
Mürsel ERTAŞ (*)	Executive Vice President	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences-Foreign Trade & Exchange.	24

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

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)**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 (continued)**

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

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

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

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

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

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.

TÜRKİYE HALK BANKASI AŞ

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

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

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

V. SUMMARY ON THE PARENT BANK'S FUNCTIONS AND LINES OF ACTIVITY (continued)

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

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

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

- Halk Yatırım Menkul Değerler AŞ
- Hayat Sigorta AŞ
- Halk Hayat ve Emeklilik AŞ
- Halk Gayrimenkul Yatırım Ortaklığı AŞ

are consolidated line by line in the accompanying consolidated financial statements.

The Parent Bank's associates;

- Demir-Halkbank NV
- Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
- Halk Finansal Kiralama AŞ

is accounted by "equity method" in the accompanying consolidated financial statements.

Halk Gayrimenkul Yatırım Ortaklığı AŞ ("the Company"), a subsidiary of the Parent Bank established in the current period, was registered on 18 October 2010. The Company's main line of business is, to form and improve real estate portfolios and to invest in real estate based capital market instruments. The Company's main operative target is, based on the Capital Markets Board's ("CMB") regulation regarding the investment properties, to invest in capital market instruments based on real estates, real estate projects and rights based on real estates.

For the purposes of the consolidated financial statements, the Parent Bank and its consolidated subsidiaries are referred to as "the Group".

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

Additional paragraph for convenience translation to English

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

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

1. The 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 2010

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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 and Halk Gayrimenkul Yatırım Ortaklığı AŞ are included in the scope of consolidation.

A subsidiary is an entity that is controlled by the Parent Bank. Control is the power of the Parent Bank to appoint or remove from office the decision-taking majority of members of board of directors through direct or indirect possession of the majority of a legal person’s capital irrespective of the requirement of owning minimum fifty-one per cent of its capital; or by having control over the majority of the voting right as a consequence of holding privileged shares or of agreements with other shareholders although not owning the majority of capital.

Under line-by-line method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Parent Bank on a line-by-line basis. The book value of the Parent Bank’s investment in each subsidiary and the Group’s portion of equity of each subsidiary are eliminated. All significant transactions and balances between the Parent Bank and its consolidated subsidiaries are eliminated reciprocally. Minority interests in the net income and in the equity of consolidated subsidiaries are calculated separately from the Group’s net income and the Group’s shareholders’ equity. Minority interests are identified separately in the balance sheet and in the income statement.

In preparing the consolidated financial statements, if a subsidiary uses accounting policies other than those adapted by the Parent Bank, appropriate adjustments are made to subsidiaries’ financial statements. There is no item that a different accounting policy is applied.

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION (continued)

1. Basis of consolidation (continued):

b. Basis of consolidation of associates:

Demir-Halkbank NV (“Demir Halk Bank”), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Halk Finansal Kiralama AŞ, which are qualified as investments in associates, are presented in the accompanying financial statements based on the equity method of accounting.

An associate is a partnership in whose capital the Parent Bank participates and over which it has a significant influence but no control, established at home and abroad.

Significant influence is the power to participate in the financial and operating policy of the investee. If the Parent Bank holds ten percent or more of the voting power of the associate, it is presumed that the Parent Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

Qualified share is the share that directly or indirectly constitute ten percent of an entity’s capital or voting rights and irrespective of this requirement, possession of privileged shares giving right to appoint members of board of directors.

Equity method is an accounting method of associates by which book value of the associate is increased or decreased due to changes in the Parent Bank’s share in the associates’ equity and dividends received from associate is deducted from the share of Bank calculated as explained above.

Accounting principles used by Demir Halkbank NV, Kobi Girişim Sermayesi AŞ and Halk Finansal Kiralama AŞ which is a consolidated associate by the equity method of accounting, has the same accounting principles of the Parent Bank.

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures.

d. Principles applied during share transfer, merger and acquisition:

None.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

V. INTEREST INCOME AND EXPENSES

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

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

VI. FEES AND COMMISSION INCOME AND EXPENSES

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

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

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.

Financial Assets Held For Trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. If a price does not occur in an active market, fair value cannot be reliably determined and "amortized value" is determined as the fair value using the internal rate of return. Valuation gains or losses are recognized in the profit/loss accounts. Interests gained from the retention of held for trading financial assets are recognized under the interest income and dividends gained is recognized under the dividend income in the income statement. If these assets are disposed of prior to their maturity periods, loss or gain from the disposal is recognized in the income statement by using interest income/expense accounts under profit/loss from the capital market operations.

2.2. Financial assets at fair value through profit and loss

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

3. Investments held to maturity

Investments held to maturity are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity 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.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

5. Loans and receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

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

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

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

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

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.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

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

When a decline occurs in the fair values of the “financial assets available for sale” of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IX. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

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.

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the consolidated balance sheet of the Group.

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

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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

XV. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

Insurance premium income is obtained subsequent the share of reinsurers in policy income is diminished.

Claims are recorded in expense as they are reported. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers’ share of claims paid and outstanding loss are offset in these provisions.

XVI. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

According to the current insurance regulation, insurance companies should recognize provisions for unearned premium claims, unexpired risk reserves, provision for outstanding claims, life-mathematical provisions and equalization provisions.

The provision for unearned premiums consists of the gross overlapping portion of accrued premiums for insurance contracts that are in effect to the subsequent period or periods of balance sheet date on a daily basis without a commission or any other discount.

In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision is recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer.

Claim provision is recognized for the accrued claims which are not paid in the current period or in the prior periods or for the claims realized with the expected costs but not reported.

Mathematical provision is recognized in order to meet the requirements of policyholders and beneficiaries for long-time life, health and personal accident insurance contracts on actuarial bases.

Equalization provision is recognized in order to balance the fluctuations in the claim ratios.

Effective 1 January 2005, the Group’s insurance subsidiaries adopted TFRS 4, Insurance Contracts (“TFRS 4”). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts has more fully addressed. TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVI. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS (continued)

Contracts with significant insurance risk are considered as insurance contracts.

Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 revised.

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.

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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.

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIX. EXPLANATIONS ON TAXATION

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

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

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

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

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.

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIX. EXPLANATIONS ON TAXATION (continued)

Tax practices for the subsidiaries which are subject to consolidation

The Parent Bank's subsidiary, Halk Gayrimenkul Yatırım Ortaklığı AŞ, is established in the current period. Income derived from the operations related with the investment properties is exempt from corporate tax in accordance with the Article 5/1(d) (4) of the Corporate Tax Law No: 5520. This exemption is also used for the accrued advanced tax terms.

Other subsidiaries which are subject to consolidation are subject to same tax practices with the Parent Bank.

XX. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

There are no convertible bonds or debt instruments issued.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

There are no government incentives utilized by the Group.

XXIV. EXPLANATIONS ON SEGMENT REPORTING

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

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

XXV. EXPLANATION ON OTHER MATTERS

Associates and subsidiaries:

For TRY associates and subsidiaries, the additions of funds (such as revaluation fund) are deducted from the cost of the associate and subsidiary (the additions of these funds to the capital is permitted for statutory purposes) and later, these costs are indexed based on the capital increase payment dates until 31 December 2004.

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO

Risk measurement methods used in the determination of consolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio calculation is performed in accordance with the Communiqué on “Measurement and Assessment of the Capital Adequacy of Banks”, which was published in the Official Gazette numbered 26333 on 1 November 2006. As of 31 December 2010, the Bank’s consolidated capital adequacy ratio calculated based on the essentials of the related communiqué is 15,48 % (31 December 2009: 15,83%).

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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)	24.372.608	-	1.820.760	14.578.435	24.278.496	22.597	1.067	24.500.342	-	1.844.415	14.578.435	23.928.115	22.597	1.067
Cash	379.280	-	12	-	-	-	-	379.285	-	12	-	-	-	-
Matured marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the Central Bank of Turkey	2.949.703	-	-	-	-	-	-	2.949.703	-	-	-	-	-	-
Domestic, foreign banks, head office and overseas branches balances	-	-	987.832	-	1.509	-	-	-	-	1.011.106	-	1.509	-	-
Money market placements	-	-	-	-	-	-	-	95.719	-	-	-	-	-	-
Receivables from reverse repos transactions	-	-	120.000	-	-	-	-	-	-	120.271	-	-	-	-
Reserve deposits	1.317.067	-	-	-	-	-	-	1.317.067	-	-	-	-	-	-
Loans	6.670.187	-	517.926	14.443.249	21.903.916	22.597	1.067	6.670.187	-	517.926	14.443.249	21.903.916	22.597	1.067
Non-performing loans (Net)	-	-	-	-	293.223	-	-	-	-	-	-	293.223	-	-
Finance lease receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments held to maturity	12.218.461	-	-	-	-	-	-	12.246.808	-	-	-	-	-	-
Receivables from the asset sale on credit terms	-	-	-	-	40.467	-	-	-	-	-	-	40.467	-	-
Miscellaneous receivables	36.224	-	15.875	-	82.217	-	-	36.224	-	15.875	-	82.217	-	-
Interest and Income accruals	555.218	-	4.925	135.186	253.287	-	-	557.532	-	5.035	135.186	253.442	-	-
Subsidiaries, associates and jointly controlled entities (joint ventures) (Net)	-	-	-	-	733.027	-	-	-	-	-	-	1.052	-	-
Property and equipment	-	-	-	-	950.795	-	-	-	-	-	-	1.237.389	-	-
Other assets	246.468	-	174.190	-	20.055	-	-	247.817	-	174.190	-	114.900	-	-
Off-balance sheet items	119.562	-	301.754	669.877	7.401.448	-	-	119.562	-	301.754	669.877	7.401.448	-	-
Non-cash loans and commitments	119.562	-	213.070	669.877	7.399.862	-	-	119.562	-	213.070	669.877	7.399.862	-	-
Derivative instruments	-	-	88.684	-	1.586	-	-	-	-	88.684	-	1.586	-	-
Non-risk weighted accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total risk-weighted assets	24.492.170	-	2.122.514	15.248.312	31.679.944	22.597	1.067	24.619.904	-	2.146.169	15.248.312	31.329.563	22.597	1.067

2. Capital adequacy ratio summary:

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Credit risk base amount (CRBA)	39.764.632	30.393.342	39.418.982	30.208.231
Market risk base amount (MRBA)	1.550.350	836.688	1.514.638	903.613
Operational risk base amount (ORBA)	5.120.983	4.369.727	5.212.748	4.369.929
Shareholders' Equity	7.399.784	5.705.659	7.142.715	5.615.972
Shareholders' Equity / (CRBA+MRBA+ORBA)*100	15,94	16,03	15,48	15,83

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

3. Information on equity items:

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
CORE CAPITAL				
Paid-in Capital	1.250.000	1.250.000	1.250.000	1.250.000
Nominal capital	1.250.000	1.250.000	1.250.000	1.250.000
Capital commitments (-)	-	-	-	-
Inflation Adjustment for Paid-in Capital	1.220.451	1.220.451	1.220.451	1.220.451
Share Premium	-	-	-	-
Share Cancellation Profits	-	-	-	-
Legal Reserves	610.282	507.495	620.349	515.312
I. Degree Legal Reserve (Turkish Commercial Code 466/1)	297.127	223.672	301.942	227.784
II. Degree Legal Reserve (Turkish Commercial Code 466/2)	312.163	283.120	317.415	286.825
Reserves per Specific Acts	992	703	992	703
Statutory Reserves	-	-	-	-
Extraordinary Reserves	2.233.578	1.047.336	2.272.757	1.081.870
Reserves allocated per General Assembly Minute	2.186.397	1.013.914	2.225.576	1.048.423
Retained Earnings ⁽¹⁾	47.181	47.181	47.181	47.181
Accumulated Loss	-	-	-	-
Foreign Currency Share Capital Exchange Difference	-	(13.759)	-	(13.734)
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-	-	-	-
Profit	1.970.569	1.631.091	1.888.693	1.671.769
Net period profit	1.970.569	1.631.091	1.842.695	1.664.665
Retained Earnings	-	-	45.998	7.104
Portion of Provisions Allocated for Potential Risk up to 25% of Core Capital Amount	7.600	7.000	7.600	7.000
Subsidiary and Associate Shares and Gains on Sale of Properties to Be Added to Capital	-	-	-	-
Portion of Primary Tier-II Capital up to 15% of Core Capital	-	-	-	-
Minority Interest	-	-	6.484	6.594
Losses that cannot be covered by reserves (-)	-	-	-	-
Net period loss	-	-	-	-
Accumulated Loss	-	-	-	-
Leasehold Improvements (-)	66.169	51.945	68.644	52.543
Prepaid Expenses (-)	262.019	156.378	264.186	167.630
Intangible Assets(-)	17.665	10.959	18.655	12.090
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-	-	-
Excess Amount defined in 3rd Clause, 56th Article of the Banking Act (-)	-	-	-	-
Total Core Capital	6.946.627	5.444.091	6.914.849	5.520.733
SUPPLEMENTARY CAPITAL				
General Loan Provisions	390.121	275.695	390.121	275.695
45% of Movable Assets Revaluation Fund	-	-	-	-
45% of Tangible Assets Revaluation Fund	-	-	-	-
Non-cash Shares of Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	44.076	61	61	61
Proportion of Primary Tier -II Capital excluded from the Core Capital Calculation	-	-	-	-
Secondary Tier –II Capital	-	-	-	-
45% of Marketable Securities Revaluation Fund	52.076	46.401	51.089	7.994
From Subsidiaries and Associates	-	30.222	-	(10.087)
From Financial Assets Available for Sale	52.076	16.179	51.089	18.081
Inflation adjustments for capital reserves, profit reserves and retained earnings/accumulated losses (Except inflation adjustments for legal reserves, statutory reserves and extraordinary reserves)	-	-	-	-
Minority Interest	-	-	-	-
Total Supplementary Capital	486.273	322.157	441.271	283.750
TIER-III CAPITAL				
CAPITAL	7.432.900	5.766.248	7.356.120	5.804.483
DEDUCTIONS FROM CAPITAL	33.116	60.589	213.405	188.511
Equity Shares in Banks and Financial Institutions Which Are Excluded from the Consolidation	6.581	47.690	6.581	47.690
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated debt and debt instruments purchased from such parties qualified as primary or secondary subordinated debt	-	-	-	-
Shareholdings in the banks and financial institutions which are accounted for under the equity pick up method but the assets and liabilities are not consolidated	-	-	180.289	127.922
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-	-	-	-
The net book value of properties exceeding 50% of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	26.535	12.899	26.535	12.899
Other	-	-	-	-
TOTAL EQUITY	7.399.784	5.705.659	7.142.715	5.615.972

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK

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

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

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

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

When the Group is exposed to significant credit risks, it has the tendency to cease its forward or similar type of transactions by using rights, fulfilling the requirements of the acquisitions or disposing of the acquisitions to mitigate the risk total.

The Parent Bank is not an active participant of the international banking sector.

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

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

Credit risk by types of borrowers and geographical concentrations:

	Loans to real person and legal entities		Loans to banks and other financial institutions		Marketable Securities ⁽¹⁾		Other Loans ⁽²⁾	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Loans according to borrowers								
Private Sector	28.466.360	22.402.819	2.074.764	1.058.788	14.263	-	158.088	141.935
Public Sector	1.630.707	867.815	-	-	20.320.554	21.508.673	174.796	185.128
Banks	-	-	60.927	29.600	-	-	1.012.668	1.171.834
Retail	11.326.183	7.306.663	-	-	-	-	-	-
Share Certificates	-	-	-	-	-	11.711	-	-
Total	41.423.250	30.577.297	2.135.691	1.088.388	20.334.817	21.520.384	1.345.552	1.498.897
Information according to geographical concentration								
Domestic	41.237.747	30.368.164	2.095.185	1.058.788	20.324.031	21.511.393	1.021.754	324.035
EU countries	66.885	132.477	-	-	8.636	6.990	272.655	1.099.518
OECD Countries ⁽³⁾	-	6.061	-	-	-	-	6.172	6.691
Offshore banking regions	-	-	-	-	-	-	-	-
USA, Canada	-	172	-	-	-	-	13.471	47.448
Other Countries	118.618	70.423	40.506	29.600	2.150	2.001	31.500	21.205
Total	41.423.250	30.577.297	2.135.691	1.088.388	20.334.817	21.520.384	1.345.552	1.498.897

(1) Includes marketable securities designated at fair value through profit or loss, available for sale and held-to-maturity.

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

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

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

Information according to geographical concentration:

	Assets ⁽²⁾	Liabilities ⁽³⁾	Non-cash Loans	Equity Investments ⁽²⁾	Net Profit/Loss
Current Period					
Domestic	72.389.154	58.131.425	12.603.623	77.131	1.840.251
EU countries	223.975	1.717.185	73.790	124.202	2.444
OECD Countries ⁽¹⁾	6.172	17.836	2.219	-	-
Offshore Banking Regions	-	-	-	-	-
USA, Canada	13.471	1.469.957	24.450	-	-
Other Countries	192.550	4.318.151	22.270	224	-
Associates, Subsidiaries and Entities under Common control (Joint Ventures)	-	-	-	-	-
Undistributed Assets /Liabilities ⁽⁴⁾	-	-	-	-	-
Total	72.825.322	65.654.554	12.726.352	201.557	1.842.695
Prior Period					
Domestic	59.307.593	50.341.722	9.193.437	53.149	1.660.873
EU countries	766.522	2.868.130	101.501	134.912	3.792
OECD Countries ⁽¹⁾	11.711	38.732	4.634	-	-
Offshore Banking Regions	-	-	-	-	-
USA, Canada	651	21.671	12.523	-	-
Other Countries	508.030	1.736.386	2.847	223	-
Associates, Subsidiaries and Entities under Common control (Joint Ventures)	-	-	-	-	-
Undistributed Assets /Liabilities ⁽⁴⁾	-	-	-	-	-
Total	60.594.507	55.006.641	9.314.942	188.284	1.664.665

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

Sector concentrations for cash loans:

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

(1) Accruals are included in other line.

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

Gross Maximum Exposure	Current Period	Prior Period
Due from banks	1.012.668	1.171.909
Money Market Receivables	216.125	203
Financial Assets at Fair Value through profit or loss	89.987	55.962
Financial Assets Available for Sale	7.494.990	4.890.874
Held to maturity Investments	12.749.840	16.573.548
Loans	44.296.487	32.458.071
Total	65.860.097	55.150.567
Contingent Liabilities	12.726.352	9.314.942
Commitments	9.887.878	5.817.586
Total	22.614.230	15.132.528
Total Credit Risk Exposure	88.474.327	70.283.095

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

	Neither past due nor impaired	Past due and individually not impaired	Past due and individually impaired	Total
Receivables from banks	1.012.668	-	-	1.012.668
Financial assets at fair value through profit or loss	89.987	-	-	89.987
Loans	42.671.630	185.393	293.223	43.150.246
Corporate Lending	16.498.322	1.768	74.520	16.574.610
SME Lending	12.683.185	158.555	188.111	13.029.851
Consumer Lending	11.384.327	25.070	30.592	11.439.989
Other	2.105.796	-	-	2.105.796
Financial assets available for sale	7.494.990	-	-	7.494.990
Investments held to maturity	12.749.840	-	-	12.749.840

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

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

	Neither past due nor impaired	Past due and individually not impaired	Past due and individually impaired	Total
Receivables from banks	1.171.909	-	-	1.171.909
Financial assets at fair value through profit or loss	55.962	-	-	55.962
Loans	30.792.981	272.838	309.484	31.375.303
Corporate Lending	7.734.909	9.062	42.761	7.786.732
SME Lending	14.199.491	214.786	180.981	14.595.258
Consumer Lending	7.312.644	48.990	85.742	7.447.376
Other	1.545.937	-	-	1.545.937
Financial assets available for sale	4.890.874	-	-	4.890.874
Investments held to maturity	16.573.548	-	-	16.573.548

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

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

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

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

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

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

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

III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

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

a) Information related to market risk:

	Amount
(I) Capital requirement to be employed for general market risk - Standard method	104.292
(II) Capital requirement to be employed for specific risk - Standard method	1.181
(III) Capital requirement to be employed for currency risk - Standard method	15.555
(IV) Capital requirement to be employed for commodity risk - standard method	-
(V) Capital requirement to be employed for settlement risk - Standard method	-
(VI) Total capital requirement to be employed for market risk resulting from options-Standard method	143
(VII) Total capital requirement to be employed for market risk in banks using risk measurement model	-
(VIII) Total capital requirement to be employed for market risk (I+II+III+IV+V+VI)	121.171
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	1.514.638

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

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	83.282	103.111	66.527	43.620	57.308	33.628
Common stock risk	1.971	2.362	1.750	1.873	1.886	1.862
Currency Risk	15.381	29.016	8.410	14.310	18.013	13.054
Commodity Risk	-	-	-	-	-	-
Clearance Risk	-	-	-	-	-	-
Option Risk	486	1.429	58	-	-	-
Total Value Subject to Risk	101.120	135.918	76.745	59.803	77.207	48.544

Other price risks

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

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

IV. EXPLANATIONS RELATED TO THE CONSOLIDATED OPERATIONAL RISK

In the calculation of the Group's operational risk, "Basic Indicator Method" is used. The amount subject to operational risk is calculated in accordance with Section 4 of the Communiqué on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 26333 on 1 November 2006 and this section is named as "Calculation of Operational Risk Base Amount" which came into effect as of 1 June 2007. The calculation is performed parallel to the practice within the country, by multiplying 15% of the Group's last three years' average gross revenue with 12,5. Amount subject to operational risk is TRY 5.212.748 for the current period.

V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

Information related to consolidated currency risk:

Current period	EURO	USD	JPY	OTHER	TOTAL
Assets					
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	1.831.074	31.234	32	4.576	1.866.916
Banks and financial institutions	144.411	727.885	1.644	35.396	909.336
Financial assets at fair value through profit and loss ⁽³⁾	886	28.451	-	294	29.631
Money market placements	-	-	-	-	-
Financial assets available-for-sale	797.240	759.235	-	-	1.556.475
Loans ⁽²⁾	4.754.139	7.302.958	429	71.554	12.129.080
Subsidiaries, associates and entities under common control	115.566	-	-	-	115.566
Held-to-maturity investments	875.896	1.035.576	-	-	1.911.472
Derivative financial assets held for risk management	-	-	-	-	-
Tangible assets	40	-	-	7	47
Intangible assets	-	-	-	-	-
Other assets ⁽³⁾	16.156	22.903	1.809	84	40.952
Total assets	8.535.408	9.908.242	3.914	111.911	18.559.475
Liabilities					
Bank deposits	1.216.575	612.543	1.078	8.959	1.839.155
Foreign currency deposits	5.725.714	6.962.472	553	576.606	13.265.345
Money market balances	-	614.156	-	-	614.156
Funds provided from other financial institutions	2.584.461	1.036.569	428	1.200	3.622.658
Marketable securities issued	-	-	-	-	-
Sundry creditors	2.793	16.539	6	24	19.362
Derivative financial assets held for risk management	-	-	-	-	-
Other liabilities ⁽³⁾	41.852	127.791	523	1.346	171.512
Total liabilities	9.571.395	9.370.070	2.588	588.135	19.532.188
Net balance sheet position	(1.035.987)	538.172	1.326	(476.224)	(972.713)
Net off-balance sheet position					
Financial derivative assets⁽⁴⁾	924.144	(623.219)	-	485.200	786.125
Financial derivative assets ⁽⁴⁾	987.958	702.391	-	561.481	2.251.830
Financial derivative liabilities ⁽⁴⁾	63.814	1.325.610	-	76.281	1.465.705
Non-cash loans ⁽¹⁾	1.973.961	3.899.018	29.407	76.153	5.978.539
Prior period					
Total assets	7.128.604	8.245.901	1.751	101.968	15.478.224
Total liabilities	9.576.976	7.109.283	1.389	378.181	17.065.829
Net balance sheet position	(2.448.372)	1.136.618	362	(276.213)	(1.587.605)
Net off-balance sheet position					
Financial derivative assets	2.314.355	(1.287.660)	(1.625)	267.536	1.292.606
Financial derivative assets	2.565.883	734.540	216.775	309.855	3.827.053
Financial derivative liabilities	251.528	2.022.200	218.400	42.319	2.534.447
Non-cash loans ⁽¹⁾	1.803.456	3.730.247	26.089	32.185	5.591.977

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

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

(3) In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 13.725), prepaid expenses (TRY 102) in assets; and derivative financial instruments foreign currency expense accruals (TRY 24.161) and shareholders' equity negative (TRY 64.311) in liabilities are not taken into consideration in the currency risk measurement.

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

Foreign currency sensitivity:

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

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

	Change in currency rate in %	Effect on profit /loss before taxation	
		Current period	Prior period
USD	10% increase	(8.505)	(15.104)
EURO	10% increase	(11.184)	(13.402)
Other	10% increase	1.030	(994)

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

VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	-	-	-	-	-	4.649.565	4.649.565
Banks and financial institutions	913.003	42	-	-	-	99.623	1.012.668
Financial assets at fair value through profit and loss	894	28.064	27.007	25.512	8.510	-	89.987
Money market placements	216.125	-	-	-	-	-	216.125
Financial assets available-for-sale	1.287.224	972.680	793.408	3.315.379	1.112.664	13.635	7.494.990
Loans	14.931.731	6.601.889	9.898.339	10.147.610	1.664.774	758.921	44.003.264
Held-to-maturity investments	3.262.196	3.824.793	1.568.526	2.912.404	1.181.921	-	12.749.840
Other assets	36.375	-	-	-	-	2.774.065	2.810.440
Total assets	20.647.548	11.427.468	12.287.280	16.400.905	3.967.869	8.295.809	73.026.879
Liabilities							
Bank deposits	1.974.261	52.911	21.077	-	-	1.175.579	3.223.828
Other deposits	31.121.718	10.331.467	2.373.468	2.469	-	7.501.465	51.330.587
Money market balances	2.556.367	337.188	387.268	-	-	-	3.280.823
Sundry creditors	15.029	-	-	-	-	760.202	775.231
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	1.072.743	1.830.161	711.700	93.338	115.650	2.495	3.826.087
Other liabilities	1.162.042	76.225	85.326	-	-	9.266.730	10.590.323
Total liabilities	37.902.160	12.627.952	3.578.839	95.807	115.650	18.706.471	73.026.879
Balance sheet long position	-	-	8.708.441	16.305.098	3.852.219	-	28.865.758
Balance sheet short position	(17.254.612)	(1.200.484)	-	-	-	(10.410.662)	(28.865.758)
Off-balance sheet long position	70.776	230.923	-	-	-	-	301.699
Off-balance sheet short position	(35.363)	(37.586)	-	(198.070)	-	-	(271.019)
Total position	(17.219.199)	(1.007.147)	8.708.441	16.107.028	3.852.219	(10.410.662)	30.680

- (1) TRY 222.820 of deferred tax assets is disclosed under the non interest bearing column in other assets.
- (2) TRY 293.223 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.
- (3) Shareholders' equity balance is disclosed under the non-interest bearing column in other liabilities line.
- (4) Funds provided from other financial institutions include borrowings.

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	2.744.429	-	-	-	-	671.295	3.415.724
Banks and financial institutions	1.090.251	20.341	-	-	-	61.317	1.171.909
Financial assets at fair value through profit and loss	35	5.440	5.916	29.937	7.842	6.792	55.962
Money market placements	203	-	-	-	-	-	203
Financial assets available-for-sale	504.344	925.235	501.449	2.444.040	504.187	11.619	4.890.874
Loans	11.259.035	5.282.456	7.180.659	6.484.221	946.682	995.534	32.148.587
Held-to-maturity investments	5.260.540	6.029.805	1.606.675	1.978.200	1.698.328	-	16.573.548
Other assets	439	-	-	-	-	2.525.545	2.525.984
Total assets	20.859.276	12.263.277	9.294.699	10.936.398	3.157.039	4.272.102	60.782.791
Liabilities							
Bank deposits	1.660.704	47.079	-	-	-	215.341	1.923.124
Other deposits	23.998.339	10.773.960	1.548.256	1.014	-	5.634.553	41.956.122
Money market balances	4.928.187	588.018	260.884	-	-	-	5.777.089
Sundry creditors	10.167	-	-	-	-	555.724	565.891
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	39.283	1.091.357	831.924	20.318	2.419	46.216	2.031.517
Other liabilities	1.026.645	63.127	95.090	42.052	123.125	7.179.009	8.529.048
Total liabilities	31.663.325	12.563.541	2.736.154	63.384	125.544	13.630.843	60.782.791
Balance sheet long position	-	-	6.558.545	10.873.014	3.031.495	-	20.463.054
Balance sheet short position	(10.804.049)	(300.264)	-	-	-	(9.358.741)	(20.463.054)
Off-balance sheet long position	59.200	481.000	-	-	-	-	540.200
Off-balance sheet short position	-	-	-	(505.160)	-	-	(505.160)
Total position	(10.744.849)	180.736	6.558.545	10.367.854	3.031.495	(9.358.741)	35.040

- (1) TRY 207.562 of deferred tax assets is disclosed under the non-interest bearing column in other assets.
- (2) TRY 309.484 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.
- (3) Shareholders' equity balance is disclosed under the non-interest bearing column.
- (4) Funds provided from other financial institutions include borrowings.

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

2. Average interest rates applied to financial instruments:

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

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

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

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

Interest rate sensitivity:

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

- Group's net income before tax will decrease by TRY 1.074 (31 December 2009: TRY 671 decrease).
- Group's shareholders' equity will decrease by TRY 150.701 (31 December 2009: TRY 98.256 decrease).

VII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK

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

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

Presentation of assets and liabilities according to their remaining maturities:

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

Current period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	869.850	1.431.186	1.895.188	437.200	15.311	273	557	4.649.565
Banks and financial institutions	99.623	913.003	42	-	-	-	-	1.012.668
Financial assets at fair value through profit and loss	-	11.878	12.331	21.322	35.946	8.510	-	89.987
Money market placements	-	216.125	-	-	-	-	-	216.125
Financial assets available-for-sale	-	606.036	166.728	315.744	4.478.333	1.914.514	13.635	7.494.990
Loans	763.451	6.602.538	3.451.949	12.189.567	17.746.214	3.249.545	-	44.003.264
Held-to-maturity investments	-	146.552	307.483	752.482	10.004.456	1.538.867	-	12.749.840
Other assets	414.365	13.037	10.244	139	12.932	-	2.359.723	2.810.440
Total assets	2.147.289	9.940.355	5.843.965	13.716.454	32.293.192	6.711.709	2.373.915	73.026.879
Liabilities								
Bank deposits	1.175.579	1.974.261	52.911	21.077	-	-	-	3.223.828
Other deposits	7.501.465	31.120.340	10.327.990	2.302.765	76.634	1.393	-	51.330.587
Funds provided from other financial institutions	801	92.981	218.836	1.365.391	772.041	1.376.037	-	3.826.087
Money market balances	-	2.556.367	337.188	387.268	-	-	-	3.280.823
Marketable securities issued	-	-	-	-	-	-	-	-
Sundry creditors	760.202	15.029	-	-	-	-	-	775.231
Other liabilities	2.097.103	135.332	118.804	265.845	215.417	161.313	7.596.509	10.590.323
Total liabilities	11.535.150	35.894.310	11.055.729	4.342.346	1.064.092	1.538.743	7.596.509	73.026.879
Liquidity gap	(9.387.861)	(25.953.955)	(5.211.764)	9.374.108	31.229.100	5.172.966	(5.222.594)	-
Previous period								
Total assets	1.986.570	6.939.171	6.112.756	14.694.207	23.908.761	4.914.103	2.227.223	60.782.791
Total liabilities	7.874.288	30.809.066	11.691.568	2.423.386	862.635	1.202.722	5.919.126	60.782.791
Liquidity gap	(5.887.718)	(23.869.895)	(5.578.812)	12.270.821	23.046.126	3.711.381	(3.691.903)	-

- (1) Shareholders' equity is disclosed in other liabilities line under the undistributed column.
- (2) TRY 293.223 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.
- (3) Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses, deferred tax assets and receivables from NPL are disclosed in other assets under the undistributed column.
- (4) Funds provided from other financial institutions include borrowings.

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	41.907.093	10.645.829	2.201.996	76.836	1.394	(278.733)	54.554.415
Funds provided from other financial institutions	102.922	222.617	1.423.755	972.728	1.540.319	(436.254)	3.826.087
Money market borrowings	2.562.290	338.603	392.106	-	-	(12.176)	3.280.823
Securities issued	-	-	-	-	-	-	-
Funds	581.080	119.619	249.201	214.734	175.427	(44.829)	1.295.232
Sundry Creditors	775.231	-	-	-	-	-	775.231
Total	45.928.616	11.326.668	4.267.058	1.264.298	1.717.140	(771.992)	63.731.788

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	31.619.906	10.892.778	1.528.436	51.513	1.429	(214.816)	43.879.246
Funds provided from other financial institutions	38.181	131.935	442.958	622.688	1.212.870	(417.115)	2.031.517
Money market borrowings	4.934.271	593.359	263.888	-	-	(14.429)	5.777.089
Securities issued	-	-	-	-	-	-	-
Funds	563.307	95.831	266.867	249.137	174.520	(33.860)	1.315.802
Sundry Creditors	552.645	4.956	8.186	104	-	-	565.891
Total	37.708.310	11.718.859	2.510.335	923.442	1.388.819	(680.220)	53.569.545

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

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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.

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

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

transactions, derivative instruments (such as; forwards, swaps, futures and options), syndication and securitization, etc.

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 December 2010 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Intagrated	Treasury / Investment ⁽¹⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES							
Interest income	772.010	492.956	6.074.668	5.184.380	6.606	(6.166.685)	6.363.935
Interest on loans	433.012	349.072	3.191.646	282.510	-	-	4.256.240
Interest income on marketable securities	-	-	-	2.014.430	5.402	-	2.019.832
Interest received from banks	-	-	-	73.470	-	-	73.470
Other interest income ⁽²⁾	338.998	143.884	2.883.022	2.813.970	1.204	(6.166.685)	14.393
Interest expense	610.179	337.364	4.369.057	4.001.720	140	(6.166.685)	3.151.775
Interest on deposits	268.369	100.696	2.078.216	316.114	-	-	2.763.395
Interest on borrowings	820	6.104	6.152	53.131	-	-	66.207
Interest on money market borrowings	-	-	-	272.513	-	-	272.513
Other interest expense ⁽²⁾	340.990	230.564	2.284.689	3.359.962	140	(6.166.685)	49.660
Net interest income	161.831	155.592	1.705.611	1.182.660	6.466	-	3.212.160
Net fees and commissions income	41.503	37.163	419.926	46.226	(34.843)	-	509.975
Net trading profit / (loss)	-	-	-	133.517	(162)	-	133.355
Dividend income	-	-	-	422	801	-	1.223
Other income	2.343	27.271	253.740	117.509	207.853	-	608.716
Loans and other receivables' impairment loss	3.180	21.915	255.501	177.874	-	-	458.470
Other expenses	11.644	45.604	706.439	738.937	151.325	-	1.653.949
Income before taxes	190.853	152.507	1.417.337	563.523	28.790	-	2.353.010
Income tax provision	-	-	-	(501.633)	(8.086)	-	(509.719)
Net profit for the period	190.853	152.507	1.417.337	61.890	20.704	-	1.843.291
SEGMENT ASSETS							
Marketable securities	-	-	-	20.172.284	128.226	-	20.300.510
Derivative financial assets held for trading	-	-	-	34.307	-	-	34.307
Banks and money market receivables	-	-	-	1.205.519	23.274	-	1.228.793
Associates and subsidiaries (net)	-	-	-	187.922	-	-	187.922
Loans	7.002.121	5.781.770	27.248.538	4.264.058	-	-	44.296.487
Other assets	13.120	76.641	965.886	5.569.802	353.411	-	6.978.860
TOTAL ASSETS	7.015.241	5.858.411	28.214.424	31.433.892	504.911	-	73.026.879
SEGMENT LIABILITIES							
Deposits	7.210.628	2.602.577	38.941.181	5.800.029	-	-	54.554.415
Derivative financial liabilities held for trading	-	-	-	39.151	-	-	39.151
Money market balances	-	-	-	3.280.823	-	-	3.280.823
Borrowing funding loans	7.441	95.736	132.071	3.590.839	-	-	3.826.087
Other liabilities	32.227	60.387	1.797.216	690.059	24.783	-	2.604.672
Provisions	6.101	9.367	72.105	1.039.540	222.293	-	1.349.406
Shareholders' equity	-	-	-	7.310.290	62.035	-	7.372.325
TOTAL LIABILITIES	7.256.397	2.768.067	40.942.573	21.750.731	309.111	-	73.026.879
OFF BALANCE SHEET ITEMS							
Guarantees and suretyships	6.987.939	2.407.489	3.329.660	1.264	-	-	12.726.352
Commitments	48.183	105.255	4.670.000	5.064.440	-	-	9.887.878
Derivative financial instruments	-	32.354	30.180	4.798.508	-	-	4.861.042

- (1) Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.234.437 (net) and deferred tax assets amounting TRY 222.820 in other assets are presented under the Treasury / Investment column.
- (2) Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.
- (3) Halk Hayat Emeklilik AŞ, Halk Sigorta AŞ and Halk Gayrimenkul Yatırım Ortaklığı AŞ transactions are shown in other column.

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

Prior Period	Corporate	Commercial	SME/ Intagrated	Treasury / Investment ⁽¹⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES							
Interest income	679.248	501.979	6.675.653	6.092.813	8.897	(7.129.391)	6.829.199
Interest on loans	373.903	308.957	3.240.958	302.119	-	-	4.225.937
Interest income on marketable securities	-	-	-	2.442.237	8.897	-	2.451.134
Interest received from banks	-	-	-	126.483	-	-	126.483
Other interest income ⁽²⁾	305.345	193.022	3.434.695	3.221.974	-	(7.129.391)	25.645
Interest expense	519.919	347.237	5.151.785	4.810.602	-	(7.129.391)	3.700.152
Interest on deposits	213.416	125.504	2.712.007	153.571	-	-	3.204.498
Interest on borrowings	1.951	10.256	6.149	56.011	-	-	74.367
Interest on money market borrowings	-	-	-	331.285	-	-	331.285
Other interest expense ⁽²⁾	304.552	211.477	2.433.629	4.269.735	-	(7.129.391)	90.002
Net interest income	159.329	154.742	1.523.868	1.282.211	8.897	-	3.129.047
Net fees and commissions income	30.276	27.196	369.288	48.468	(21.432)	-	453.796
Net trading profit / (loss)	-	-	-	17.947	204	-	18.151
Dividend income	-	-	-	6.577	18	-	6.595
Other income	3.838	16.368	163.095	81.393	134.203	-	398.897
Loans and other receivables' impairment loss	2.629	54.388	328.356	260.771	-	-	646.144
Other expenses	11.798	37.968	528.568	610.590	112.645	-	1.301.569
Income before taxes	179.016	105.950	1.199.327	565.235	9.245	-	2.058.773
Income tax provision	-	-	-	(386.903)	(6.501)	-	(393.404)
Net profit for the period	179.016	105.950	1.199.327	178.332	2.744	-	1.665.369
SEGMENT ASSETS							
Marketable securities	-	-	-	21.372.841	127.015	-	21.499.856
Derivative financial assets held for trading	-	-	-	-	20.528	-	20.528
Banks and money market receivables	-	-	-	1.161.160	10.952	-	1.172.112
Associates and subsidiaries (net)	-	-	-	176.665	-	-	176.665
Loans	4.262.748	3.179.019	20.904.779	4.111.525	-	-	32.458.071
Other assets	280	5.237	427.392	4.963.480	59.170	-	5.455.559
TOTAL ASSETS	4.263.028	3.184.256	21.332.171	31.785.671	217.665	-	60.782.791
SEGMENT LIABILITIES							
Deposits	3.886.374	1.993.233	32.174.263	5.825.376	-	-	43.879.246
Derivative financial liabilities held for trading	-	-	-	88.956	-	-	88.956
Money market balances	-	-	-	5.777.089	-	-	5.777.089
Borrowing funding loans	19.780	101.008	102.957	1.807.772	-	-	2.031.517
Other liabilities	19.395	80.787	1.627.937	393.700	19.851	-	2.141.670
Provisions	4.485	8.152	71.573	864.721	139.232	-	1.088.163
Shareholders' equity	-	-	-	5.702.131	74.019	-	5.776.150
TOTAL LIABILITIES	3.930.034	2.183.180	33.976.730	20.459.745	233.102	-	60.782.791
OFF BALANCE SHEET ITEMS							
Guarantees and suretyships	5.412.387	1.475.628	2.424.866	2.061	-	-	9.314.942
Commitments	15.335	50.528	1.924.573	3.827.150	-	-	5.817.586
Derivative financial instruments	-	25.228	16.846	7.635.943	-	-	7.678.017

- (1) Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.145.530 (net) and deferred tax assets amounting TRY 207.562 in other assets are presented under the Treasury / Investment column.
- (2) Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.
- (3) Halk Hayat Emeklilik AŞ and Halk Sigorta AŞ insurance transactions are shown in other column.

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	70.202.804	58.245.188	70.434.904	58.716.508
Cash and Balances with the Central Bank of Turkey	4.649.565	3.415.724	4.649.565	3.415.724
Financial assets fair value changes reflected to income statement	89.987	55.962	89.987	55.962
Banks	1.012.668	1.171.909	1.012.620	1.171.883
Money market placements	216.125	203	216.114	203
Available for sale financial assets ⁽¹⁾	7.481.355	4.879.255	7.481.355	4.879.255
Held to maturity investments	12.749.840	16.573.548	13.002.901	16.948.914
Loans ⁽²⁾	44.003.264	32.148.587	43.982.362	32.244.567
Financial Liabilities	62.476.273	52.342.838	62.518.677	52.403.433
Deposits	54.554.415	43.879.246	54.613.683	43.925.955
Derivative financial liabilities held for trading	39.151	88.956	39.151	88.956
Funds provided from other financial institutions	3.826.087	2.031.517	3.809.266	2.045.430
Money market borrowings	3.280.823	5.777.089	3.280.823	5.777.089
Securities issued	-	-	-	-
Miscellaneous payables	775.231	565.891	775.188	565.864
Leasing payables	566	139	566	139

(1) TRY 13.635 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2009: TRY 11.619).

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

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

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

Classification of Fair Value Measurement

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

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

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

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

Classification requires using observable market data if possible.

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

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

Current Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	53.755	34.307	1.925	89.987
<i>Debt securities</i>	53.678	-	-	53.678
<i>Derivative financial assets held for trading purpose</i>	-	34.307	-	34.307
<i>Bonds</i>	77	-	-	77
<i>Other Securities</i>	-	-	1.925	1.925
Available-for-sale financial assets	7.433.291	48.064	-	7.481.355
Debt securities	7.433.291	48.064	-	7.481.355
Total Financial Assets	7.487.026	82.371	1.925	7.571.342
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	39.151	-	39.151
Total Financial Liabilities	-	39.151	-	39.151
Prior Period				
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	33.656	20.528	1.778	55.962
<i>Debt securities</i>	33.564	-	-	33.564
<i>Derivative financial assets held for trading purpose</i>	-	20.528	-	20.528
<i>Bonds</i>	92	-	-	92
<i>Other Securities</i>	-	-	1.778	1.778
Available-for-sale financial assets	4.801.317	77.938	-	4.879.255
Debt securities	4.801.317	77.938	-	4.879.255
Total Financial Assets	4.834.973	98.466	1.778	4.935.217
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	88.956	-	88.956
Total Financial Liabilities	-	88.956	-	88.956

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

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

The Parent Bank does not engage in transaction based on trust.

TÜRKİYE HALK BANKASI AŞ

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

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

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

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	316.636	62.649	205.194	51.525
Central Bank of Turkey	2.466.013	1.804.255	1.911.485	1.247.493
Other	-	12	-	27
Total	2.782.649	1.866.916	2.116.679	1.299.045

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

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

The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency liabilities in TRY and USD Dollar or EUR at the rates of 6% (31 December 2009: 5%) and 11% (31 December 2009: 9%), respectively as per the Communiqué no.2005/1 "Reserve Deposits" of the Central Bank of Turkey.

As of 31 December 2010 interest rates are not applied for reserve requirements by the Central Bank of Turkey (31 December 2009: 5.20% for TRY deposits).

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

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

None.

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

None.

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	82.304	722.132	110.816	14.142
Foreign banks	21.028	187.204	9.942	1.037.009
Branches and offices abroad	-	-	-	-
Total	103.332	909.336	120.758	1.051.151

b) Information on foreign banks:

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

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

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

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

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

None.

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds	-	-	-	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	104.285
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	-	-	-	104.285

b) Information on financial assets available for sale portfolio:

	Current period	Prior period
Debt securities	7.484.123	4.880.282
Quoted on a stock exchange	7.484.123	4.880.282
Not quoted	-	-
Share certificates	25.970	11.860
Quoted on a stock exchange	-	-
Not quoted	25.970	11.860
Impairment provision(-)	15.103	1.268
Total	7.494.990	4.890.874

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	97.620	-	83.872	-
Total	97.620	-	83.872	-

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(5) Information on loans: (continued)

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

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

(1) Includes TRY 69.117 of personnel loans.

(2) Includes TRY 28.503 of personnel credit cards.

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

c) Loans according to their maturity structure:

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(5) Information on loans: (continued)

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

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(5) Information on loans: (continued)

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

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

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

f) Loan according to type of borrowers:

	Current period	Prior period
Public	1.647.341	867.815
Private	42.355.923	31.280.772
Total	44.003.264	32.148.587

g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	43.746.012	31.863.954
Foreign loans	257.252	284.633
Total	44.003.264	32.148.587

h) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	75.704	58.611
Indirect loans granted to subsidiaries and associates	-	-
Total	75.704	58.611

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(5) Information on loans: (continued)

i) Specific provisions provided against loans:

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

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period	44.297	20.564	286.518
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	44.297	20.564	286.518
Prior period	70.647	22.594	122.302
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	70.647	22.594	122.302

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(5) Information on loans: (continued)

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

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

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

None.

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(5) Information on loans: (continued)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period (Net)	67.736	30.831	194.656
Loans to granted real persons and legal entities (Gross)	194.110	106.510	1.419.636
Specific provisions (-)	126.374	75.679	1.224.980
Loans to granted real persons and legal entities (Net)	67.736	30.831	194.656
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	915	2	36.580
Specific provisions (-)	915	2	36.580
Other loans and receivables (Net)	-	-	-
Prior period (Net)	82.186	32.454	194.844
Loans to granted real persons and legal entities (Gross)	234.344	115.329	1.281.512
Specific provisions (-)	152.158	82.875	1.086.668
Loans to granted real persons and legal entities (Net)	82.186	32.454	194.844
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	1.026	2	35.699
Specific provisions (-)	1.026	2	35.699
Other loans and receivables (Net)	-	-	-

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

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

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

TÜRKİYE HALK BANKASI AŞ**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010***(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)***SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS (continued)****I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS
(continued)**

(5) Information on loans: (continued)

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

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

⁽¹⁾ Loans for which risk does not belong to the Parent Bank are not included.

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

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

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

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

m) Explanations on write-off policy:

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

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills	-	-	-	-
Government bonds and similar securities	2.290.572	86.107	1.711.948	706.769
Other	-	-	-	-
Total	2.290.572	86.107	1.711.948	706.769

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Treasury bills, government bonds and similar securities	2.537.984	722.386	5.416.526	604.461
Other	-	-	-	-
Total	2.537.984	722.386	5.416.526	604.461

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

	Current period	Prior period
Government bonds	12.749.840	16.573.548
Treasury bills	-	-
Other public sector debt securities	-	-
Total	12.749.840	16.573.548

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	12.749.840	16.573.548
Quoted on a stock exchange	10.360.874	11.505.711
Not quoted	2.388.966	5.067.837
Impairment provision (-)	-	-
Total	12.749.840	16.573.548

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

	Current period	Prior period
Beginning balance	16.573.548	15.858.882
Foreign currency differences on monetary assets	(14.112)	(17.115)
Purchases during the year ⁽¹⁾	3.127.589	3.744.069
Disposals through sales and redemptions ⁽²⁾	(6.937.185)	(3.028.343)
Impairment provision (-) / provision reversal (+)	-	16.055
Balance at the end of the period	12.749.840	16.573.548

(1) Interest income accrual amounting TRY 503.032 have been included in purchases row (31 December 2009: TRY 528.597).

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

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

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

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

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

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of Treasury of Republic of Turkey ⁽²⁾	5.670.195	-	5.950.720	-	5.613.299	883.342	5.748.891	904.383
Obtained with the transfer	2.340.938	-	2.388.965	-	2.340.938	-	2.392.831	-
Reclassified from other securities portfolios ⁽¹⁾	2.396.216	1.839.459	2.498.683	1.911.472	5.535.196	1.672.176	5.796.368	1.731.075
Other	-	-	-	-	-	-	-	-
Total	10.407.349	1.839.459	10.838.368	1.911.472	13.489.433	2.555.518	13.938.090	2.635.458

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

(2) The Parent Bank has not reclassified any financial assets from other portfolios to held to maturity investment portfolio during 2010. The additions for the period and financial assets amounting TRY 427.510 which are subject to bond swap are shown under “Obtained from Under Secretariat of Treasury of Republic of Turkey” row.

(7) Information on associates (Net):

a) Information on associates:

Description	Address (City/ Country)	Bank’s share percentage, if different-voting percentage (%)	Bank’s risk group share percentage (%)
1. Demirhalkbank NV	Netherlands	30,00	30,00
2. Halk Finansal Kiralama AŞ	Istanbul	47,75	47,75
3. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	32,26
4. Fintek AŞ	Ankara	24,00	29,76
5. Bileşim Alternatif Dağ. Kan. AŞ	Istanbul	24,00	24,00
6. Kredi Kayıt Bürosu AŞ	Istanbul	18,18	18,18
7. Bankalararası Kart Merkezi AŞ	Istanbul	18,95	18,95
8. Kredi Garanti Fonu AŞ	Ankara	1,67	1,67

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

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

b) Information related to the associates as sorted in (a):

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
3.913.826	392.886	29.167	143.004	1.758	8.375	9.455	608.730
473.512	107.835	3.976	36.858	-	17.115	27.875	104.000
42.258	42.046	215	2.338	-	936	1.622	33.292
12.412	4.149	109	170	36	269	275	-
18.479	9.010	2.496	125	-	3.397	2.571	-
40.927	32.578	1.703	1.834	-	9.905	6.802	-
19.837	16.925	6.018	661	-	2.525	(536)	-
138.091	133.547	2.235	4.510	-	5.437	7.394	-

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

(2) The associates that are presented in (b), the financial data of Bankalararası Kart Merkezi AŞ is obtained from 30 September 2010 reviewed financial statements, and the financial data of Halk Finansal Kiralama AŞ and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ are obtained from 31 December 2010 audited financial statements. Demir Halkbank NV obtained from 31 December 2010 unaudited financial statements, remaining associates are obtained from 30 September 2010 unaudited financial statements.

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

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	176.665	164.607
Movements during the period	11.257	12.058
Purchases ⁽¹⁾	944	1.989
Free shares obtained profit from current year's share ⁽¹⁾	-	3.919
Profit in current year income	10.911	3.792
Sales	-	-
Revaluation decrease (-) / increase ⁽³⁾	(598)	1.554
Provision for impairment (-) / reversals (+) ⁽⁴⁾	-	804
Balance at the end of the period	187.922	176.665
Capital commitments ⁽²⁾	2.000	2.000
Share percentage at the end of the period (%)	0,00	0,00

(1) TRY 944 of additions in current period is the capital increase to Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ.

(2) The Parent Bank has TRY 2.000 as capital commitment to Kredi Garanti Fonu AŞ.

ç) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	115.566	127.922
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	51.491	35.257
Financing companies	-	-
Other financial investments	19.813	12.434

d) Associates quoted to a stock exchange:

None.

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(8) Information on consolidated subsidiaries (Net):

a) Information on subsidiaries:

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

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

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value
188.727	51.130	2.265	7.643	11	11.124	8.882	-
181.889	57.426	2.860	6.992	2.769	4.002	4.446	-
203.415	77.608	1.618	7.678	2.633	29.372	19.225	-
479.286	478.829	466.241	160	-	1.829	-	-

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

(2) The values are taken from the financials of the audited financial statements as of 31 December 2010.

c) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period (before elimination)	81.133	62.048
Movements during the period	(81.133)	(62.048)
Purchases ⁽¹⁾	476.250	15.487
Free shares obtained profit from current year's share ⁽²⁾	38.698	3.598
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provision for impairment (-)	-	-
Share capital elimination of subsidiaries	(596.081)	(81.133)
Balance at the end of the period	-	-
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

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

e) Subsidiaries quoted in the stock exchange:

Halk Gayrimenkul Yatırım Ortaklığı AŞ (“the Company”), a subsidiary of the Parent Bank, was registered on 18 October 2010. With the amendment dated 31 December 2009 made by the CMB the Communiqué on the Principles of Real Estate Investment Trusts, it is obligatory that the shares of trusts representing a minimum 25% of their capital be issued within three months of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, are offered to public and that they apply to the CMB with the request that all shares be registered. The Company applied to the CMB on 18 January 2011.

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

None.

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

None.

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

None.

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Additions	Disposals	Transfers	Balance at the end of the period
Cost:					
- Immovables	948.799	30.044	-	(8.512)	970.331
- Tangible assets purchased through financial lease	108.100	1.612	(62.844)	-	46.868
- Office machines	151.567	48.538	(19.148)	-	180.957
- Fixed assets obtained due to non-performing loans	259.089	181.746	(40.644)	(91.335)	308.856
- Lease hold improvements costs	81.803	40.262	(19.577)	(8)	102.480
- Other	227.162	26.386	(41.924)	-	211.624
Total Cost	1.776.520	328.588	(184.137)	(99.855)	1.821.116
Accumulated depreciation (-)					
- Immovables	200.505	14.692	-	(3.046)	212.151
- Tangible assets purchased through financial lease	99.806	5.214	(62.737)	-	42.283
- Office machines	104.588	18.058	(14.867)	-	107.779
- Fixed assets obtained due to non-performing loans	9.245	5.373	(1.582)	(1.086)	11.950
- Lease hold improvements costs	28.940	16.629	(11.870)	1.041	34.740
- Other	175.704	14.989	(34.470)	(1.044)	155.179
Total accumulated depreciation (-)	618.788	74.955	(125.526)	(4.135)	564.082
Provision for impairment (-)					
- Immovables	8.656	303	(251)	(251)	8.457
- Tangible assets purchased through financial lease	-	-	-	-	-
- Office machines	-	-	-	-	-
- Fixed assets obtained due to non-performing loans	7.546	8.764	(3.000)	830	14.140
- Other	-	-	-	-	-
Total provision for impairment (-)	16.202	9.067	(3.251)	579	22.597
Net Book Value	1.141.530	244.566	(55.360)	(96.299)	1.234.437

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(12) Information on tangible assets (continued):

Prior Period	Balance at the end of the prior period	Consolidation Changes(*)	Additions	Disposals (-)	Transfers	Balance at the end of the period
Cost:						
- Immovables	899.519	-	54.511	-	(5.231)	948.799
- Tangible assets purchased through financial lease	109.386	-	374	(1.660)	-	108.100
- Office machines	138.982	3.482	30.077	(20.974)	-	151.567
- Fixed assets obtained due to non-performing loans	105.610	-	152.176	(9.850)	11.153	259.089
- Other	220.313	2.808	106.186	(76.646)	56.304	308.965
Total Cost	1.473.810	6.290	343.324	(109.130)	62.226	1.776.520
Accumulated depreciation (-)						
- Immovables	192.046	-	13.860	-	(5.401)	200.505
- Tangible assets purchased through financial lease	93.970	-	7.252	(1.416)	-	99.806
- Office machines	105.736	2.910	13.836	(17.894)	-	104.588
- Fixed assets obtained due to non-performing loans	3.697	-	4.750	(1.027)	1.825	9.245
- Other	179.447	1.776	22.582	(18.540)	19.379	204.644
Total accumulated depreciation (-)	574.896	4.686	62.280	(38.877)	15.803	618.788
Provision for impairment (-)						
- Immovables	6.234	-	2.388	-	34	8.656
- Tangible assets purchased through financial lease	-	-	-	-	-	-
- Office machines	-	-	-	-	-	-
- Fixed assets obtained due to non-performing loans	1.036	-	5.935	-	575	7.546
- Other	-	-	-	-	-	-
Total provision for impairment (-)	7.270	-	8.323	-	609	16.202
Net Book Value	891.644	1.604	272.721	(70.253)	45.814	1.141.530

(*) Subsidiaries are taken into consolidated financial statements at 1 January-31 March 2009.

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(13) Information on intangible assets:

Current Period	Balance at the end of the prior period	Additions	Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	15.962	10.930	(3.146)	(106)	23.640
Total Cost	15.962	10.930	(3.146)	(106)	23.640
Accumulated Depreciation (-)					
Other intangible assets	3.872	1.802	(689)	-	4.985
Total Accumulated Depreciation (-)	3.872	1.802	(689)	-	4.985
Provision for impairment (-)					
Other intangible assets	-	-	-	-	-
Total Accumulated Depreciation (-)	-	-	-	-	-
Net Book Value	12.090	9.128	(2.457)	(106)	18.655

Prior Period	Balance at the end of the prior period	Consolidation Changes(*)	Additions	Disposals	Transfers	Balance at the end of the period
Cost:						
Other intangible assets	61.612	1.499	11.976	(1.317)	(57.808)	15.962
Total Cost	61.612	1.499	11.976	(1.317)	(57.808)	15.962
Accumulated Depreciation (-)						
Other intangible assets	23.024	1.185	1.265	(506)	(21.096)	3.872
Total Accumulated Depreciation (-)	23.024	1.185	1.265	(506)	(21.096)	3.872
Provision for impairment (-)						
Other intangible assets	-	-	-	-	-	-
Total provision for impairment (-)	-	-	-	-	-	-
Net Book Value	38.588	314	10.711	(811)	(36.712)	12.090

(*) Subsidiaries are taken into consolidated financial statements at 1 January-31 March 2009.

(14) Information on investment property:

None (31 December 2009: TRY 489).

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(15) Information on deferred tax assets:

	Current period	Prior period
Valuation difference on marketable securities	131.824	112.958
Retirement pay provision and unused vacation provision	55.316	48.765
Precautionary provision for loans under close monitoring	19.291	23.932
Net accrual expense for derivative instruments	969	13.146
Amortisation difference on tangible and intangible assets	79	-
Provision for lawsuits against the Bank	4.499	4.518
Others	13.387	7.473
Total deferred tax assets	225.365	210.792
Valuation difference on marketable securities	(55)	-
Amortisation difference on tangible and intangible assets	(1.747)	(1.997)
Others	(743)	(1.233)
Deferred tax liabilities	(2.545)	(3.230)
Deferred tax assets, net	222.820	207.562
Deferred tax liability accounted in shareholders' equity	43.546	30.334
Available for sale financial assets IRR-fair value difference	43.546	32.856
Foreign currency subsidiaries hedge fund valuation difference	-	(2.522)

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

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

(17) Information on other assets:

	Current period	Prior period
Prepaid promotion expenses	247.098	150.371
Clearing House account	181.430	135.916
Receivables from intermediary operations (Receivables from insurance operations and clients)	73.653	65.949
Receivables from credit card payments	71.971	55.812
Receivables from asset sale on credit terms	40.467	59.141
Receivables from SDIF	32.585	1.857
Receivables from derivative financial instruments	15.875	51.756
Other prepaid expenses	17.089	17.259
Receivables pending for board of discipline decision	4.487	686
Receivables from banking services	2.872	4.210
Receivables from lawsuits	2.154	3.490
Cash guarantees given	2.148	803
Advances given	556	233
Other	62.867	46.590
Total	755.252	594.073

TÜRKİYE HALK BANKASI AŞ

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

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

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

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 6 months- 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 Commercial inst. deposits	1.405.663	-	461.599	1.393.275	21.398	24.280	417	-	3.306.632
Other inst. deposits	1.839.250	-	2.669.879	4.797.000	98.347	66.463	1.865	-	9.472.804
Precious metals	259.659	-	195.128	1.745.687	913.667	19.542	283	-	3.133.966
Interbank deposits	473.117	-	-	-	-	-	-	-	473.117
Central Bank of Turkey	1.175.580	-	1.879.882	146.366	21.000	1.000	-	-	3.223.828
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	12.870	-	1.747.843	53.014	20.000	1.000	-	-	1.834.727
Participation banks	1.161.415	-	132.039	93.352	1.000	-	-	-	1.387.806
Others	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

a.2. Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 6 months- months	1 year	1 year and over	Cumulative deposits	Total
Saving deposits	1.180.145	-	3.975.059	12.663.864	293.895	137.856	41.876	43.528	18.336.223
Foreign currency deposits	1.694.001	-	2.892.065	7.160.996	721.422	786.124	400.989	8.624	13.664.221
Residents in Turkey	1.628.571	-	2.800.939	5.207.263	494.871	550.051	353.826	8.613	11.044.134
Residents abroad	65.430	-	91.126	1.953.733	226.551	236.073	47.163	11	2.620.087
Public sector deposits Commercial inst. deposits	846.764	-	267.943	739.761	70.985	194	150	-	1.925.797
Other inst. deposits	1.428.159	-	1.641.218	2.288.816	40.071	45.322	1.444	-	5.445.030
Precious metals	299.857	-	136.220	1.570.269	232.496	2.956	655	-	2.242.453
Interbank deposits	185.269	-	-	-	-	-	-	-	185.269
Central Bank of Turkey	215.341	-	1.599.467	106.926	-	-	-	-	1.921.734
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	25.714	-	1.383.208	80.066	-	-	-	-	1.488.988
Participation banks	99.216	-	216.259	26.860	-	-	-	-	342.335
Other	90.411	-	-	-	-	-	-	-	90.411
Accruals	-	-	-	-	-	-	-	-	-
Total	5.849.894	-	10.555.862	24.633.105	1.364.540	976.506	446.970	52.369	43.879.246

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current period	Prior period	Current period	Prior period
Saving deposits	11.452.490	9.536.031	10.655.063	8.862.514
Foreign currency saving deposits	2.419.516	2.264.490	4.002.148	3.904.828
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	53.080	40.530	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

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

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

	Current period	Prior period
Foreign branches' saving deposits and other accounts	152.388	176.219
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	2.141	930
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

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

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

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

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	128.142	128.796	123.730	100.005
Foreign banks, institutions and funds	75.287	3.493.862	77.992	1.729.790
Total	203.429	3.622.658	201.722	1.829.795

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	128.142	1.833.822	123.730	292.745
Medium and long-term	75.287	1.788.836	77.992	1.537.050
Total	203.429	3.622.658	201.722	1.829.795

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

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

Main liability of the Parent Bank is deposit, which is composed of 41% of saving deposits and 23% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Parent Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Parent Bank's 57% of banks deposits and 26% of other deposits consist of foreign currency deposits.

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

- (3) c) Additional disclosures related to the concentrations of the Parent Bank's major liabilities:
(continued)

Information on funds provided from repurchase agreement transactions:

	Current period		Prior period	
	TRY	FC	TRY	FC
From domestic transactions	2.527.844	-	5.197.488	-
Financial institutions and organizations	2.423.650	-	5.123.807	-
Other institutions and organizations	70.940	-	36.631	-
Real persons	33.254	-	37.050	-
From overseas transactions	69	611.411	281	544.540
Financial institutions and organizations	-	611.411	-	544.540
Other institutions and organizations	-	-	-	-
Real persons	69	-	281	-
Accruals	12.986	2.745	11.922	3.436
Total	2.540.899	614.156	5.209.691	547.976

- (4) Explanations to the funds:

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

- a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	75.832	1.219.400	134.485	1.181.317

- (5) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 533.643 and does not exceed 10% of the balance sheet total (31 December 2009: TRY 259.838).

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

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(6) Information on finance lease payables (Net): (continued)

b) Explanation on finance lease payables:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	831	566	196	139
Between 1-4 years	-	-	-	-
More than 4 years	-	-	-	-
Total	831	566	196	139

c) Explanations regarding operational leases:

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

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

None.

(8) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior Period
General provisions	390.121	275.695
Provisions for first group loans and receivables	339.845	227.302
Provisions for second group loans and receivables	9.553	21.720
Provisions for non cash loans	40.723	26.673
Other	-	-

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

None.

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

As of 31 December 2010, the Parent Bank's specific provisions for unindemnified non-cash loans balance is TRY 46.665 (31 December 2009: TRY 43.618). The Parent Bank provides 50% of provision for these non cash loans. TRY 2.538 (31 December 2009: TRY 2.580) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(8) Explanations on provisions: (continued)

d) Information on other provisions:

Total other provision balance amounting to TRY 191.781 (31 December 2009: TRY 213.159) consists of TRY 46.665 (31 December 2009: TRY 43.618) for specific provisions for unindemnified non cash loans, TRY 22.493 (31 December 2009: TRY 21.518) for legal cases filed against the Parent Bank, TRY 27.064 of provision for close monitoring loans (31 December 2009: TRY 50.269), TRY 69.390 of provision for restructured from Group I loans (31 December 2009: TRY 69.390) and TRY 26.169 of other provisions (31 December 2009: TRY 28.364).

Provision balance for possible risks:

As of 31 December 2010, provision amounting TRY 7.600 has been set for prudence in consideration for any changes that may arise in the economy and the market (31 December 2009: TRY 7.000).

e) Movement of employee termination benefits

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

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

Calculated amounts as a result of actuarial conjectures are as follows

	Current Period	Prior Period
As of January 1	180.431	178.324
Subsidiaries consolidation effect	-	1.454
Current year service cost	12.065	10.399
Interest expense	19.246	20.934
Actuarial gain/loss	16.169	2.875
Benefits paid within the period(-)	(23.699)	(33.555)
Total	204.212	180.431

⁽¹⁾ As of 31 December 2010, unused vacation provision is TRY 69.401. and severance indemnity provision for outsource firms is TRY 2.992. This amount is followed under employee benefits provision under liabilities (31 December 2009: TRY 63.391).

The Parent Bank accounts for actuarial gain and losses under current year profit and loss.

f) Liabilities on pension rights

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

None.

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

f) Liabilities on pension rights (continued) :

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

Based on the results of the actuarial report prepared as of 31 December 2010 and 31 December 2009, no technical deficit has been reported. Besides, no technical deficit for T.C.Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported as of 31 December 2010 and 31 December 2009.

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2010, the Parent Bank's corporate tax payable is amounting to TRY 188.812 after setting off TRY 350.387 of prepaid taxes from TRY 539.199 of corporate tax liabilities.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	188.812	133.859
Income on securities tax	41.751	46.121
Property income tax	520	393
Banking and insurance transactions tax (BITT)	18.526	17.927
Foreign exchange transactions tax	8	1
Value added tax payable	553	243
Other	15.248	13.244
Total	265.418	211.788

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	75	80
Social insurance premiums-employer	193	137
Bank social aid pension fund premium-employee	3.235	2.643
Bank social aid pension fund premium-employer	4.507	3.678
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	5	11
Unemployment insurance-employer	16	8
Other	700	575
Total	8.731	7.132

b) Explanations regarding deferred tax liability:

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

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

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

None.

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

None.

(12) Information on shareholders' equity:

a) Presentation of paid-in capital:

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

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

None.

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

None.

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

None.

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

None.

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

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

f) Information on preferred shares:

None.

g) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	-	-	-	-
Valuation difference	177.841	(64.311)	92.163	(51.983)
Exchange rate difference	-	-	(13.734)	-
Total	177.841	(64.311)	78.429	(51.983)

ğ) Information on legal reserves:

	Current period	Prior period
First Legal Reserves	301.942	227.784
Second Legal Reserves	317.415	286.825
Legal reserves appropriated in accordance with the law	992	703
Total	620.349	515.312

h) Information on the extraordinary reserves

	Current period	Prior period
Reserves appropriated by General Assembly	2.225.576	1.048.423
Retained Earnings	47.181	47.181
Accumulated Reserves	-	-
Foreign Currency Translation Differences (-)	-	-
Total	2.272.757	1.095.604

(13) Information on minority interest shares:

	Current Period	Prior period
Paid-in capital	4.390	4.409
Marketable Securities Revaluation Fund	13	56
Legal Reserves	152	146
Extraordinary Reserves	1.333	1.279
Retained Earnings	-	-
Net Period Income / Loss	596	704
Closing Balance	6.484	6.594

(14) Movement of minority interest shares:

	Current Period	Prior period
Beginning Balance	6.594	-
The effect of the inclusion of subsidiaries in the scope of consolidation ^(*)	-	6.610
Change in Minority Interest	(706)	(720)
Net Period Income / Loss	596	704
Closing Balance	6.484	6.594

(*) Subsidiaries are taken into consolidated financial statements at 1 January-31 March 2009.

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

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

(1) In the current period, the Parent Bank has TRY 2.000 of capital commitment for its associate Kredi Garanti Fonu AŞ.

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

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

b.3. Total non-cash loans:

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

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

c) Information on derivative financial instruments:

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

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

c) Information on contingent liabilities and assets:

The Group has provided TRY 22.493 (31 December 2009: TRY 21.518) of provision for the disputed legal cases filed by various persons and institutions.

d) Services supplied on behalf of others:

None.

TÜRKİYE HALK BANKASI AŞ

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

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

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

IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans ⁽¹⁾				
Short term loans	1.530.556	155.357	1.816.806	197.693
Medium and long term loans	2.066.429	381.689	1.812.043	271.938
Interest on non-performing loans	122.201	8	127.456	1
Premiums from resource utilization support fund	-	-	-	-
Total	3.719.186	537.054	3.756.305	469.632

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

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	66.622	-	115.994	80
Domestic banks	2.230	343	448	41
Overseas banks	930	3.345	2.186	7.734
Head office and branches abroad	-	-	-	-
Total	69.782	3.688	118.628	7.855

c) Interest income from marketable securities:

	Current period		Prior period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	2.995	377	3.491	644
Financial Assets at Fair Value through profit or loss	-	-	-	-
Financial Assets available for sale	532.665	84.090	479.364	67.053
Investments held to maturity	1.297.535	102.170	1.749.186	151.396
Total	1.833.195	186.637	2.232.041	219.093

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries	3.239	4.308

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(2) Information on interest expenses:

a) Information on interest expense on borrowings:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	16.947	48.971	23.975	50.360
Central Bank of Turkey	-	-	-	-
Domestic banks	9.844	3.623	15.192	3.633
Overseas banks	7.103	45.348	8.783	46.727
Overseas head office and branches	-	-	-	-
Other institutions	287	2	32	-
Total	17.234	48.973	24.007	50.360

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries	4.052	5.208

c) Information on interest expenses to marketable securities issued:

None.

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits						More than 1 year	Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year				
TRY									
Bank deposits	2.074	82.993	8.643	78	53	-	-	93.841	
Saving deposits	2.397	382.553	1.073.436	25.912	11.978	3.661	4.251	1.504.188	
Public deposits	439	32.450	80.931	6.885	96	21	-	120.822	
Commercial deposits	4.691	254.422	276.244	39.611	2.532	112	-	577.612	
Other deposits	15	19.969	139.930	31.004	627	42	-	191.587	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	9.616	772.387	1.579.184	103.490	15.286	3.836	4.251	2.488.050	
Foreign currency									
Deposits	1.440	81.869	135.166	22.859	20.933	7.849	-	270.116	
Bank deposits	-	5.229	-	-	-	-	-	5.229	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	-	-	-	-	-	-	-	
Total	1.440	87.098	135.166	22.859	20.933	7.849	-	275.345	
Grand total	11.056	859.485	1.714.350	126.349	36.219	11.685	4.251	2.763.395	

(3) Information on dividend income:

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	418	665
Other	805	5.930
Total	1.223	6.595

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

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

	Current period	Prior period
Profit	6.066.833	9.248.689
Profit from the capital market operations	223.687	138.490
Profit on derivative financial instruments	945.348	695.988
Foreign exchange gains	4.897.798	8.414.211
Loss	(5.933.478)	(9.230.538)
Loss from the capital market operations	(1.929)	(1.334)
Loss on derivative financial instruments	(1.018.188)	(771.793)
Foreign exchange losses	(4.913.361)	(8.457.411)

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	945.348	695.988
Effect of the change in foreign exchange on profit	944.637	695.268
Effect of the change in interest rate on profit	711	720
Loss on derivative financial instruments	(1.018.188)	(771.793)
Effect of the change in foreign exchange on loss	(961.439)	(686.040)
Effect of the change in interest rate on loss	(56.749)	(85.753)
Profit/loss on derivative financial instruments	(72.840)	(75.805)

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	284.834	206.776
-Specific provision reversals for Loans under follow up	220.190	150.703
-Other prior period expense reversals income	53.500	56.073
-Prior period tax corrections	11.144	-
Life insurance income	139.269	74.144
Receivable from the asset sale on credit terms	66.891	29.986
Rent income	6.605	5.977
Cheques	5.019	5.598
Provision for communication expenses	4.299	4.702
Provision for stamp tax	20	688
Other income	90.868	67.234
Total	597.805	395.105

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

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

**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS (continued)****IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME
STATEMENT (continued)****(6) Impairment losses on loans and other receivables:**

	Current period	Prior period
Specific provisions on loans and receivables	316.369	434.354
Group - III loans and receivables	134.190	169.502
Group - IV loans and receivables	33.615	35.051
Group - V loans and receivables	148.564	229.801
General loan provision expenses	114.567	60.999
Provision expenses for possible losses	600	7.000
Marketable securities impairment losses	12.133	-
Financial assets at fair value through profit and loss	-	-
Financial assets available for sale	12.133	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
Associates	-	-
Subsidiaries	-	-
Jointly controlled entities (joint ventures)	-	-
Investments held-to-maturity	-	-
Other	14.801	143.791
Total	458.470	646.144

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	689.537	608.470
Reserve for employee termination benefits	49.235	34.208
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	303	2.388
Depreciation expenses of fixed assets	69.582	57.530
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	1.802	1.265
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	8.764	5.935
Amortization expenses of assets that will be disposed of	5.373	4.750
Impairment expense for property and equipment held for sale	224	200
Other operating expenses	482.581	346.224
Operational leasing expenses	59.942	41.860
Maintenance expenses	21.134	18.142
Advertisement expenses	39.354	33.431
Other expenses ⁽¹⁾	362.151	252.791
Loss on sales of assets	5.159	4.425
Other ⁽²⁾	341.389	236.174
Total	1.653.949	1.301.569

(1) For the year ended period 31 December 2010, this account consists of promotion expenses related to banking activities amounting TRY 143.976 (31 December 2009: TRY 65.467), insurance expenses amounting TRY 19.292 (31 December 2009: TRY 15.355), communication expenses amounting TRY 32.611 (31 December 2009: TRY 28.507) and other expenses amounting TRY 166.272 (31 December 2009: TRY 143.462).

(2) For the year ended period 31 December 2010, this account consists of taxes, duties and charges amounting TRY 77.420 (31 December 2009: TRY 33.396), Saving Deposit Insurance Fund premium expenses amounting TRY 65.318 (31 December 2009: TRY 67.306), Banking Regulation and Supervision Agency establishment share amounting TRY 9.098 (31 December 2009: TRY 10.219) Auditing and Advisory expenses amounting TRY 8.913 (31 December 2009: TRY 4.857) and other expenses amounting TRY 180.640 (31 December 2009: TRY 120.396).

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

The Group's income before tax is due from continuing activities. TRY 3.212.160 of the income before tax consists of net interest income, TRY 509.975 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is TRY 2.353.010.

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

For the year ended 31 December 2010, the Group's tax provision amounting to TRY 509.719 consists of TRY 544.120 of current tax charge and TRY 34.401 of deferred tax income.

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

For the year ended 31 December 2010, the Group's net operating income after tax is TRY 1.843.291.

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

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

a. Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Group's performance for the period between 1 January 2010 and 31 December 2010.

b. Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.

(12) Other items do not exceed 10% of the income statement. In case of other items exceed the 10% of the income statement, the sub accounts that form minimum 20% of the items are;

Other fees and commissions:

	Current Period	Prior Period
Received intelligence fees	142.314	122.127
Credit card fees and commissions	96.036	87.113
Insurance commissions	13.829	3.456
Collection of loans and payments commissions	25.857	36.221
Received fees and commissions – corporate	49.515	42.254
Received fees and commissions – consumer	48.590	40.531
Appraisal fees	32.729	28.789
Other	127.916	112.030
Total	536.786	472.521

TÜRKİYE HALK BANKASI AŞ

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

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

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

**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.

TÜRKİYE HALK BANKASI AŞ

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

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

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

**VI. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED CASH FLOW
STATEMENT**

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

For the year ended 31 December 2010, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 76.689 increase (31 December 2009: TRY 38.410, decrease).

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

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

None.

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

	Current period	Prior period
Cash	3.415.724	3.009.299
Cash in TRY and foreign currency	256.719	211.596
Central Bank, Legal Requirements and others ⁽¹⁾	3.159.005	2.797.703
Cash equivalents	1.172.112	2.119.334
Banks - maturity less than 3 months	1.171.909	2.119.334
Money market placements	203	-
Total cash and cash equivalents	4.587.836	5.128.633
Restricted Legal Requirements	(836.066)	(831.738)
Legal provision re-discounts	(19.351)	(49.781)
Bank re-discounts	(75)	(1.355)
Cash and Cash Equivalents	3.732.344	4.245.759

(1) Others items include precious metals.

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

	Current period	Prior period
Cash	4.649.565	3.415.724
Cash in TRY and foreign currency	379.285	256.719
Central Bank, Legal Requirements and others ⁽¹⁾	4.270.280	3.159.005
Cash equivalents	1.228.793	1.172.112
Banks - maturity less than 3 months	1.012.668	1.171.909
Money market placements	216.125	203
Total cash and cash equivalents	5.878.358	4.587.836
Restricted Legal Requirements	(1.317.067)	(836.066)
Legal Provision re-discounts	(3.498)	(19.351)
Money market placement discount	(135)	-
Bank re-discounts	(53)	(75)
Cash and Cash Equivalents	4.557.605	3.732.344

(1) Other items include precious metals.

TÜRKİYE HALK BANKASI AŞ

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

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

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

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE PARENT BANK

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

a) Current period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	58.611	14.721	-	-	-	-
Closing balance	75.704	36.366	-	-	-	-
Interest and commissions income	3.160	79	-	-	-	-

b) Prior period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	80.146	6.861	-	-	-	-
Closing balance	58.611	14.721	-	-	-	-
Interest and commissions income	3.085	1.223	-	-	-	-

c.1. Deposits held by the Parent Bank's risk group:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Beginning balance	45.128	108.628	-	-	-	-
Closing Balance	56.427	45.128	-	-	-	-
Interest expense on deposits	4.052	5.208	-	-	-	-

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

None.

TÜRKİYE HALK BANKASI AŞ

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

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

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

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

(2) Disclosures for risk group:

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

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

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

	Amount	% compared to the amounts in the financial statements
Cash loans	75.704	0,17%
Non-cash loans	36.366	0,29%
Deposits	56.427	0,01%
Forward and option contracts	-	-
Banks and financial institutions	-	-

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

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

Explained in b).

d) Transactions accounted under the equity method:

Demir-Halkbank NV, operating in Netherlands, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ qualified as investments in associates of the Parent Bank, are accounted for in the accompanying consolidated financial statements by the equity method of accounting.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 6.380 as of 31 December 2010 (31 December 2009: TRY 5.492).

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

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

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

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

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

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

The Parent Bank opened 40 branches including 1 foreign branch during the year.

TÜRKİYE HALK BANKASI AŞ

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

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

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

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

Changes in required reserves ratio

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

a) Turkish lira required reserve ratio

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

b) FX required reserve ratio is 11%

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

The ratios are below:

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

Profit Distribution

With the Parent Bank's General Assembly decision dated on 1 March 2011, the Parent Bank decided to distribute its net profit of the year 2010 to its shareholders on 27 May 2011. All methods and procedures for the distribution will be specified by the Parent Bank's Board of Directors. According to the decision, the Parent Bank will distribute first dividend amounting to TRY 62.500 to its shareholders, TRY 72.000 to its Board of Directors and personnel and also will distribute TRY 332.986 as a second dividend to its shareholders from net profit of the year 2010 amounting to TRY 2.010.393.

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE PARENT BANK'S OPERATIONS

None.

TÜRKİYE HALK BANKASI AŞ

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

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

SECTION VII: INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

The consolidated financial statements as of and for the year ended 31 December 2010 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 3 March 2011 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITORS

None.