

*(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 Nine-month Period Ended 30 September 2011
*(Convenience Translation of Consolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*
With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

23 November 2011

*This report contains "Independent Auditors'
Review Report" comprising 1 page and;
"Consolidated Financial Statements and Related
Disclosures and Footnotes" comprising 94
pages.*

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

**INDEPENDENT AUDITORS' REVIEW REPORT
AS OF AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011**

To the Board of Directors of
Türkiye Halk Bankası AŞ;

We have reviewed the consolidated balance sheet of Türkiye Halk Bankası AŞ (“the Bank”) and its financial affiliates (together “the Group”) as of 30 September 2011 and the related consolidated income statement, statement of cash flows and statement of changes in shareholders' equity for nine-month period. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility as independent auditors is to issue a review report on these consolidated financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Türkiye Halk Bankası AŞ as of 30 September 2011, and of the results of consolidated its operations and its cash flows for the nine-month period then ended in accordance with the accounting principles and standards that are based on the current regulations described in Article 37 and 38 of the (Turkish) Banking Law No 5411; and other communiqués, disclosures and directives announced by the Banking Regulation and Supervision Agency.

Istanbul,
23 November 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 consolidated financial statements are not intended to present the consolidated financial position and results of consolidated 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011

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

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

- **Section One** : GENERAL INFORMATION ABOUT THE 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' REVIEW REPORT

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

Subsidiaries		Associates	
1.	Halk Yatırım Menkul Değerler AŞ	1.	Demir-Halkbank NV
2.	Halk Sigorta AŞ	2.	Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3.	Halk Hayat ve Emeklilik AŞ		
4.	Halk Gayrimenkul Yatırım Ortaklığı AŞ		
5.	Halk Finansal Kiralama AŞ		
6.	Halk Portföy Yönetimi AŞ		
7.	Halk Banka AD, Skopje		

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures as of 30 September 2011 are prepared in Thousand Turkish Lira and they have been independently reviewed and presented below in accordance with the Communiqué on "Banks' Accounting Practice and Maintaining Documents", Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Ankara, 23 November 2011

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

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

Name/Title : Nevin Buhan/Manager
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)	10
II. Consolidated Statement of Off-Balance Sheet Items	12
III. Consolidated Statement of Income	13
IV. Consolidated Statement of Income and Expense Items Accounted under Shareholders' Equity	14
V. Consolidated Statement of Changes in Shareholders' Equity	15
VI. Consolidated Statement of Cash Flows	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	21
VI. Fees and Commission Income and Expenses	21
VII. Explanations and Disclosures on Financial Assets	21
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	26
XII. Explanations on Goodwill and Other Intangible Assets	26
XIII. Explanations on Property, Plant and Equipment	27
XIV. Explanations on Leasing Transactions	27
XV. Explanations on Insurance Technical Income and Expense	28
XVI. Explanations on Insurance Technical Provisions	28
XVII. Explanations on Provisions and Contingent Liabilities	29
XVIII. Explanations on Employee Benefit Liabilities	30
XIX. Explanations on Taxation	31
XX. Additional Explanations on Borrowings	33
XXI. Explanations on Shares and Share Issue	33
XXII. Explanations on Bill Guarantees and Acceptances	33
XXIII. Explanations on Government Incentives	34
XXIV. Explanations on Segment Reporting	34
XXV. Explanations on Other Matters	34

SECTION FOUR

Information on Consolidated Financial Structure

I.	Explanations Related to the Consolidated Capital Adequacy Ratio	35
II.	Explanations Related to the Consolidated Credit Risk	38
III.	Explanations Related to the Consolidated Market Risk	40
IV.	Explanations Related to the Consolidated Operational Risk	41
V.	Explanations Related to the Consolidated Currency Risk	41
VI.	Explanations Related to the Consolidated Interest Rate Risk	43
VII.	Explanations Related to the Consolidated Liquidity Risk	46
VIII.	Explanations Related to Consolidated Business Segmentation	47
IX.	Explanations Related to Transactions Made on Behalf of Others and Transactions Based on Trust	50

SECTION FIVE

Explanations and Notes to the Consolidated Financial Statements

I.	Explanations and Notes Related to the Consolidated Assets	51
II.	Explanations and Notes Related to the Consolidated Liabilities	71
III.	Explanations and Notes Related to the Consolidated Off-Balance Sheet Items	80
IV.	Explanations and Notes Related to the Consolidated Income Statement	83
V.	Explanations and Notes Related to the Consolidated Statement of Changes in Shareholders' Equity	88
VI.	Explanations and Notes Related to the Consolidated Cash Flow Statement	89
VII.	Explanation Related to the Risk Group of the Parent Bank	90
VIII.	Explanations Related to the Subsequent Events	92

SECTION SIX

Other Explanations and Notes

I.	Other Explanations on the Parent Bank's Operations	93
----	--	----

SECTION SEVEN

Independent Auditors' Review Report

I.	Explanations on the Independent Auditors' Review Report	94
II.	Explanations and Notes Prepared by the Independent Auditors	94

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

As of 30 September 2011 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	30.09.2011	%	31.12.2010	%
Prime Ministry Privatization Administration ⁽¹⁾	937.276	74,98	937.276	74,98
Public shares	312.261	24,98	312.261	24,98
Other shareholders	463	0,04	463	0,04
Total	1.250.000	100,00	1.250.000	100,00

(1) As per the decree of the Higher Council of Privatisation numbered 2007/8 and dated 5 February 2007; 25% of the public shares that were previously held by the Privatisation Administration were privatized by a public offering and the Parent Bank’s shares were registered to Capital Markets 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 NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011

(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	13.4.2005	Ankara Eco. and Com. Science (ECS) Academy- Economy&Finance	31
Mehmet Emin ÖZCAN	Vice Chairman of the Board of Directors	24.5.2010	Ankara University - Faculty of Political Science-Economy&Finance	27
Süleyman ASLAN	Member of the Board of Directors, Chief Executive Officer	15.7.2011	METU – Faculty of Economic and Administrative Sciences - Department of International Relations	18
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.3.2003	Doctor’s Degree: Washington International University- Doctor of Philosophy in Business Administration. Master’s Degree: Syracuse University Business School (MBA). Master’s Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU – Faculty of Engineering - Mechanical Engineering.	28
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.4.2005	Doctor’s Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master’s Degree: Marmara Uni. Banking and Insurance Ins. – International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	20
İbrahim Hakkı TUNCAY	Member of the Board of Directors	9.4.2008	METU Business Administration.	31
Ahmet YARIZ	Member of the Board of Directors	9.4.2008	Doctor’s Degree: Marmara University, Banking and Insurance Ins.- Banking Department, 2005-At The Stage of Thesis. Master’s Degree: Marmara University, Banking and Insurance Ins. - Banking Department. Bachelor Degree: Istanbul Uni. - Business Administration.	19
Salim ALKAN	Member of the Board of Directors	24.5.2010	Ankara Uni. Faculty of Political Science-Business Administration.	39
Sabahattin BİRDAL	Member of the Board of Directors	27.10.2010	Istanbul Uni. Faculty of Economics Business Administration-Finance	25
Faruk ÖZÇELİK	Member of the Audit Committee	24.5.2010	Master’s Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	1
Yusuf DAĞCAN	Member of the Audit Committee	28.3.2003	Eskişehir Economics and Trade Academy- Economy&Finance.	32
Yakup DEMİRCİ	Executive Vice President	11.6.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	22
Mustafa SAVAŞ	Executive Vice President	12.8.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	20
Erol GÖNCÜ	Executive Vice President	9.3.2005 - 13.6.2005 By proxy 14.6.2005 Principal	METU Faculty of Arts and Sciences-Mathematics Department.	22
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.6.2005	Doctor’s Degree: Marmara University, Banking and Insurance Ins.- Banking Department. Master’s Degree: Marmara University, Banking and Insurance Ins.- Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	20
Selahattin SÜLEYMANOĞLU	Executive Vice President	1.7.2007	Master Degree: Selcuk University Social Sciences Ins.- International Relations. Bachelor’s Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	20
Mehmet Akif AYDEMİR	Executive Vice President	4.3.2010	Ankara University, Faculty of Political Sciences –Economics.	24
Taner AKSEL	Executive Vice President	26.3.2010	Anadolu University, Faculty of Economic and Administrative Sciences -Economics.	25
Ufuk Hacer DENİZCİ YÜCE	Executive Vice President	12.10.2010	Istanbul Technical University Business Administration Faculty- Business Engineering.	22
Mürsel ERTAŞ	Executive Vice President	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences- Foreign Trade & Exchange.	25
İsmail Hakkı İMAMOĞLU	Executive Vice President	28.3.2011	Ankara Eco. Com. Science (ECS) Academy – Faculty of Management Sciences – Department of Social Politics	26
Atalay TARDUŞ	Executive Vice President	4.8.2011	METU –Department of Economics	19

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

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011

(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 Bank's top management who have assigned to their position in 2011 are listed with titles and dates of assignment.

Name	Title	Assignment Date
İsmail Hakkı İMAMOĞLU	Executive Vice President	28 March 2011
Süleyman ASLAN	Member of the Board of Directors; Chief Executive Officer	15 July 2011
Atalay TARDUŞ	Executive Vice President	4 August 2011

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

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

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011

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

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 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 amended to “5 years” and subsequently by Law No: 5572 dated 10 January 2007 the related term was amended to “10 years”. As a result of this amendment, the privatization period of the Bank was extended. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended by the half of that “10 years” period by the Decree numbered 2010/964 and dated 6 November 2010.

c.1 With the Privatization High Council's Decree numbered 2006/69 and dated 11 August 2006, the public shares of the Bank were transferred to the Privatization Administration and 99.9% of the Bank shares were decided to be sold until 25 May 2008 using the block sale method. 13th Department of Council of State decided by the Decree numbered 2006/4258 and dated 29 November 2006, to cease the execution of the the Privatization High Council's Decree numbered 2006/69 and dated 11 August 2006. As per the Decree numbered 2007/8 and dated 5 February 2007 of the Privatization High Council, up to 25% of the public shares that were previously transferred to the Privatization Administration on 11 August 2006, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Bank corresponding to 24.98% was completed in the first week of May 2007 and Halkbank shares were traded on İstanbul Stock Exchange (“ISE”) as of 10 May 2007 with the base price of TRY full 8,00.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011

(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 30 September 2011, the Parent Bank operates with a total of 770 branches consisting of 765 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 17 satellite branches, 5 private processing center and foreign branches include 1 satellite branch. The Parent Bank has also 1 representative office in Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

- Halk Yatırım Menkul Değerler AŞ
- Hayat Sigorta AŞ
- Halk Hayat ve Emeklilik AŞ
- Halk Gayrimenkul Yatırım Ortaklığı AŞ
- Halk Finansal Kiralama AŞ
- Halk Portföy Yönetimi AŞ
- Halk Banka AD, Skopje

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

The Parent Bank’s associates;

- Demir-Halkbank NV
- Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ

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

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

Halk Finansal Kiralama AŞ (“Halk Leasing”), was an associate of the Parent Bank with 47,75% of the shares and consolidated according to the equity method until 27 May 2011. The Group obtained the control of Halk Leasing by acquiring 52,24% of the shares and voting interests in the company as of 27 May 2011. As a result, the Group’s equity interest in Halk Leasing has increased from 47,75% to 99,99%. Halk Leasing was established in September 1991 in Turkey and operates under the provisions of the Turkish financial leasing law number 3226.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011

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

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

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION (continued)

Halk Banka AD Skopje, formerly Export and Credit Bank AD Skopje is a subsidiary of the Parent Bank. The Group obtained the control of Halk Banka AD, Skopje by acquiring 98,12% of the shares and voting interests of the company as of 8 April 2011 and 8 August 2011. Halk Banka AD, Skopje is operating in Republic of Macedonia. Its main activities include commercial lending, receiving of deposits, foreign exchange deals, payment operation services in the country and abroad and retail banking services.

Halk Portföy Yönetimi AŞ (“Halk Portföy”), a subsidiary of the Parent Bank established in 2011, was registered on 30 June 2011. Halk Portföy’s main line of business is to provide portfolio and fund management services.

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

SECTION 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’ 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.

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, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ and Halk Banka AD, Skopje are included in the scope of consolidation.

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.

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 accounting of associates:

Demir-Halkbank NV (“Demir Halk Bank”) and Kobi Girişim Sermayesi Yatırım Ortaklığı 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 and Kobi Girişim Sermayesi AŞ which are consolidated associate by the equity method of accounting, have 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:

Accounting for business combinations

From 1 January 2010 the Group will apply IFRS 3 *Business Combinations* (2008) in accounting for business combinations. Business Combinations that occurred before 1 January 2010 had not been restated and the accounting policies applicable to those acquisitions are set out below. The new accounting policy in respect of business combinations is as follows.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 January 2010

The Group measures goodwill at the acquisition date as the total of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

1. Basis of consolidation (continued):

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

When this total is negative, a bargain purchase gain is recognised immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions before 1 January 2010

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisitions.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

V. INTEREST INCOME AND EXPENSES

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

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

VI. FEES AND COMMISSION INCOME AND EXPENSES

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

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

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

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

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

The estimated fair values of financial assets have been determined by the Group using the available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Hence, estimations presented in this report may not be same with the prices in the current market conditions in the case of assets disposals. Book values of some financial assets (which equals to their costs) are assumed to approximate to their fair values due to their short term nature.

The financial instruments and their valuations methods based on their classification on the financial statements are set out below.

1. Cash and banks

Cash and bank balances in foreign currencies are valued by using the Parent Bank’s current period end exchange rates. The presented values of cash in TRY, foreign currency cash and banks at balance sheet are the estimated fair values of these assets.

2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

2.1. Financial assets held for trading (continued)

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

2.2. Financial assets at fair value through profit and loss

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

The Group has not any financial assets at fair value through profit and loss as of 30 September 2011 and 31 December 2010.

3. Investments held to maturity

Investments held to maturity are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity is recognized in the income statement as an interest income. There are no financial assets that are classified by the Group as investments held to maturity, which 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%.

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

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

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.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**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.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

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

In the cases of the Group is renter, at the beginning of the lease operation the value of assets held under financial leases are recognized as financial lease receivables in the balance sheet. Interest income obtained by the difference between total financial lease receivables and investment value of assets held under financial leases is recorded in the income statement by distributing the receivables in the related accounting period with the constant interest rate. The interest income which is not accrued in the related period, is recognized in the account of unaccrued interest income.

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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.

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 as of 31 December 2010 and 31 December 2009.

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 2010 has been paid in February 2011, accrued advance tax as of 30 September 2011 has been paid in 17 November 2011.

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

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

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

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

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority on each consolidated entity's non-consolidated financial statements. Deferred tax assets and liabilities are also offset.

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.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIX. EXPLANATIONS ON TAXATION (continued)

Tax practices for the subsidiaries which are subject to consolidation

Halk Gayrimenkul Yatırım Ortaklığı AŞ

The Parent Bank's subsidiary, Halk Gayrimenkul Yatırım Ortaklığı AŞ, is established in the 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.

Halk Banka AD Skopje

The Parent Bank's newly acquired subsidiary in 2011 Halk Banka AD, Skopje is subject to tax regulations in the Republic of Macedonia. A new tax regime had become effective according which the base for income tax computation had been shifted from the profit before taxes to the income "distribution" concept in the Republic of Macedonia. "Distributions" are split into two components:

- Tax on any dividend distribution – i.e. the tax base is the dividend paid;
- Tax on non deductible items – i.e. the tax base is the non deductible items specified in the tax rulebook less any allowable tax credits. The tax on non deductible items is paid each month in monthly advance installments based on the previous fiscal year computation of such non deductible differences. At year end a final tax computation is prepared with a final tax settlement.

As such, the new income tax regime provokes certain implications on the presentation of the tax in the financial statements which are summarized below:

(i) Tax on dividend distribution:

Tax on dividend distribution is considered to be income tax within scope of International Accounting Standards - Tax on Income ("IAS 12").

The timing of recognition of this type of income tax is to be consistent with the underlining dividend liability recognition (i.e., recognized when the dividend is paid and/or declared). As such no provisions are required for income tax arising from dividend distribution until the dividend is declared and/or paid.

When the tax on dividend distribution arises on interim (advance) dividend paid before the year end, the income tax charge is recognized and presented in the Statement of comprehensive income after profit and loss before tax as income tax expense.

When the tax on dividend distribution arises from retained earnings, it is recognized and presented in the Statement of changes in equity.

(ii) Tax on non deductible items:

Tax on non deductible items is not income tax and is out of scope of IAS 12. Accordingly, such tax expense is presented within the operating results, and related tax payable/receivable is presented within the other assets/other liabilities in the statement of financial position.

Recognition of tax provisions:

In case of tax contingencies, provisions are made in line with International Accounting Standards – Provisions, Contingent Liabilities and Contingent Assets adopted in the Republic of Macedonia ("IAS 37").

Such provisions are not presented as deferred tax assets or deferred tax liabilities, but as other assets or other liabilities.

Recognition/reversal of such tax provisions (that is not income taxes) is presented within the other expenses/other income.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XX. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

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.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XXIII. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of 30 September 2011, Halk Finansal Kiralama A.Ş. (*consolidated entity*) has an amount of TRY 90.966 of investment incentives which could be utilized.

XXIV. EXPLANATIONS ON SEGMENT REPORTING

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

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

XXV. EXPLANATION ON OTHER MATTERS

None.

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 30 September 2011, the Bank’s consolidated capital adequacy ratio calculated based on the essentials of the related communiqué is 14,03% (31 December 2010: 15,48%).

In calculating the amounts subject to credit risk, the Group generally evaluates its loans according to their collateral classes based on the relevant risk weights. However, risk rate for fund loans for which the Parent Bank recognises 0% 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 NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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:

	Bank Only					Risk weights				Consolidated				
	%0	%10	%20	%50	%100	%150	%200	%0	%10	%20	%50	%100	%150	%200
Credit risk base amount														
Balance sheet items (Net)	28.693.597	-	2.638.990	19.150.139	29.143.442	306.725	1.202.409	28.972.654	-	2.721.224	19.556.330	29.123.492	320.275	1.202.409
Cash	494.309	-	15	-	-	-	-	498.482	-	15	-	-	-	-
Matured marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the Central Bank of Turkey	5.660.511	-	-	-	-	-	-	5.660.511	-	-	-	-	-	-
Domestic, foreign banks, head office and overseas branches balances	-	-	1.602.682	-	14.944	-	-	-	-	1.684.755	-	14.944	-	-
Money market placements	-	-	-	-	-	-	-	167.364	-	-	-	-	-	-
Receivables from reverse repos transactions	-	-	-	-	-	-	-	-	-	125	-	-	-	-
Reserve deposits	2.339.288	-	-	-	-	-	-	2.355.929	-	-	-	-	-	-
Loans	6.890.310	-	523.832	18.972.001	26.281.933	306.725	1.202.409	6.891.245	-	523.832	18.983.309	26.317.285	320.275	1.202.409
Non-performing loans (Net)	-	-	-	-	261.953	-	-	-	-	-	-	265.395	-	-
Finance lease receivables	-	-	-	-	-	-	-	-	-	-	394.883	408.041	-	-
Financial assets available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments held to maturity	12.513.343	-	-	-	-	-	-	12.568.805	-	-	-	-	-	-
Receivables from the asset sale on credit terms	-	-	-	-	48.472	-	-	-	-	-	-	48.472	-	-
Miscellaneous receivables	35.628	-	163.478	-	125.453	-	-	35.628	-	163.478	-	125.453	-	-
Interest and Income accruals	552.629	-	5.515	178.138	355.968	-	-	553.552	-	5.551	178.138	363.684	-	-
Subsidiaries, associates and jointly controlled entities (joint ventures) (Net)	-	-	-	-	899.937	-	-	-	-	-	-	1.052	-	-
Property and equipment	-	-	-	-	887.055	-	-	-	-	-	-	1.192.576	-	-
Other assets	207.579	-	343.468	-	267.727	-	-	241.138	-	343.468	-	386.590	-	-
Off-balance sheet items	163.445	-	493.127	807.030	9.420.632	-	-	163.445	-	493.127	807.030	9.431.797	-	-
Non-cash loans and commitments	163.445	-	329.414	807.030	9.415.579	-	-	163.445	-	329.414	807.030	9.426.744	-	-
Derivative instruments	-	-	163.713	-	5.053	-	-	-	-	163.713	-	5.053	-	-
Non-risk weighted accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total risk-weighted assets	28.857.042	-	3.132.117	19.957.169	38.564.074	306.725	1.202.409	29.136.099	-	3.214.351	20.363.360	38.555.289	320.275	1.202.409

2. Capital adequacy ratio summary:

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Credit risk base amount (CRBA)	52.033.987	39.764.632	52.265.069	39.418.982
Market risk base amount (MRBA)	2.266.563	1.550.350	2.241.825	1.514.638
Operational risk base amount (ORBA)	6.119.332	5.120.983	6.211.069	5.212.748
Shareholders' Equity	8.762.838	7.399.784	8.518.417	7.142.715
Shareholders' Equity / (CRBA+MRBA+ORBA)*100	14,50	15,94	14,03	15,48

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011

(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
<i>Nominal capital</i>	1.250.000	1.250.000	1.250.000	1.250.000
<i>Capital commitments (-)</i>	-	-	-	-
Inflation Adjustment for Paid-in Capital	1.220.451	1.220.451	1.220.451	1.220.451
Share Premium	-	-	764	-
Share Cancellation Profits	-	-	-	-
Legal Reserves	749.652	610.282	765.359	620.349
<i>I. Degree Legal Reserve (Turkish Commercial Code 466/1)</i>	395.998	297.127	401.341	301.942
<i>II. Degree Legal Reserve (Turkish Commercial Code 466/2)</i>	352.151	312.163	362.515	317.415
<i>Reserves per Specific Acts</i>	1.503	992	1.503	992
Statutory Reserves	-	-	-	-
Extraordinary Reserves	3.637.115	2.233.578	3.521.172	2.272.757
<i>Reserves allocated per General Assembly Minute</i>	3.589.934	2.186.397	3.447.828	2.225.576
<i>Retained Earnings (1)</i>	47.181	47.181	73.344	47.181
<i>Accumulated Loss</i>	-	-	-	-
<i>Foreign Currency Share Capital Exchange Difference</i>	-	-	-	-
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-	-	-	-
Profit	1.540.839	1.970.569	1.569.519	1.888.693
<i>Net period profit</i>	1.540.839	1.970.569	1.515.473	1.842.695
<i>Retained Earnings</i>	-	-	54.046	45.998
Portion of Provisions Allocated for Potential Risk up to 25% of Core Capital Amount	7.600	7.600	7.600	7.600
Subsidiary and Associate Shares and Gains on Sale of Properties to Be Added to Capital	-	-	-	-
Portion of Primary Tier-II Capital up to 15% of Core Capital	-	-	-	-
Minority Interest	-	-	7.184	6.484
Losses that cannot be covered by reserves (-)	-	-	-	-
<i>Net period loss</i>	-	-	-	-
<i>Accumulated Loss</i>	-	-	-	-
Leasehold Improvements (-)	69.787	66.169	72.428	68.644
Prepaid Expenses (-)	-	262.019	-	264.186
Intangible Assets(-)	20.524	17.665	39.251	18.655
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-	-	-
Excess Amount defined in 3rd Clause, 56th Article of the Banking Act (-)	-	-	-	-
Total Core Capital	8.315.346	6.946.627	8.230.370	6.914.849
SUPPLEMENTARY CAPITAL				
General Loan Provisions	575.980	390.121	579.011	390.121
45% of Movable Assets Revaluation Fund	-	-	-	-
45% of Tangible Assets Revaluation Fund	-	-	-	-
Non-cash Shares of Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	4.422	44.076	231	61
Proportion of Primary Tier -II Capital excluded from the Core Capital Calculation	-	-	-	-
Secondary Tier –II Capital	-	-	-	-
45% of Marketable Securities Revaluation Fund	(103.725)	52.076	(113.477)	51.089
<i>From Subsidiaries and Associates</i>	-	-	-	-
<i>From Financial Assets Available for Sale</i>	(103.725)	52.076	(113.477)	51.089
Inflation adjustments for capital reserves, profit reserves and retained earnings/accumulated losses (Except inflation adjustments for legal reserves, statutory reserves and extraordinary reserves)	-	-	-	-
Minority Interest	-	-	-	-
Total Supplementary Capital	476.677	486.273	465.765	441.271
TIER-III CAPITAL				
CAPITAL	8.792.023	7.432.900	8.696.135	7.356.120
DEDUCTIONS FROM CAPITAL	29.185	33.116	177.718	213.405
Equity Shares in Banks and Financial Institutions Which Are Excluded from the Consolidation	8.819	6.581	8.819	6.581
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated debt and debt instruments purchased from such parties qualified as primary or secondary subordinated debt	-	-	-	-
Shareholdings in the banks and financial institutions which are accounted for under the equity pick up method but the assets and liabilities are not consolidated	-	-	148.533	180.289
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-	-	-	-
The net book value of properties exceeding 50% of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	17.662	26.535	17.662	26.535
Other	2.704	-	2.704	-
TOTAL EQUITY	8.762.838	7.399.784	8.518.417	7.142.715

(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 30 September 2011, the receivables of the Group from its top 100 cash loan customers is 21,45% of its total cash loans.

As of 30 September 2011, receivables of the Group from its top 100 non-cash loan is 57,09% of its total non-cash loans.

As of 30 September 2011, share of cash and non-cash receivables of the Group from its top 100 customers is 16,69% of its total balance sheet and off-balance sheet assets.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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 30 September 2011, general loan loss provision related to the credit risk incurred by the Bank in accordance with the legislation on “Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” is TRY 579.011 (31 December 2010: TRY 390.121).

Sector concentrations for cash loans:

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	681.352	1,82	48.606	0,28	698.812	2,19	38.141	0,32
<i>Farming and raising livestock</i>	669.471	1,79	44.079	0,25	686.288	2,15	30.651	0,26
<i>Forestry</i>	1.817	0,00	-	-	2.807	0,01	-	-
<i>Fishing</i>	10.064	0,03	4.527	0,03	9.717	0,03	7.490	0,06
Manufacturing	7.017.345	18,78	8.464.341	48,45	6.001.460	18,79	5.942.927	49,23
<i>Mining</i>	137.665	0,37	125.108	0,72	92.322	0,29	86.915	0,72
<i>Production</i>	6.820.122	18,25	7.727.276	44,24	5.848.346	18,31	5.175.926	42,88
<i>Electric, gas and water</i>	59.558	0,16	611.957	3,4	60.792	0,19	680.086	5,63
Construction	1.320.772	3,53	215.719	1,23	1.274.501	3,99	158.718	1,32
Services	12.013.350	32,16	7.178.980	41,1	12.112.598	37,93	4.763.990	39,47
<i>Wholesale and retail trade</i>	6.984.812	18,69	1.647.928	9,44	6.288.656	19,69	929.340	7,7
<i>Hotel, food and beverage services</i>	413.983	1,11	1.174.452	6,72	348.260	1,09	920.453	7,63
<i>Transportation and telecommunication</i>	1.852.235	4,96	685.281	3,92	1.334.864	4,18	737.703	6,11
<i>Financial institutions</i>	403.188	1,08	600.989	3,44	1.776.151	5,56	698.219	5,79
<i>Real estate and renting services</i>	1.779.623	4,76	2.677.631	15,33	1.859.528	5,82	1.230.487	10,2
<i>Self-employment services</i>	279.123	0,75	-	-	200.614	0,63	-	-
<i>Education services</i>	85.505	0,23	39.856	0,23	95.348	0,30	34.260	0,28
<i>Health and social services</i>	214.881	0,58	352.843	2,02	209.177	0,66	213.528	1,77
Other ⁽¹⁾	16.334.158	43,71	1.560.854	8,94	11.846.421	37,1	1.165.696	9,66
Total	37.366.977	100	17.468.500	100	31.933.792	100	12.069.472	100

(1) Accruals are included in other line.

*(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**

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

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

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

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

a) Information related to market risk:

	Amount
(I) Capital requirement to be employed for general market risk - Standard method	151.333
(II) Capital requirement to be employed for specific risk - Standard method	2.687
(III) Capital requirement to be employed for currency risk - Standard method	24.092
(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	1.234
(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)	179.346
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	2.241.825

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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 6.211.069 for the current period.

V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK

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

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

Announced current foreign exchange buying rates of the Parent Bank as at 30 September 2011 and the previous five working days in full TRY are as follows:

	23.09.2011	26.09.2011	27.09.2011	28.09.2011	29.09.2011	30.09.2011
USD	1,8100000	1,8350000	1,8200000	1,8200000	1,8200000	1,8250000
CHF	1,9978000	2,0262000	2,0294000	2,0244000	2,0314000	2,0138000
GBP	2,7904000	2,8437000	2,8488000	2,8435000	2,8520000	2,8401000
JPY	0,0236943	0,0239697	0,0237071	0,0237691	0,0236485	0,0237058
EURO	2,4461000	2,4692000	2,4777000	2,4757000	2,4799000	2,4533000

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 30 September 2011 are as follows:

	Monthly average
USD	1,7778571
CHF	2,0280333
GBP	2,7987571
JPY	0,0231180
EURO	2,4414095

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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	2.413.698	38.663	85	10.596	2.463.042
Banks and financial institutions	1.454.038	120.766	3.129	81.164	1.659.097
Financial assets at fair value through profit and loss ⁽³⁾	14.867	83.177	2	411	98.457
Money market placements	-	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	734.844	857.384	-	1.103	1.593.331
Loans ⁽²⁾	7.448.617	9.970.829	-	107.999	17.527.445
Subsidiaries, associates and entities under common control	134.628	-	-	-	134.628
Held-to-maturity investments	963.823	1.013.928	-	33.557	2.011.308
Derivative financial assets held for risk management	-	-	-	-	-
Tangible assets	-	-	-	22.450	22.450
Intangible assets	-	-	-	-	-
Other assets ⁽³⁾	453.799	428.005	-	10.086	891.890
Total assets	13.618.314	12.512.752	3.216	267.366	26.401.648
Liabilities					
Bank deposits	1.827.272	621.563	1.449	16.357	2.466.641
Foreign currency deposits	10.165.141	6.431.242	15.199	2.350.188	18.961.770
Money market balances	140.544	763.344	-	-	903.888
Funds provided from other financial institutions	4.041.921	2.199.584	-	3.339	6.244.844
Marketable securities issued	-	-	-	-	-
Sundry creditors	2.763	16.065	7	158	18.993
Derivative financial assets held for risk management	-	-	-	-	-
Other liabilities ⁽³⁾	70.835	470.752	2.873	9.858	554.318
Total liabilities	16.248.476	10.502.550	19.528	2.379.900	29.150.454
Net balance sheet position	(2.630.162)	2.010.202	(16.312)	(2.112.534)	(2.748.806)
Net off-balance sheet position	2.414.159	(2.197.396)	13.394	2.186.848	2.417.005
Financial derivative assets ⁽⁴⁾	2.755.947	925.499	46.996	2.411.228	6.139.670
Financial derivative liabilities ⁽⁴⁾	341.788	3.122.895	33.602	224.380	3.722.665
Non-cash loans ⁽¹⁾	2.558.778	5.262.891	48.308	114.020	7.983.997
Prior period					
Total assets	8.535.408	9.908.242	3.914	111.911	18.559.475
Total liabilities	9.571.395	9.370.070	2.588	588.135	19.532.188
Net balance sheet position	(1.035.987)	538.172	1.326	(476.224)	(972.713)
Net off-balance sheet position	924.144	(623.219)	-	485.200	786.125
Financial derivative assets	987.958	702.391	-	561.481	2.251.830
Financial derivative liabilities	63.814	1.325.610	-	76.281	1.465.705
Non-cash loans ⁽¹⁾	1.973.961	3.899.018	29.407	76.153	5.978.539

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

(2) Includes TRY 58.945 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 31.595), foreign currency intangible assets (TRY 16.654), prepaid expenses (TRY 69) in assets; and derivative financial instruments foreign currency expense accruals (TRY 15.118), shareholders' equity negative (TRY 327.171) and foreign currency minority shares (TRY 1.981) in liabilities are not taken into consideration in the currency risk measurement. Halk Banka AD, Skopje's nonperforming loans with no specific provision amounting to (TRY 3.442) is presented in other assets.

(4) Financial derivative assets include credit default swaps amounting TRY 273.750, forward precious metal purchase transactions amounting to TRY 2.334.626 and futures precious metal purchase transactions amounting TRY 145.035. Financial derivative liabilities include forward precious metal sale transactions amounting to TRY 2.646.951 and futures precious metal sale transactions amounting to 152.602.

(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 NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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

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.

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	26.216	-	-	-	-	8.488.884	8.515.100
Banks and financial institutions	1.546.009	-	17.763	-	-	136.561	1.700.333
Financial assets at fair value through profit and loss	42.841	9.176	41.019	81.203	4.110	221	178.570
Money market placements	167.489	-	-	-	-	-	167.489
Financial assets available-for-sale	676.553	835.385	1.972.730	4.326.802	1.631.677	15.604	9.458.751
Loans	20.940.350	4.539.141	15.793.058	10.893.689	1.830.563	838.676	54.835.477
Held-to-maturity investments	4.448.308	1.044.676	3.541.684	2.698.223	1.335.519	-	13.068.410
Other assets ⁽¹⁾⁽²⁾	269.842	36.059	147.546	420.856	22.054	3.004.802	3.901.159
Total assets	28.117.608	6.464.437	21.513.800	18.420.773	4.823.923	12.484.748	91.825.289
Liabilities							
Bank deposits	2.561.289	15.660	37.861	128.888	-	1.690.945	4.434.643
Other deposits	34.181.517	10.737.805	3.024.377	89.438	93	9.701.418	57.734.648
Money market balances	8.030.946	462.630	545.213	-	-	-	9.038.789
Sundry creditors	20.294	-	-	-	-	996.934	1.017.228
Marketable securities issued	-	-	471.225	-	-	-	471.225
Funds provided from other financial institutions ⁽⁴⁾	609.166	753.842	4.979.428	189.376	132.485	1.077	6.665.374
Other liabilities ⁽³⁾	1.567.774	-	-	-	-	10.895.608	12.463.382
Total liabilities	46.970.986	11.969.937	9.058.104	407.702	132.578	23.285.982	91.825.289
Balance sheet long position	-	-	12.455.696	18.013.071	4.691.345	-	35.160.112
Balance sheet short position	(18.853.378)	(5.505.500)	-	-	-	(10.801.234)	(35.160.112)
Off-balance sheet long position	10.336	347.117	170	-	-	-	357.623
Off-balance sheet short position	(10.336)	(498)	(139.140)	(59.100)	-	-	(209.074)
Total position	(18.853.378)	(5.158.881)	12.316.726	17.953.971	4.691.345	(10.801.234)	148.549

(1) TRY 194.242 of deferred tax assets is disclosed under the non interest bearing column in other assets.

(2) TRY 265.395 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 NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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	-	-	-	-	-	4.649.565	4.649.565
Banks and financial institutions	913.003	42	-	-	-	99.623	1.012.668
Financial assets at fair value through profit and loss	894	28.064	27.007	25.512	8.510	-	89.987
Money market placements	216.125	-	-	-	-	-	216.125
Financial assets available-for-sale	1.287.224	972.680	793.408	3.315.379	1.112.664	13.635	7.494.990
Loans	14.931.731	6.601.889	9.898.339	10.147.610	1.664.774	758.921	44.003.264
Held-to-maturity investments	3.262.196	3.824.793	1.568.526	2.912.404	1.181.921	-	12.749.840
Other assets ⁽¹⁾⁽²⁾	36.375	-	-	-	-	2.774.065	2.810.440
Total assets	20.647.548	11.427.468	12.287.280	16.400.905	3.967.869	8.295.809	73.026.879
Liabilities							
Bank deposits	1.974.261	52.911	21.077	-	-	1.175.579	3.223.828
Other deposits	31.121.718	10.331.467	2.373.468	2.469	-	7.501.465	51.330.587
Money market balances	2.556.367	337.188	387.268	-	-	-	3.280.823
Sundry creditors	15.029	-	-	-	-	760.202	775.231
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions ⁽⁴⁾	1.072.743	1.830.161	711.700	93.338	115.650	2.495	3.826.087
Other liabilities ⁽³⁾	1.162.042	76.225	85.326	-	-	9.266.730	10.590.323
Total liabilities	37.902.160	12.627.952	3.578.839	95.807	115.650	18.706.471	73.026.879
Balance sheet long position	-	-	8.708.441	16.305.098	3.852.219	-	28.865.758
Balance sheet short position	(17.254.612)	(1.200.484)	-	-	-	(10.410.662)	(28.865.758)
Off-balance sheet long position	70.776	230.923	-	-	-	-	301.699
Off-balance sheet short position	(35.363)	(37.586)	-	(198.070)	-	-	(271.019)
Total position	(17.219.199)	(1.007.147)	8.708.441	16.107.028	3.852.219	(10.410.662)	30.680

(1) TRY 222.820 of deferred tax assets is disclosed under the non-interest bearing column in other assets.

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

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

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

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011

(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 ⁽⁵⁾	0,1 – 0,50	-	-	5,00
Due from other banks and financial institutions ⁽¹⁾	0,81	0,36	-	6,80
Financial assets at fair value through profit and loss	-	4,46	-	8,19
Money market placements	-	-	-	-
Available-for-sale financial assets	4,90	4,97	-	7,15
Loans ⁽²⁾	4,32	3,54	-	11,99
Held-to-maturity investments	6,38	7,02	-	8,15
Receivables from financial leasing	7,24	6,96	-	14,74
Liabilities				
Bank deposits	1,34	0,86	-	7,12
Other deposits	2,70	3,21	-	8,88
Money market borrowings	2,08	1,58	-	5,75
Sundry creditors ⁽³⁾	-	-	-	4,50
Marketable securities issued	-	-	-	8,77
Funds provided from other financial institutions ⁽⁴⁾	2,27	1,45	-	6,90
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,50	-	-	5,00
Due from other banks and financial institutions ⁽¹⁾	0,52	1,18	-	7,19
Financial assets at fair value through profit and loss	-	3,93	-	11,30
Money market placements	-	-	-	13,05
Available-for-sale financial assets	5,00	4,64	-	10,03
Loans ⁽²⁾	3,61	3,03	3,50	11,69
Held-to-maturity investments	6,33	6,85	-	13,62
Receivables from financial lease	-	-	-	-
Liabilities				
Bank deposits	0,28	0,85	-	7,02
Other deposits	2,07	2,52	-	8,29
Money market borrowings	-	1,73	-	6,76
Sundry creditors	-	-	-	4,50
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions ⁽⁴⁾	1,68	1,18	-	6,77

- (1) Interest rates are calculated using weighted average method for money placement amounts as of balance sheet date.
- (2) Interest rates are calculated using weighted average method for loans given as of balance sheet date. Calculated rates may vary from the Parent Bank's announced interest rates.
- (3) 75% of the declared maximum deposit interest rate with a maturity of nine months as of 30 September 2011.
- (4) Customer based calculated stock interest rates are applied to TRY and FC deposits as of 30 September 2011.
- (5) Required reserve ratio on Central Bank of TRNC and Central Bank of Macedonia.

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

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 NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011

(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	524.805	3.475.182	3.660.419	771.820	82.290	584	-	8.515.100
Banks and financial institutions	136.561	1.546.009	-	17.763	-	-	-	1.700.333
Financial assets at fair value through profit and loss	7.822	35.228	8.659	36.748	79.094	11.019	-	178.570
Money market placements	-	167.489	-	-	-	-	-	167.489
Financial assets available-for-sale	-	81.728	50.948	692.662	5.465.679	3.152.130	15.604	9.458.751
Loans	272.131	3.569.425	4.362.478	18.852.103	24.152.701	3.626.639	-	54.835.477
Held-to-maturity investments	-	190.597	80.957	1.053.179	9.721.104	2.022.573	-	13.068.410
Other assets ⁽²⁾	565.908	97.762	50.986	210.899	555.601	58.186	2.361.817	3.901.159
Total assets	1.507.227	9.163.420	8.214.447	21.635.174	40.056.469	8.871.131	2.377.421	91.825.289
Liabilities								
Bank deposits	1.690.945	2.561.292	31.167	22.351	128.888	-	-	4.434.643
Other deposits	9.701.418	34.174.075	10.729.880	2.947.818	179.067	2.390	-	57.734.648
Funds provided from other financial institutions ⁽⁴⁾	807	159.325	331.447	3.087.282	1.343.272	1.743.241	-	6.665.374
Money market balances	-	8.030.946	376.354	631.489	-	-	-	9.038.789
Marketable securities issued	-	-	-	471.225	-	-	-	471.225
Sundry creditors	973.055	23.349	456	12.586	2.909	-	4.873	1.017.228
Other liabilities ⁽¹⁾	2.224.293	478.164	87.153	820.781	235.791	188.770	8.428.430	12.463.382
Total liabilities	14.590.518	45.427.151	11.556.457	7.993.532	1.889.927	1.934.401	8.433.303	91.825.289
Liquidity gap	(13.083.291)	(36.263.731)	(3.342.010)	13.641.642	38.166.542	6.936.730	(6.055.882)	-
Previous period								
Total assets	2.147.289	9.940.355	5.843.965	13.716.454	32.293.192	6.711.709	2.373.915	73.026.879
Total liabilities	11.535.150	35.894.310	11.055.729	4.342.346	1.064.092	1.538.743	7.596.509	73.026.879
Liquidity gap	(9.387.861)	(25.953.955)	(5.211.764)	9.374.108	31.229.100	5.172.966	(5.222.594)	-

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

(2) TRY 265.395 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.

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.

**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE
(continued)**

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

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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)**

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 30 September 2011 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Intagrated	Treasury / Investment ⁽¹⁾	Other	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES							
Interest income	656.164	531.689	5.389.799	4.200.295	30.659	(5.663.748)	5.144.858
Interest on loans	351.462	411.967	2.750.134	215.029	5.095	-	3.733.687
Interest income on marketable securities	-	-	-	1.369.722	9.723	-	1.379.445
Interest received from banks	-	-	-	7.674	489	-	8.163
Other interest income ⁽²⁾	304.702	119.722	2.639.665	2.607.870	15.352	(5.663.748)	23.563
Interest expense	493.561	370.916	3.913.090	3.614.462	8.569	(5.663.748)	2.736.850
Interest on deposits	216.747	81.942	1.835.274	122.864	1.583	-	2.258.410
Interest on borrowings	1.971	8.714	4.009	75.096	6.986	-	96.776
Interest on money market borrowings	-	-	-	348.813	-	-	348.813
Interest on bonds issued	-	-	-	6.836	-	-	6.836
Other interest expense ⁽²⁾	274.843	280.260	2.073.807	3.060.853	-	(5.663.748)	26.015
Net interest income	162.603	160.773	1.476.709	585.833	22.090	-	2.408.008
Net fees and commissions income	49.930	68.624	367.776	28.296	(903)	-	513.723
Net trading profit / (loss)	-	-	-	143.781	2.521	-	146.302
Dividend income	-	-	-	5.534	139	-	5.673
Other income	4.331	21.974	264.412	141.774	228.039	-	660.530
Loans and other receivables' impairment loss	1.016	7.155	129.884	203.661	923	-	342.639
Other expenses	10.775	37.690	628.589	597.687	190.441	-	1.465.182
Income before taxes	205.073	206.526	1.350.424	103.870	60.522	-	1.926.415
Income tax provision	-	-	-	(402.972)	(8.735)	-	(411.707)
Net profit for the period	205.073	206.526	1.350.424	(299.102)	51.787	-	1.514.708
SEGMENT ASSETS							
Marketable securities	-	-	-	22.362.625	230.187	-	22.592.812
Derivative financial assets held for trading	-	-	-	112.919	-	-	112.919
Banks and money market receivables	-	-	-	1.785.550	82.272	-	1.867.822
Associates and subsidiaries (net)	-	-	-	158.404	-	-	158.404
Loans	7.014.644	8.504.200	34.015.245	5.353.998	212.785	-	55.100.872
Other assets	295	9.912	691.094	10.318.789	972.370	-	11.992.460
TOTAL ASSETS	7.014.939	8.514.112	34.706.339	40.092.285	1.497.614	-	91.825.289
SEGMENT LIABILITIES							
Deposits	6.497.517	2.362.902	44.395.440	8.690.252	223.180	-	62.169.291
Derivative financial liabilities held for trading	-	-	-	332.942	-	-	332.942
Money market balances	-	-	-	9.038.789	-	-	9.038.789
Borrowing funding loans	33.218	205.327	129.159	5.633.632	664.038	-	6.665.374
Marketable securities issued	-	-	-	471.225	-	-	471.225
Other liabilities	31.562	46.527	2.022.845	1.125.684	49.446	-	3.276.064
Provisions and tax payable	6.200	9.153	79.185	1.237.371	316.656	-	1.648.565
Shareholders' equity	-	-	-	8.189.033	34.006	-	8.223.039
TOTAL LIABILITIES	6.568.497	2.623.909	46.626.629	34.718.928	1.287.326	-	91.825.289
OFF BALANCE SHEET ITEMS							
Guarantees and suretyships	8.752.524	3.858.068	3.969.869	4.192	11.165	-	16.595.818
Commitments	22.490	186.144	5.291.829	5.204.859	8.611	-	10.713.933
Derivative financial instruments	-	-	-	13.217.543	-	-	13.217.543

(1) Amounts arising from transactions of general directorate and balances of Halk Yatırım Menkul Değerler AŞ and Halk Gayrimenkul Yatırım Ortaklığı AŞ are presented under the treasury / investment column. In this context other assets contains net of property, plant and equipment amounting TRY 1.164.478 (net) and deferred tax assets amounting TRY 194.242.

(2) Halk Hayat Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ and Halk Banka AD, Skopje transactions are shown in other column.

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

Current Period	Corporate	Commercial	SME/ Intagrated	Treasury / Investment ⁽¹⁾	Other	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES							
Interest income	539.313	348.027	4.475.748	3.832.416	4.071	(4.486.246)	4.713.329
Interest on loans	295.352	245.662	2.363.249	213.187	-	-	3.117.450
Interest income on marketable securities	-	-	-	1.512.113	2.265	-	1.514.378
Interest received from banks	-	-	-	68.668	719	-	69.387
Other interest income ⁽²⁾	243.961	102.365	2.112.499	2.038.448	1.087	(4.486.246)	12.114
Interest expense	424.789	234.423	3.217.284	2.939.766	26	(4.486.246)	2.330.042
Interest on deposits	196.144	74.422	1.527.328	229.371	-	-	2.027.265
Interest on borrowings	698	4.772	4.492	36.522	-	-	46.484
Interest on money market borrowings	-	-	-	219.882	-	-	219.882
Interest on bonds issued	-	-	-	-	-	-	-
Other interest expense ⁽²⁾	227.947	155.229	1.685.464	2.453.991	26	(4.486.246)	36.411
Net interest income	114.524	113.604	1.258.464	892.650	4.045	-	2.383.287
Net fees and commissions income	30.366	28.282	312.147	11.239	1.320	-	383.354
Net trading profit / (loss)	-	-	-	164.120	(545)	-	163.575
Dividend income	-	-	-	4.330	2.197	-	6.527
Other income	2.003	21.781	198.179	72.328	150.480	-	444.771
Loans and other receivables' impairment loss	2.320	19.949	198.738	106.329	319	-	327.655
Other expenses	10.245	33.672	510.549	521.837	118.961	-	1.195.264
Income before taxes	134.328	110.046	1.059.503	516.501	38.217	-	1.858.595
Income tax provision	-	-	-	(369.560)	(3.947)	-	(373.507)
Net profit for the period	134.328	110.046	1.059.503	146.941	34.270	-	1.485.088
SEGMENT ASSETS							
Marketable securities	-	-	-	20.173.443	127.067	-	20.300.510
Derivative financial assets held for trading	-	-	-	34.307	-	-	34.307
Banks and money market receivables	-	-	-	1.205.519	23.274	-	1.228.793
Associates and subsidiaries (net)	-	-	-	187.922	-	-	187.922
Loans	7.002.121	5.781.770	27.248.538	4.264.058	-	-	44.296.487
Other assets	13.120	76.641	965.886	5.853.095	70.118	-	6.978.860
TOTAL ASSETS	7.015.241	5.858.411	28.214.424	31.718.344	220.459	-	73.026.879
SEGMENT LIABILITIES							
Deposits	7.210.628	2.602.577	38.941.181	5.800.029	-	-	54.554.415
Derivative financial liabilities held for trading	-	-	-	39.151	-	-	39.151
Money market balances	-	-	-	3.280.823	-	-	3.280.823
Borrowing funding loans	7.441	95.736	132.071	3.590.839	-	-	3.826.087
Marketable securities issued	-	-	-	-	-	-	-
Other liabilities	32.227	60.387	1.797.216	690.005	24.837	-	2.604.672
Provisions and tax payable	6.101	9.367	72.105	1.039.948	221.885	-	1.349.406
Shareholders' equity	-	-	-	7.310.290	62.035	-	7.372.325
TOTAL LIABILITIES	7.256.397	2.768.067	40.942.573	21.751.085	308.757	-	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 and balances of Halk Yatırım Menkul Değerler AŞ and Halk Gayrimenkul Yatırım Ortaklığı AŞ are presented under the treasury / investment column. In this context other assets contains net of property, plant and equipment amounting TRY 1.234.437 (net) and deferred tax assets amounting TRY 222.820.

(2) Halk Hayat Emeklilik AŞ and Halk Sigorta AŞ transactions are shown in other column.

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

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

The 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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	412.822	85.660	316.636	62.649
Central Bank of Turkey	5.639.236	2.377.367	2.466.013	1.804.255
Other	-	15	-	12
Total	6.052.058	2.463.042	2.782.649	1.866.916

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	5.634.486	26.025	2.458.657	491.046
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Other ⁽²⁾	4.750	2.351.342	7.356	1.313.209
Total	5.639.236	2.377.367	2.466.013	1.804.255

(1) Reserve deposits are kept as unrestricted amounts by Central Bank of Turkey (CMT).

(2) Reserve deposits are kept as blocked account by Central Bank of Turkey (CMT), Central Bank of Turkish Republic of Northern Cyprus (TRNC) and Central Bank of Macedonia.

The banks operating in Turkey keep reserve deposits for Turkish currency liabilities in TRY specified rates between 5% and 16% according to their maturities (31 December 2010: 6%), foreign currency liabilities in USD or EUR specified rates between 8,5% and 11,5% (31 December 2010: 11%), respectively as per the Communique no.2005/1 “Reserve Deposits” of the Central Bank of Turkey.

With the Board of Minutes No. 571 dated 28 October 2005 of Central Bank of TRNC, required reserve ratio is 10% for Turkish currency liabilities and 11% for foreign currency liabilities.

With the Board of Minutes No. 129 dated 2006 of Central Bank of Macedonia, required reserve ratio is 10% for MKD currency liabilities and 13% for foreign currency liabilities.

Reserve deposits required by the Central Bank of Turkey are not interest bearing except those kept by the Central Banks of TRNC and Macedonia.

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

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

None.

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

None.

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	27.793	-	10.049
Swap transactions	-	83.590	-	23.537
Futures transactions	-	-	-	-
Options	16	1.520	3	718
Other	-	-	-	-
Total	16	112.903	3	34.304

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011

(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 ⁽²⁾	29.427	78.340	82.304	722.132
Foreign banks ⁽¹⁾	11.809	1.580.757	21.028	187.204
Branches and offices abroad	-	-	-	-
Total	41.236	1.659.097	103.332	909.336

(1) OECD countries except EU countries, US and Canada.

(2) A blocked amount of (TRY 94.877) given by Halk Hayat ve Emeklilik AŞ to the Treasury Secretariat of Turkish Republic as guarantee for its technical provisions is included.

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, security and other financial assets	91.465	-	38.313	-
Other	-	-	-	-
Total	91.465	-	38.313	-

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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 securities	1.157.323	96.557	-	-
Treasury bonds	-	-	-	-
Other debt securities	-	-	-	-
Bank bonds and other bank guaranteed bonds	-	-	-	-
Assets backed securities	-	-	-	-
Other	-	-	-	-
Total	1.157.323	96.557	-	-

b) Information on financial assets available for sale portfolio:

	Current period	Prior period
Debt securities	9.494.098	7.484.123
<i>Quoted on a stock exchange</i>	9.491.818	7.484.123
<i>Not quoted</i>	2.280	-
Share certificates	27.954	25.970
<i>Quoted on a stock exchange</i>	-	-
<i>Not quoted</i>	27.954	25.970
Impairment provision(-) ⁽¹⁾	63.301	15.103
Total	9.458.751	7.494.990

⁽¹⁾ The increase in the current period is caused by valuation differences of financial assets whose costs are above their market value.

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	122.476	-	97.620	-
Total	122.476	-	97.620	-

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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	41.963.603	79.149	740.209	22.143
<i>Discount notes</i>	24.054	-	-	-
<i>Export loans</i>	3.098.398	-	1.597	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	734.742	-	-	-
<i>Overseas loans</i>	242.942	-	1.710	22
<i>Consumer loans⁽¹⁾</i>	13.407.695	63	329.413	19.523
<i>Credit cards⁽²⁾</i>	911.168	20	28.810	2.598
<i>Precious metals loans</i>	-	-	-	-
<i>Other</i>	23.544.604	79.066	378.679	-
Specialized lending	11.290.680	36.094	109.181	-
Other receivables	-	-	-	-
Accruals	583.680	1.261	9.235	242
Total	53.837.963	116.504	858.625	22.385

(1) Includes TRY 92.177 of personnel loans.

(2) Includes TRY 30.299 of personnel credit cards.

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

Information on the change in the terms of payment plans of loans and other receivables monitored under standard and under close monitoring groups, in accordance with the communiqué “The change in the regulation of identifying the properties and determining the methods and principles to allocate provisions for loans and other receivables” published on 28 May 2011 No. 27947 Official Gazette:

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Up to 1 year	1 year or longer	Up to 1 year	1 year or longer
The number of loans whose terms of payment has been changed	3.519	1.540	227	474

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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)

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	16.543.026	916	173.193	717
Non-specialized loans	15.696.656	751	166.888	709
Specialized loans	667.650	155	4.442	-
Other receivables	-	-	-	-
Accruals	178.720	10	1.863	8
Medium and long-term loans and other receivables	37.294.937	115.588	685.432	21.668
Non-specialized loans	26.266.947	78.398	573.321	21.434
Specialized loans	10.623.030	35.939	104.739	-
Other receivables	-	-	-	-
Accruals	404.960	1.251	7.372	234
Total	53.837.963	116.504	858.625	22.385

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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	198.647	13.092.984	13.291.631
<i>Real estate loans</i>	2.535	5.246.939	5.249.474
<i>Automobile loans</i>	1.029	49.662	50.691
<i>Consumer loans</i>	195.083	7.796.383	7.991.466
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	301	301
<i>Real estate loans</i>	-	301	301
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	1.179	86.986	88.165
<i>Real estate loans</i>	100	10.526	10.626
<i>Automobile loans</i>	326	3.110	3.436
<i>Consumer loans</i>	721	71.509	72.230
<i>Other</i>	32	1.841	1.873
Individual credit cards-TRY	836.783	2.282	839.065
<i>Installment</i>	191.449	-	191.449
<i>Non-installment</i>	645.334	2.282	647.616
Individual credit cards-FC	-	8.207	8.207
<i>Installment</i>	-	8.207	8.207
<i>Non-installment</i>	-	-	-
Personnel loans-TRY	6.245	83.460	89.705
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	6.245	83.460	89.705
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	35	2.437	2.472
<i>Real estate loans</i>	-	859	859
<i>Automobile loans</i>	3	59	62
<i>Consumer loans</i>	32	1.508	1.540
<i>Other</i>	-	11	11
Personnel credit cards-TRY	30.066	16	30.082
<i>Installment</i>	8.090	-	8.090
<i>Non-installment</i>	21.976	16	21.992
Personnel credit cards-FC	1	216	217
<i>Installment</i>	-	216	216
<i>Non-installment</i>	1	-	1
Overdraft accounts-TRY (Retail customer)	279.295	-	279.295
Overdraft accounts-FC (Retail customer)	5.125	-	5.125
Total	1.357.376	13.276.889	14.634.265

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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	41.286	607.984	649.270
<i>Business residential loans</i>	14.708	379.155	393.863
<i>Automobile loans</i>	26.578	228.829	255.407
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	24.801	80.225	105.026
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	24.801	80.225	105.026
Corporate credit cards-TRY	64.893	-	64.893
<i>Installment</i>	10.093	-	10.093
<i>Non-installment</i>	54.800	-	54.800
Corporate credit cards-FC	-	132	132
<i>Installment</i>	-	132	132
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY (Commercial customer)	248.834	-	248.834
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	379.814	688.341	1.068.155

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

f) Loan according to type of borrowers:

	Current period	Prior period
Public	1.855.259	1.647.341
Private	52.980.218	42.355.923
Total	54.835.477	44.003.264

g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	54.381.194	43.746.012
Foreign loans ⁽¹⁾	454.283	257.252
Total	54.835.477	44.003.264

(1) Consumer loans amounting to TRY 95.762, non-specialized loans amounting to TRY 102.641 and credit cards amounting to TRY 8.556 of Halk Banka AD Skopje are represented in foreign loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011

(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)

h) Loans granted to subsidiaries and associates:

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

i) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectibility	53.641	127.289
Loans and receivables with doubtful collectibility	25.444	75.681
Uncollectible loans and receivables	1.305.499	1.261.560
Total	1.384.584	1.464.530

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period	41.427	10.633	209.276
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	41.427	10.633	209.276
Prior period	44.297	20.564	286.518
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	44.297	20.564	286.518

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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 receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Prior period end balance	195.025	106.512	1.456.216
Additions (+)	154.995	32.735	62.799
Transfers from other categories of loans under follow-up (+)	-	38.529	260.547
Transfers to other categories of loans under follow-up (-)	186.342	112.734	-
Collections (-)	78.640	28.489	251.174
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance⁽¹⁾	85.038	36.553	1.528.388
Specific provision (-) ⁽¹⁾	53.641	25.444	1.305.499
Net balance on balance sheet⁽¹⁾	31.397	11.109	222.889

(1) Included the effect of consolidated affiliates presented in Section Five Note V.j.3.

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period			
Balance at the end of the period	2.106	2.752	8.524
Specific provisions(-)	724	1.588	7.628
Net balance in the balance sheet	1.382	1.164	896
Prior period			
Balance at the end of the period	-	-	-
Specific provisions(-)	-	-	-
Net balance in the balance sheet	-	-	-

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	Loans and	Uncollectible
	receivables	receivables	loans and
	with limited	with	receivables
	collectibility	doubtful	receivables
	collectibility	collectibility	receivables
Current period (Net)	31.397	11.109	222.889
Loans to granted real persons and legal entities (Gross)	84.718	36.529	1.489.992
Specific provisions (-)	53.321	25.420	1.267.103
Loans to granted real persons and legal entities (Net)	31.397	11.109	222.889
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	320	24	38.396
Specific provisions (-)	320	24	38.396
Other loans and receivables (Net)	-	-	-
Prior period (Net)	67.736	30.831	194.656
Loans to granted real persons and legal entities (Gross)	194.110	106.510	1.419.636
Specific provisions (-)	126.374	75.679	1.224.980
Loans to granted real persons and legal entities (Net)	67.736	30.831	194.656
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	915	2	36.580
Specific provisions (-)	915	2	36.580
Other loans and receivables (Net)	-	-	-

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011

(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)**

1) Explanations on write-off policy:

In compliance with the “Procedure for Write Off and Procedures for Overdue Receivables for Legal Follow-Up” of the Parent Bank and Turkish Tax Procedural Code, non performing loans which become unrecoverable as a result of legal follow up can be written off to prevent additional legal expenses.

(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	2.576.722	417.516	2.290.572	86.107
Other	-	-	-	-
Total	2.576.722	417.516	2.290.572	86.107

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Treasury bills, government bonds and similar securities	6.610.342	936.230	2.537.984	722.386
Other	-	-	-	-
Total	6.610.342	936.230	2.537.984	722.386

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

	Current period	Prior period
Government bonds	13.068.410	12.749.840
Treasury bills	-	-
Other public sector debt securities	-	-
Total	13.068.410	12.749.840

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	13.068.410	12.749.840
<i>Quoted on a stock exchange</i>	<i>10.642.389</i>	<i>10.360.874</i>
<i>Not quoted</i>	<i>2.426.021</i>	<i>2.388.966</i>
Impairment provision (-)	-	-
Total	13.068.410	12.749.840

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011

(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)

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

	Current period	Prior period
Beginning balance	12.749.840	16.573.548
Foreign currency differences on monetary assets	325.483	(14.112)
Purchases during the year ⁽¹⁾	955.169	3.127.589
Disposals through sales and redemptions ⁽²⁾	(995.639)	(6.937.185)
Impairment provision (-) / provision reversal (+)	-	-
Effect of the subsidiaries included in the consolidation	33.557	-
Balance at the end of the period	13.068.410	12.749.840

(1) The difference between interest income accruals amounting to TRY 499.605 and TRY 503.032 as of 30 September 2011 and 31 December 2010, respectively has been included in the purchases row.

(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 30 September 2011, the Bank reclassified TRY 734.242 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.

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

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

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of Treasury of Republic of Turkey ⁽²⁾	5.858.044	-	6.147.345	-	5.670.195	-	5.950.720	-
Obtained with the transfer	2.340.938	-	2.392.465	-	2.340.938	-	2.388.965	-
Reclassified from other securities portfolios ⁽¹⁾	2.425.702	1.226.556	2.517.292	1.274.686	2.396.216	1.203.581	2.498.683	1.254.814
Other	-	717.565	-	736.622	-	635.878	-	656.658
Total	10.624.684	1.944.121	11.057.102	2.011.308	10.407.349	1.839.459	10.838.368	1.911.472

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

(2) The Parent Bank has not reclassified any financial assets from other portfolios to held to maturity investment portfolio during the current period. Also the additions for the period are shown under “Obtained from Under Secretariat of Treasury of Republic of Turkey” row.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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):

a) Information on associates:

a.1. Information on associates that are not consolidated

The amount of financial associates that are not consolidated is TRY 8.819.

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Fintek AŞ	Ankara	24,00	29,76
2. Bileşim Alternatif Dağ. Kan. AŞ	Istanbul	24,00	24,00
3. Kredi Kayıt Bürosu AŞ	Istanbul	18,18	18,18
4. Bankalararası Kart Merkezi AŞ	Istanbul	18,95	18,95
5. Kredi Garanti Fonu AŞ	Ankara	1,67	1,67

a.2. Information related to the associates as sorted in (a):

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	11.192	4.691	77	177	77	466	269	-
2.	23.102	12.564	2.661	656	-	2.379	3.397	-
3.	38.784	27.914	2.553	1.933	4	12.265	9.905	-
4.	22.629	19.044	6.401	686	-	3.179	2.525	-
5.	207.899	201.048	2.904	3.979	-	7.672	5.439	-

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

(2) The associates that are presented in (a.1), the financial data of Bankalararası Kart Merkezi AŞ is obtained from 30 September 2011 audited financial statements, and the financial data of remaining associates are obtained from 30 September 2011 unaudited financial statements.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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 on associates consolidated under equity method:

b.1. Information on associates consolidated under equity method

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk
			group share percentage (%)
1. Demirhalkbank NV	Netherland	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	32,26

b.2. Information related to the associates consolidated under equity method as sorted in (b):

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	4.181.655	457.808	34.027	128.614	5.351	545	3.437	-
2.	44.420	44.184	161	1.838	-	2.138	744	-

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

(2) The associates that are presented in (b.1), the financial data is obtained from 30 September 2011 unaudited financial statements.

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	187.922	176.665
Movements during the period	(29.518)	11.257
Purchases	1.000	944
Free shares obtained profit from current year's share ⁽¹⁾	1.238	-
Profit in current year income	834	10.911
Sales	-	-
Transfers ⁽²⁾	(51.490)	-
Revaluation decrease (-) / increase	18.900	(598)
Provision for impairment (-) / reversals (+)	-	-
Balance at the end of the period	158.404	187.922
Capital commitments ⁽³⁾	1.000	2.000
Share percentage at the end of the period (%)	0,00	0,00

(1) Current period additions are the increase of non-paid-up shares of Bankalararası Kart Merkezi AŞ.

(2) Halk Finansal Kiralama AŞ 's 52,24% paid-in-capital with a nominal value of TRY 36.960 within a total paid-in-capital of TRY 70.750, was purchased by the Bank with a payment of TRY 62.663 on 27 May 2011. In the current period, Halk Finansal Kiralama AŞ is classified as a subsidiary of the Bank since the share of the Bank on Halk Finansal Kiralama AŞ has been increased after the purchase transaction. Total transfer amount consists of TRY 49.660 of cost and TRY 1.830 of difference caused by equity method. The Parent Bank increased the capital by TRY 1.000 in Kredi Garanti Fonu AŞ.

(3) The Parent Bank has TRY 1.000 as capital commitment to Kredi Garanti Fonu AŞ.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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)

d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	134.628	115.566
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	51.491
Financing companies	-	-
Other financial investments	22.724	19.813
Toplam	157.352	186.870

e) Associates quoted to a stock exchange:

None.

(8) Information on consolidated subsidiaries (Net):

a) Information on subsidiaries:

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

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

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

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

(2) The values are taken from the financials of the audited financial statements as of 30 September 2011.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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):

c) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period (before elimination)	596.081	81.133
Movements during the period	216.570	514.948
<i>Purchases⁽¹⁾</i>	166.910	476.250
<i>Free shares obtained profit from current year's share</i>	-	38.698
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfers⁽²⁾</i>	49.660	-
<i>Revaluation increase</i>	-	-
<i>Provision for impairment (-)</i>	-	-
Share capital elimination of subsidiaries	(812.651)	(596.081)
Balance at the end of the period	-	-
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(1) In the current period, The Parent Bank has obtained 91,56% shares of Halk Banka AD Skopje with a payment of TRY 42.145. As of 8 August 2011 Halk Banka AD Skopje increased its capital. The Parent Bank has increased its Halk Banka AD, Skopje shares from %91,56 to %98,12 with a payment of TRY 59.302 since the other shareholders of HalkBanka AD, Skopje did not exercised the their stock rights. The Parent Bank has obtained and 52,24% shares of Halk Finansal Kiralama AŞ with a payment of TRY 62.663. In addition Halk Portföy Yönetimi AŞ has been established in the current period. The Parent Bank has obtained 55,99% shares of Halk Portföy Yönetimi AŞ with a payment of TRY 2.800.

(2) In the current period, the cost amount from the subsidiaries related to Halk Finansal Kiralama AŞ is presented.

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

	Current period	Prior period
Banks	101.447	-
Insurance companies	77.460	77.460
Factoring companies	-	-
Leasing companies	112.323	-
Financing companies	45.171	42.371
Other financial subsidiaries	476.250	476.250
Total	812.651	596.081

e) Acquisition of subsidiaries:

Halk Finansal Kiralama AŞ

On 27 May 2011, the Group obtained the control of and started to consolidate Halk Leasing by acquiring 52,24% of the shares and voting interests in the company in cash amounting to TRY 62.663 and thus, the Group's equity interest in Halk Leasing increased to 99,99%.

The Group expects to increase its market share in the financial leasing market.

If the acquisition had occurred on 1 January 2011, management estimates that consolidated profit for the period would have been TRY 1.526.986.

*(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 ASSETS (continued)**

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

e) Acquisition of subsidiaries: (continued)

Identifiable assets acquired and liabilities assumed:

	30 September 2011
Financial lease receivables	659.783
Deferred tax assets	20.358
Cash and cash equivalents	4.698
Tangible assets	4.522
Intangible assets	60
Other assets	36.888
Loans and advances from banks	(597.495)
Other liabilities	(20.962)
Total net identifiable assets	107.852

Pre-acquisition carrying amounts of Halk Leasing were determined based on the applicable IFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values and according to their estimated fair values no goodwill has been recognised as a result of Halk Leasing acquisition. In accordance with IFRS 3 “Business Combinations”, the measurement period shall not exceed one year from the acquisition date and the provisional amounts recognised in the acquisition date should be corrected.

Halk Banka AD, Skopje

On 8 April 2011, the Group obtained the control of Halk Banka AD, Skopje, formerly Export and Credit Bank AD Skopje by acquiring 91,56% of the shares and voting interests in the company in cash amounting to TRY 42.145.

Taking control of Halk Banka AD, Skopje will enable the Group to operate in Republic of Macedonia.

Identifiable assets acquired and liabilities assumed:

	30 September 2011
Loans and advances	191.400
Cash and cash equivalents	60.977
Investment securities	34.445
Property and equipment	21.731
Intangible assets	17.280
Other assets	22.496
Deposits	(236.092)
Loans and advances from banks	(58.430)
Deferred tax liabilities	(1.949)
Other liabilities	(5.828)
Total net identifiable assets	46.030

*(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 ASSETS (continued)**

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

e) Acquisition of subsidiaries: (continued)

Halk Banka AD, Skopje (continued)

Pre-acquisition carrying amounts of Halk Banka AD, Skopje were determined based on the applicable IFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values and according to their estimated fair values no goodwill has been recognised as a result of Halk Banka AD, Skopje acquisition. In accordance with IFRS 3 “Business Combinations”, the measurement period shall not exceed one year from the acquisition date and the provisional amounts recognised in the acquisition date should be corrected.

Net cash outflow

Consideration paid	104.808
Cash associated with purchased assets	(65.675)
Net cash outflow due to acquisition	39.133

f) Subsidiaries quoted in the stock exchange:

None.

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

None.

TÜRKİYE HALK BANKASI AŞ**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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)**

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

a) Maturity structure of investments on financial lease:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1-year	274.018	219.845	-	-
Between 1-4 years	509.060	433.810	-	-
More than 4 years	165.934	155.374	-	-
Total	949.012	809.029	-	-

b) Information on gross investments of financial lease:

	Current period	Prior period
Gross financial lease investment	949.012	-
Unearned revenues from financial lease	(139.983)	-
Total	809.029	-

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

None.

(12) Information on tangible assets:

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

(13) Information on intangible assets:

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

(14) Information on investment property:

None.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011*(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
Retirement pay provision and unused vacation provision	65.058	55.316
Valuation difference on marketable securities	54.885	131.824
Net accrual expense for derivative instruments	44.005	969
Yatırım indirimi	18.193	-
Precautionary provision for loans under close monitoring	4.444	19.291
Provision for lawsuits against the Bank	4.290	4.499
Others	17.686	13.466
Total deferred tax assets	208.561	225.365
Valuation difference on gold	(12.853)	(78)
Valuation difference on marketable securities	(174)	(55)
Amortisation difference on tangible and intangible assets	(169)	(1.747)
Others	(1.123)	(665)
Deferred tax liabilities	(14.319)	(2.545)
Deferred tax assets, net	194.242	222.820
Deferred tax liability accounted in shareholders' equity	12.398	43.546
Available for sale financial assets IRR-fair value difference	12.398	43.546

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

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

(17) Information on other assets:

	Current period	Prior period
Clearing House account	351.424	181.430
Prepaid promotion expenses	193.700	247.098
Guarantees given for derivative financial instruments	163.478	15.875
Receivables from credit card payments	112.191	71.971
Receivables from intermediary operations (Receivables from insurance operations and clients)	77.933	73.653
Other prepaid expenses	49.715	17.089
Receivables from asset sale on credit terms	48.472	40.467
Receivables from SDIF	32.910	32.585
Receivables pending for board of discipline decision	7.972	4.487
Receivables from banking services	2.918	2.872
Receivables from lawsuits	2.434	2.154
Cash guarantees given	1.154	2.148
Advances given	718	556
Other	94.603	62.867
Total	1.139.622	755.252

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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	2.175.235	-	671.499	18.521.168	1.625.976	255.550	726.410	24.059.750
Foreign currency deposits	1.735.439	-	3.590.864	5.940.211	2.494.905	967.181	2.118.214	16.857.813
<i>Residents in Turkey</i>	<i>1.606.019</i>	-	<i>1.711.815</i>	<i>5.465.370</i>	<i>1.042.837</i>	<i>611.104</i>	<i>1.639.401</i>	<i>12.087.541</i>
<i>Residents abroad</i>	<i>129.420</i>	-	<i>1.879.049</i>	<i>474.841</i>	<i>1.452.068</i>	<i>356.077</i>	<i>478.813</i>	<i>4.770.272</i>
Public sector deposits	1.604.647	-	311.922	2.701.948	141.445	28.159	572	4.788.693
Commercial inst. deposits	1.759.529	-	2.244.802	2.929.382	713.399	44.268	45.586	7.736.966
Other inst. deposits	322.611	-	519.259	700.615	507.822	127.487	9.675	2.187.469
Precious metals	2.103.957	-	-	-	-	-	-	2.103.957
Interbank deposits	1.690.945	-	1.082.324	41.798	119.576	1.372.250	127.750	4.434.643
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	<i>7.098</i>	-	<i>592.579</i>	<i>2.158</i>	<i>26.145</i>	<i>1.354.000</i>	-	<i>1.981.980</i>
<i>Foreign banks</i>	<i>1.679.651</i>	-	<i>489.745</i>	<i>39.640</i>	<i>93.431</i>	<i>18.250</i>	<i>127.750</i>	<i>2.448.467</i>
<i>Participation banks</i>	<i>4.196</i>	-	-	-	-	-	-	<i>4.196</i>
Total	11.392.363	-	8.420.670	30.835.122	5.603.123	2.794.895	3.028.207	62.169.291

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	1.789.824	-	4.355.760	15.294.271	413.109	172.023	59.068	22.151.837
Foreign currency deposits	1.733.953	-	3.133.814	5.113.588	985.228	1.447.214	368.150	12.792.231
<i>Residents in Turkey</i>	<i>1.690.798</i>	-	<i>3.028.333</i>	<i>4.876.550</i>	<i>923.253</i>	<i>1.081.347</i>	<i>232.511</i>	<i>11.843.063</i>
<i>Residents abroad</i>	<i>43.155</i>	-	<i>105.481</i>	<i>237.038</i>	<i>61.975</i>	<i>365.867</i>	<i>135.639</i>	<i>949.168</i>
Public sector deposits	1.405.663	-	461.599	1.393.275	21.398	24.280	417	3.306.632
Commercial inst. deposits	1.839.250	-	2.669.879	4.797.000	98.347	66.463	1.865	9.472.804
Other inst. deposits	259.659	-	195.128	1.745.687	913.667	19.542	283	3.133.966
Precious metals	473.117	-	-	-	-	-	-	473.117
Interbank deposits	1.175.580	-	1.879.882	146.366	21.000	1.000	-	3.223.828
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	<i>12.870</i>	-	<i>1.747.843</i>	<i>53.014</i>	<i>20.000</i>	<i>1.000</i>	-	<i>1.834.727</i>
<i>Foreign banks</i>	<i>1.161.415</i>	-	<i>132.039</i>	<i>93.352</i>	<i>1.000</i>	-	-	<i>1.387.806</i>
<i>Participation banks</i>	<i>1.295</i>	-	-	-	-	-	-	<i>1.295</i>
Total	8.677.046	-	12.696.062	28.490.187	2.452.749	1.730.522	429.783	54.554.415

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	12.549.777	11.452.490	11.457.972	10.655.063
Foreign currency saving deposits	3.568.364	2.419.516	5.637.612	4.002.148
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	62.306	53.080	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

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

	Current period	Prior period
Foreign branches' saving deposits and other accounts	161.841	152.388
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	3.187	2.141
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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	-	317.727	-	601
Swap transactions	-	15.118	-	37.673
Future transactions	-	-	-	-
Options	27	70	7	870
Other	-	-	-	-
Total	27	332.915	7	39.144

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	260.069	468.317	128.142	128.796
Foreign banks, institutions and funds	160.461	5.776.527	75.287	3.493.862
Total	420.530	6.244.844	203.429	3.622.658

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	233.602	3.167.034	128.142	1.833.822
Medium and long-term	186.928	3.077.810	75.287	1.788.836
Total	420.530	6.244.844	203.429	3.622.658

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

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

Main liability of the Group is deposit, which is composed of 39% of saving deposits and 27% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Group 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 Group's 56% of banks deposits and 33% of other deposits consist of foreign currency deposits.

(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	7.741.966	-	2.527.844	-
<i>Financial institutions and organizations</i>	7.663.162	-	2.423.650	-
<i>Other institutions and organizations</i>	45.544	-	70.940	-
<i>Real persons</i>	33.260	-	33.254	-
From overseas transactions	101.749	897.155	69	611.411
<i>Financial institutions and organizations</i>	101.256	897.155	-	611.411
<i>Other institutions and organizations</i>	-	-	-	-
<i>Real persons</i>	493	-	69	-
Accruals	6.098	6.733	12.986	2.745
Total	7.849.813	903.888	2.540.899	614.156

- (4) Bonds issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bonds	471.225	-	-	-
Securities	-	-	-	-
Total	471.225	-	-	-

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

- (5) 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
	2.687	1.275.658	75.832	1.219.400

- (6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 980.491 and does not exceed 10% of the balance sheet total (31 December 2010: TRY 533.643).

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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)**

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

b) Explanation on finance lease payables:

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

c) Explanations regarding operational leases:

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

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior Period
General provisions	579.011	390.121
Provisions for first group loans and receivables	515.194	339.845
Provisions for second group loans and receivables	13.622	9.553
Provisions for non cash loans	50.195	40.723

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

None.

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

As of 30 September 2011, the Parent Bank’s specific provisions for unindemnified non-cash loans balance is TRY 42.404 (31 December 2010: TRY 46.665). The Parent Bank provides 50% of provision for these non cash loans. TRY 2.529 (31 December 2010: TRY 2.538) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

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

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

(9) Explanations on provisions: (continued)

d) Information on other provisions:

Total other provision balance amounting to TRY 122.758 (31 December 2010: TRY 191.781) consists of TRY 42.404 (31 December 2010: TRY 46.665) for specific provisions for unindemnified non cash loans, TRY 21.437 (31 December 2010: TRY 22.493) for legal cases filed against the Parent Bank, TRY 9.332 (31 December 2010: TRY 27.064) of provision for close monitoring loans, TRY 12.890 (31 December 2010: TRY 69.390) of provision for restructured from Group I loans and TRY 36.695 (31 December 2010: TRY 26.169) of other provisions.

Provision balance for possible risks:

As of 30 September 2011, 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 2010: TRY 7.600).

e) Liabilities on pension rights

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

None.

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

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

e) Information on insurance technical provisions:

	Current period	Prior period
Life mathematical provision	149.343	99.538
Unearned premiums provision	79.765	63.740
Claims provision	68.399	46.566
Unexpired risk provision	6.731	2.870
Other	2.461	4.036
Total	306.699	216.750

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 30 September 2011, the Parent Bank's corporate tax payable is amounting to TRY 206.899 after setting off TRY 123.781 of prepaid taxes from TRY 330.680 of corporate tax liabilities.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	206.899	188.812
Income on securities tax	50.877	41.751
Property income tax	590	520
Banking and insurance transactions tax (BITT)	24.388	18.526
Foreign exchange transactions tax	3	8
Value added tax payable	8.494	553
Other	12.576	15.248
Total	303.827	265.418

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	98	75
Social insurance premiums-employer	299	193
Bank social aid pension fund premium-employee	3.315	3.235
Bank social aid pension fund premium-employer	4.623	4.507
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	11	5
Unemployment insurance-employer	21	16
Other	716	700
Total	9.083	8.731

c) Explanations regarding deferred tax liability:

As of 30 September 2011, the Group has TRY 1.899 of deferred tax liability.

(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)**

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

None.

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

None.

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

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

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

None.

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

None.

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

None.

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

None.

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

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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)

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

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	-	-	-	-
Valuation difference	242.386	(354.027)	177.841	(64.311)
Exchange rate difference	-	-	-	-
Total	242.386	(354.027)	177.841	(64.311)

(14) Information on minority interest shares:

	Current Period	Prior period
Paid-in capital	5.782	4.390
Marketable Securities Revaluation Fund	22	13
Legal Reserves	258	152
Extraordinary Reserves	1.333	1.333
Accumulated Income/Loss	1.568	-
Other Profit Reserves	(1.232)	-
Export premium	218	-
Net Period Income / Loss	(765)	596
Closing Balance	7.184	6.484

(15) Movement of minority interest shares:

	Current Period
Beginning Balance	6.484
Change in Minority Interest	2.001
Dividend Payment	(536)
Net Period Income / Loss	(765)
Closing Balance	7.184

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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	4.368.048	4.089.791
Commitments for credit cards and banking services promotions	26.174	26.217
Two days forward foreign exchange buy/sell transactions	438.012	631.201
Other irrevocable commitments	1.072.061	892.979
Share capital commitments to associates and subsidiaries ⁽¹⁾	1.000	2.000
Loan granting commitments	837.808	602.623
Tax and fund liabilities from export commitments	11.659	34.849
Payment commitments for cheques	3.959.171	3.604.999
Total	10.713.933	9.884.659

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

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

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

	Current period	Prior period
Bank acceptance loans	453.651	149.594
Letters of credit	4.073.291	3.377.338
Other guarantees	359.280	256.403
Total	4.886.222	3.783.335

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

	Current period	Prior period
Letters of tentative guarantees	1.045.885	490.139
Letters of certain guarantees	5.328.987	4.074.588
Letters of advance guarantees	1.504.901	1.217.092
Letters of guarantee given to customs offices	334.950	270.177
Other letters of guarantee	3.494.873	2.891.021
Total	11.709.596	8.943.017

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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	110.143	145.357
<i>Within one year or less original maturity</i>	101	110
<i>Within more than one year maturity</i>	110.042	145.247
Other non-cash loans	16.485.675	12.580.995
Total	16.595.818	12.726.352

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

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	7.451	0,09	19.979	0,25	11.756	0,17	479	0,01
<i>Farming and raising livestock</i>	7.097	0,09	19.979	0,25	9.579	0,14	458	0,01
<i>Forestry</i>	105	0,00	-	-	169	0,00	21	0,00
<i>Fishing</i>	249	0,00	-	-	2.008	0,03	-	-
Manufacturing	2.970.729	34,5	4.305.746	53,93	3.053.776	45,26	3.365.506	56,29
<i>Mining</i>	34.814	0,40	129.063	1,62	17.643	0,26	123.131	2,06
<i>Production</i>	2.687.291	31,21	3.892.074	48,75	2.730.719	40,47	2.661.617	44,52
<i>Electric, gas and water</i>	248.624	2,89	284.609	3,56	305.414	4,53	580.758	9,71
Construction	2.487.446	28,88	1.777.507	22,26	1.463.898	21,69	1.466.694	24,53
Services	3.114.768	36,17	1.681.332	21,06	2.193.689	32,51	916.912	15,34
<i>Wholesale and retail trade</i>	1.356.724	15,77	802.126	10,05	1.072.765	15,9	563.397	9,43
<i>Hotel, food and beverage services</i>	45.378	0,53	7.223	0,09	42.413	0,63	11.427	0,19
<i>Transportation and telecommunication</i>	96.744	1,12	60.997	0,77	90.501	1,34	40.486	0,68
<i>Financial Institutions</i>	1.394.508	16,19	329.021	4,12	825.382	12,23	193.768	3,24
<i>Real estate and renting services</i>	197.614	2,29	480.542	6,02	143.696	2,13	107.399	1,80
<i>Self-employment services</i>	5.155	0,06	338	0,00	4.308	0,06	282	0,00
<i>Education services</i>	2.952	0,03	726	0,01	3.300	0,05	138	0,00
<i>Health and social services</i>	15.693	0,18	359	0,00	11.324	0,17	15	0,00
Other	31.427	0,36	199.433	2,5	24.694	0,37	228.948	3,83
Total	8.611.821	100	7.983.997	100	6.747.813	100	5.978.539	100

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

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	8.583.720	7.972.205	28.101	11.792
Letters of guarantee	7.184.899	4.486.423	28.101	10.173
Bank acceptances	4.720	448.931	-	-
Letters of credit	1.236.545	2.835.127	-	1.619
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	157.556	201.724	-	-

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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)	7.466.509	3.476.585	-	-
Forward foreign currency buy/sell transactions	843.633	104.596	-	-
Currency buy/sell swap	6.212.188	3.179.800	-	-
Currency futures	-	-	-	-
Currency put/call options	410.688	192.189	-	-
Interest related derivative transactions (II)	-	-	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	-	-	-	-
Interest rate put/call options	-	-	-	-
Interest rate buy/sell futures	-	-	-	-
Other trading derivative transactions (III)	5.751.034	1.384.457	-	-
A. Total trading derivative transactions (I+II+III)	13.217.543	4.861.042	-	-
Types of derivative transactions for risk management				
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B. Total derivative transactions for hedging	-	-	-	-
Total derivative transactions (A+B)	13.217.543	4.861.042	-	-

(1) Other trading derivatives include credit default swap purchases and sale transactions amounting TRY 273.750 and TRY 198.070 respectively, forward precious metal purchase and sale transactions amounting TRY 2.334.626 and TRY 2.646.951 and futures precious metal purchase - sale transactions TRY 145.035 and TRY 152.602 respectively.

d) Information on contingent liabilities and assets:

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

e) Services supplied on behalf of others:

None.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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	1.170.552	137.360	1.120.722	117.516
Medium and long term loans	1.899.369	443.078	1.511.752	272.672
Interest on non-performing loans	83.143	185	94.786	2
Premiums from resource utilization support fund	-	-	-	-
Total	3.153.064	580.623	2.727.260	390.190

(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	-	-	63.123	-
Domestic banks	619	536	2.760	83
Overseas banks	615	6.393	689	2.732
Head office and branches abroad	-	-	-	-
Total	1.234	6.929	66.572	2.815

c) Interest income from marketable securities:

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

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries	1.621	2.304

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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	13.234	76.672	14.808	31.657
<i>Central Bank of Turkey</i>	-	-	-	-
<i>Domestic banks</i>	13.234	2.048	8.186	2.576
<i>Overseas banks</i>	-	74.624	6.622	29.081
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	6.275	595	18	1
Total	19.509	77.267	14.826	31.658

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries	2.043	2.972

c) Information on interest expenses to marketable securities issued:

Interest given to marketable securities issued is TRY 6.836 (31. December 2009: None).

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits						Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
TRY								
Bank deposits	63	78.377	5.922	887	88	-	-	85.337
Saving deposits	5	74.596	1.140.748	54.769	9.847	16.880	4.197	1.301.042
Public deposits	105	14.782	128.921	5.524	1.644	33	-	151.009
Commercial deposits	173	104.420	211.240	21.294	3.383	645	-	341.155
Other deposits	-	11.121	62.604	10.301	7.943	330	-	92.299
7 days call accounts	-	-	-	-	-	-	-	-
Total	346	283.296	1.549.435	92.775	22.905	17.888	4.197	1.970.842
Foreign currency								
Deposits	471	53.011	147.205	33.661	9.673	37.384	-	281.405
Bank deposits	-	399	20	60	5.684	-	-	6.163
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
Total	471	53.410	147.225	33.721	15.357	37.384	-	287.568
Grand total	817	336.706	1.696.660	126.496	38.262	55.272	4.197	2.258.410

(3) Information on dividend income:

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	620	405
Other	5.053	6.122
Total	5.673	6.527

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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	4.897.165	5.808.574
Profit from the capital market operations	103.989	759.327
Profit on derivative financial instruments	1.174.492	718.365
Foreign exchange gains	3.618.684	4.330.882
Loss (-)	4.750.863	5.644.999
Loss from the capital market operations	2.203	569.052
Loss on derivative financial instruments	998.002	918.706
Foreign exchange losses	3.750.658	4.157.241

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	1.174.492	718.365
Effect of the change in foreign exchange on profit	1.131.528	718.365
Effect of the change in interest rate on profit	42.964	-
Loss on derivative financial instruments (-)	998.002	918.706
Effect of the change in foreign exchange on loss	968.254	857.164
Effect of the change in interest rate on loss	29.748	61.542
Profit/loss on derivative financial instruments	176.490	(200.341)

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	324.701	213.138
-Specific provision reversals for Loans under follow up	228.472	177.190
-Other prior period expense reversals income	96.229	35.948
Insurance technical income	225.588	153.422
Receivable from the asset sale on credit terms	82.328	50.352
Provision for communication expenses	5.504	3.171
Cheques	4.096	3.685
Rent income	762	4.651
Other income	17.551	15.684
Total	660.530	444.103

(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	134.922	233.276
<i>Group - III loans and receivables</i>	65.707	103.451
<i>Group - IV loans and receivables</i>	14.211	25.482
<i>Group - V loans and receivables</i>	55.004	104.343
General loan provision expenses	185.859	82.328
Provision expenses for possible losses	-	600
Marketable securities impairment losses	-	-
<i>Financial assets at fair value through profit and loss</i>	-	-
<i>Financial assets available for sale</i>	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Jointly controlled entities (joint ventures)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Other	21.858	11.451
Total	342.639	327.655

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	570.568	509.486
Reserve for employee termination benefits	50.486	24.030
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	59.995	55.533
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortisation expenses of intangible assets	2.098	1.415
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	369	-
Amortization expenses of assets that will be disposed of	2.910	902
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	441.424	338.609
<i>Operational leasing expenses</i>	62.157	41.531
<i>Maintenance expenses</i>	12.587	16.394
<i>Advertisement expenses</i>	39.741	23.843
<i>Other expenses⁽¹⁾</i>	326.939	256.841
Loss on sales of assets	1.785	2.579
Other ⁽²⁾	336.381	262.710
Total	1.466.016	1.195.264

(1) For the nine-month period ended 30 September 2011, this account consists of promotion expenses related to banking activities amounting TRY 143.129 (30 September 2010: TRY 99.201), insurance expenses amounting TRY 16.894 (30 September 2010: TRY 19.124), communication expenses amounting TRY 25.105 (30 September 2010: TRY 23.303) and other expenses amounting TRY 141.811 (30 September 2010: TRY 115.213).

(2) For the nine-month period ended 30 September 2011, this account consists of taxes, duties and charges amounting TRY 51.234 (30 September 2010: TRY 49.491), Saving Deposit Insurance Fund premium expenses amounting TRY 58.794 (30 September 2010: TRY 47.888), Banking Regulation and Supervision Agency establishment share amounting TRY 8.478 (30 September 2010: TRY 13.781), Auditing and Advisory expenses amounting TRY 2.345 (30 September 2010: TRY 6.538) and other expenses amounting TRY 215.530 (30 September 2010: TRY 145.012).

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011

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

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

- (8) Information on profit/loss from continuing and discontinued operations before taxes:
The Group's income before tax is due from continuing activities. TRY 2.408.008 of the income before tax consists of net interest income, TRY 513.723 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is TRY 1.926.415.
- (9) Information on tax provisions for continuing and discontinued operations:
For the nine-month period ended 30 September 2011, the Group's tax provision amounting to TRY 411.707 consists of TRY 330.483 of current tax charge and TRY 81.224 of deferred tax income.
- (10) Information on net operating income/expense from continuing and discontinued operations after tax:
For the nine-month period ended 30 September 2011, the Group's net operating income after tax is TRY 1.514.708.
- (11) Information on net profit/loss from continuing and discontinued operations:
a. Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Group's performance for the period between 1 January 2011 and 30 September 2011.
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 fees and commissions from loans	276.987	227.850
Credit card fees and commissions	101.414	70.221
Other	143.507	100.508
Total	521.908	398.579

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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 nine-month period ended 30 September 2011, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 611.920 increase (30 September 2010: TRY 102.601, 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	4.649.565	3.415.724
<i>Cash in TRY and foreign currency</i>	379.280	256.719
<i>Central Bank, Legal Requirements and others⁽¹⁾</i>	4.270.285	3.159.005
Cash equivalents	1.228.793	1.172.112
<i>Banks - maturity less than 3 months</i>	1.012.668	1.171.909
<i>Money market placements</i>	216.125	203
Total cash and cash equivalents	5.878.358	4.587.836
Reserve deposits	(1.317.067)	(836.066)
Accrual on reserve deposits	(3.498)	(19.351)
Accrual on money market placements	(135)	-
Accrual on banks	(53)	(75)
Cash and Cash Equivalents	4.557.605	3.732.344

(1) Others items include cheques received.

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

	Current period	Prior period
Cash	8.515.100	4.002.128
<i>Cash in TRY and foreign currency</i>	498.482	274.917
<i>Central Bank, Legal Requirements and others⁽¹⁾</i>	8.016.618	3.727.211
Cash equivalents	1.850.059	1.556.307
<i>Banks - maturity less than 3 months</i>	1.682.570	1.555.756
<i>Money market placements</i>	167.489	551
Total cash and cash equivalents	10.365.159	5.558.435
Reserve deposits	(2.355.929)	(1.121.545)
Bank blokage balance	(94.877)	-
Accrual on banks	(163)	(127)
Accrual on reserve deposits	(634)	(2.132)
Cash and cash equivalents	7.913.556	4.434.631

(1) Others items include cheques received.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

(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	75.704	36.366	-	-	-	-
Closing balance	-	3.742	-	-	-	-
Interest and commissions income	1.596	25	-	-	-	-

b) Prior period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	58.611	14.721	-	-	-	-
Closing balance	75.704	36.366	-	-	-	-
Interest and commissions income	2.269	35	-	-	-	-

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

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
	Deposits					
Beginning balance	56.427	45.128	-	-	-	-
Closing Balance	63.811	56.427	-	-	-	-
Interest expense on deposits	2.043	2.972	-	-	-	-

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

None.

*(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
Non-cash loans	3.742	0,02
Deposits	63.811	0,10

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 and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ qualified as investments in associates of the Parent Bank, are accounted for in the accompanying consolidated financial statements by the equity method of accounting.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 7.091 as of 30 September 2011 (30 September 2010: TRY 4.600).

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

II. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

1. Per decree no:660 published on the Official Gazette dated 2 November 2011 and became effective, additional article no:1 of the 2499 numbered Law on establishment of Turkish Accounting Standards Board (“TASB”) has been abrogated and establishment of Public Oversight, Accounting and Auditing Standards Association (“Board”) has been decided by the Council of Ministers. In accordance with this additional temporary article no:1 of decree, current regulations will prevail until related standards and regulations will be issued by the Board become effective. Therefore, as at the balance sheet date, this amendment does not result in any change in Section Three Note 1 “Basis of Presentation” presented above.

2 Changes in required reserves ratio:

Starting from 30.09.2011, reserve deposit ratios are regulated as follows:

a) For the TRY requirements;

- Deposits up to three month (including three month) from 13% to 12,5%,
- Other liabilities (including one year) up to one year from 13% to 11%,
- Other liabilities (including three year) up to three year from 13% to 8%,
- Other liabilities more than three years from 13% to 5%.

b) For the FC deposit;

- Unrestricted, FC deposit call accounts and special current accounts, deposits up to one month, up to three month, up to six month, up to one year FC deposits from 11,5% to 11%,
- Deposits up to one month (including one month) from 9.5% to 9%,
- Other liabilities (including one year) up to one year from 11,5% to 11%,
- Other liabilities (including three year) up to three year from 9.5% to 9%,
- Other liabilities more than three years from 8,5% to 6%,

Starting from 28.10.2011, reserve deposit ratios are regulated as follows:

c) For the TRY requirements;

- Unrestricted, TRY deposit call accounts and special current accounts from 16 % to 11%,
- Deposits up to one month (including one month) from 16% to 11%,
- Deposits up to three month (including three month) from 12.5% to 11%,
- Deposits up to six month (including six month) from 9% to 8%,

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE – MONTH PERIOD ENDED 30 SEPTEMBER 2011**

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

SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE PARENT BANK’S OPERATIONS

None.

SECTION VII: INDEPENDENT AUDITORS' REVIEW REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REVIEW REPORT

The consolidated financial statements as of and for the nine-month period ended 30 September 2011 were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Review Report dated 23 October 2011 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITORS

None.