

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

Türkiye Halk Bankası Anonim Şirketi

Consolidated Financial Statements
As of and For the Year Ended 31 December 2011
*(Convenience Translation of Consolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*
With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi
8 March 2012

*This report contains "Independent Auditors'
Report" comprising 1 page and; "Consolidated
Financial Statements and Related Disclosures
and Footnotes" comprising 105 pages.*

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

**INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED 31 December 2011**

To the Board of Directors of Türkiye Halk Bankası AŞ;

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

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

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

Disclosure for the Responsibility of the Authorized Audit Firm:

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

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

Independent Auditors' Opinion:

In our opinion, except for the effect of the matter described in the fourth paragraph above on the consolidated financial statements, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ and its financial affiliates as of 31 December 2011 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 and Article 38 of (Turkish) Banking Law No 5411 and the other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Agency.

Istanbul
8 March 2012

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Partner

Additional paragraph for convenience translation to English:

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

TÜRKİYE HALK BANKASI AŞ

THE CONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED 31 December 2011

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

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

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

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

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

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

Ankara, 8 March 2012

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

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

Name/Title : Nevin Buhan/Manager
Tel No : 0312 289 30 15 – 0312 289 30 13
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	5
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	5
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	6
IV. Information about the persons and institutions that have qualified shares attributable to the Parent Bank	8
V. Summary on the Parent Bank's Functions and Lines of Activity	8
VI. Explanation About the Companies Within the Scope of Consolidation	9

SECTION TWO

Consolidated Financial Statements

I. Consolidated Balance Sheet (Statement of Financial Position)	12
II. Consolidated Statement of Off-Balance Sheet Items	14
III. Consolidated Statement of Income	15
IV. Consolidated Statement of Income and Expense Items Accounted under Shareholders' Equity	16
V. Consolidated Statement of Changes in Shareholders' Equity	17
VI. Consolidated Statement of Cash Flows	18
VII. Statement of Profit Distribution Table	19

SECTION THREE

Explanations on Accounting Policies

I. Basis of Presentation	20
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	20
III. Information About the Associates and Subsidiaries Subject to Consolidation	21
IV. Explanations on Forward and Option Contracts and Derivative Instruments	23
V. Interest Income and Expenses	23
VI. Fees and Commission Income and Expenses	23
VII. Explanations and Disclosures on Financial Assets	24
VIII. Explanations on Impairment of Financial Assets	26
IX. Offsetting Financial Assets and Liabilities	28
X. Explanations on Sales and Repurchase Agreements (Repos) and Transactions on Securities Loaned	28
XI. Explanations on Assets Held For Sale and Discontinued Operations	29
XII. Explanations on Goodwill and Other Intangible Assets	29
XIII. Explanations on Property, Plant and Equipment	29
XIV. Explanations on Leasing Transactions	30
XV. Explanations on Insurance Technical Income and Expense	30
XVI. Explanations on Insurance Technical Provisions	30
XVII. Explanations on Provisions and Contingent Liabilities	31
XVIII. Explanations on Employee Benefit Liabilities	32
XIX. Explanations on Taxation	33
XX. Additional Explanations on Borrowings	35
XXI. Explanations on Shares and Share Issue	36
XXII. Explanations on Bill Guarantees and Acceptances	36
XXIII. Explanations on Government Incentives	36
XXIV. Explanations on Segment Reporting	36
XXV. Explanations on Other Matters	36

SECTION FOUR

Information on Consolidated Financial Structure

I.	Explanations Related to the Consolidated Capital Adequacy Ratio	37
II.	Explanations Related to the Consolidated Credit Risk	40
III.	Explanations Related to the Consolidated Market Risk	46
IV.	Explanations Related to the Consolidated Operational Risk	47
V.	Explanations Related to the Consolidated Currency Risk	47
VI.	Explanations Related to the Consolidated Interest Rate Risk	50
VII.	Explanations Related to the Consolidated Liquidity Risk	53
VIII.	Explanations Related to Consolidated Business Segmentation	57
IX.	Explanations on Presentation of Consolidated Financial Assets and Liabilities at Fair Value	60
X.	Explanations Related to Transactions Made on Behalf of Others and Transactions Based on Trust	61

SECTION FIVE

Explanations and Notes to the Consolidated Financial Statements

I.	Explanations and Notes Related to the Consolidated Assets	62
II.	Explanations and Notes Related to the Consolidated Liabilities	81
III.	Explanations and Notes Related to the Consolidated Off-Balance Sheet Items	90
IV.	Explanations and Notes Related to the Consolidated Income Statement	93
V.	Explanations and Notes Related to the Consolidated Statement of Changes in Shareholders' Equity	98
VI.	Explanations and Notes Related to the Consolidated Cash Flow Statement	99
VII.	Explanation Related to the Risk Group of the Parent Bank	100
VIII.	Explanation On the Parent Bank's Domestic Branches, Agencies/Branches Abroad and Off-Shore Branches	102
IX.	Explanations Related to the Subsequent Events	103

SECTION SIX

Other Explanations and Notes

I.	Other Explanations on the Parent Bank's Operations	104
----	--	-----

SECTION SEVEN

Independent Auditors' Report

I.	Explanations on the Independent Auditors' Report	105
II.	Explanations and Notes Prepared by the Independent Auditors	105

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2011

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2011

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (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 Sciences – Department of Economics and Finance.	28
Süleyman ASLAN	Member of the Board of Directors, Chief Executive Officer	15.7.2011	METU Faculty of Economic and Administrative Sciences- International Relations Department.	19
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.3.2003	Doctor's Degree: Washington International University- Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU – Faculty of Engineering - Mechanical Engineering.	28
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.4.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree: Marmara Uni. Banking and Insurance Ins. – International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	21
İbrahim Hakkı TUNCAY	Member of the Board of Directors	9.4.2008	METU Business Administration.	31
Dr. Ahmet YARIZ	Member of the Board of Directors	9.4.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department. Bachelor Degree: Istanbul Uni. - Business Administration.	20
Salim ALKAN	Member of the Board of Directors	24.5.2010	Ankara Uni. Faculty of Political Science-Business Administration.	39
Sabahattin BİRDAL	Member of the Board of Directors	27.10.2010	Istanbul Uni. Faculty of Economics Business Administration-Finance	26
Faruk ÖZÇELİK	Member of the Audit Committee	24.5.2010	Master's Degree: Selcuk University Social Sciences Ins. - International Relations. Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.	1
Yusuf DAĞCAN	Member of the Audit Committee	28.3.2003	Eskişehir Economics and Trade Academy- Economy&Finance.	32
Yakup DEMİRCİ	Executive Vice President	11.6.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	22
Mustafa SAVAŞ	Executive Vice President	12.8.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	20
Erol GÖNCÜ	Executive Vice President	09.3.2005 - 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.	21
Mehmet Akif AYDEMİR	Executive Vice President	4.3.2010	Ankara University, Faculty of Political Sciences –Economics.	25
Taner AKSEL	Executive Vice President	26.3.2010	Anadolu University, Faculty of Economic and Administrative Sciences -Economics.	25
Ufuk Hacer DENİZCİ YÜCE	Executive Vice President	12.10.2010	Istanbul Technical University Business Administration Faculty- Business Engineering.	22
Mürsel ERTAŞ	Executive Vice President	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences-Foreign Trade & Exchange.	25
İsmail Hakkı İMAMOĞLU	Executive Vice President	28.3.2011	Ankara Eco. Com. Science (ECS) Academy – Faculty of Management Sciences – Department of Social Politics.	27
Atalay TARDUŞ	Executive Vice President	4.8.2011	METU Faculty of Economic and Administrative Sciences- Department of Economics.	19
Mehmet Hakan ATİLLA	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.	16
Murat UYSAL	Executive Vice President	11.11.2011	Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department Bachelor Degree: Istanbul Uni. - Faculty of Economic and Administrative Sciences- Department of Economics	13

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

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2011

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

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

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

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

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

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

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

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

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE PARENT BANK

Except for the Prime Ministry Privatization Administration, no person or institute has any qualified shares attributable to the Parent Bank.

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

a) General information about the Parent Bank:

Türkiye Halk Bankası Anonim Şirketi was established in Turkey in accordance with the Law No: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

b) Law numbered 4603 regarding the "Law on Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası Anonim Şirketi and Türkiye Emlak Bankası Anonim Şirketi", was prepared within the framework of the macro-economic program for the period 2000-2002. The purpose of the law is to modernize the operations of the banks to arrive at a point where the requirements of the international norms and international competition can both be reached and it also aims to sell the majority of the banks' shares to individuals or legal entities in the private sector. The Parent Bank revised its charter of establishment, elected a new board of directors and increased its nominal capital from TRY 250.000 to TRY 1.250.000 in the extraordinary general assembly held on 14 April 2001. Within the scope of the restructuring process, the Parent Bank received government bonds in settlement of the accumulated specific duty losses and the Parent Bank's whole specific duty loss receivable was thus eliminated as at 30 April 2001. In addition, a significant number of personnel were encouraged to sign new contracts or transferred to other government institutions.

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

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

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

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

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

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

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

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

The Parent Bank’s associates;

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

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

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2011

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

SECTION II: CONSOLIDATED FINANCIAL STATEMENTS

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

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

Additional paragraph for convenience translation to English

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

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

1. The Groups’ 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. The Parent Bank’s subsidiary Halk Sigorta AŞ. is consolidated with the 30 September 2011 financials and the other subsidiaries are consolidated with 31 December 2011 financials

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

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

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

b. Basis of consolidation of associates:

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

1. Basis of consolidation (continued):

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

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

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

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures.

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

Accounting for business combinations

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

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

Acquisitions on or after 1 January 2010

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

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

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

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

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

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

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):

Accounting for business combinations(continued)

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.

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.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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.

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

2.2. Financial assets at fair value through profit and loss

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

3. Investments held to maturity

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

4. Financial assets available for sale

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

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.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

5. Loans and receivables (continued)

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

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

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.

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.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IX. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS**

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

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

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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

XV. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

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

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

XVI. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

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

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

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

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

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

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

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

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 2011 and 31 December 2010, no technical deficit has been reported. Besides, no technical deficit for T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported.

In accordance with the Act No: 5754 “Act about the amendments in Social Security and General Health Insurance Act and Some of Acts and Decrees” published in the Official Gazette dated 8 May 2008 and numbered 26870, bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution within three years beginning from the date of publication without any required further action. Three years transfer period would be extended by two years at most with the decision of Council of Ministers.

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9,8%. Moreover, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

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 April 2010, accrued advance tax as of 31 December 2011 has been paid in February 2011.

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

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

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

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

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

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 2010. Income derived from the operations related with the investment properties is exempt from corporate tax in accordance with the Article 5/1(d) (4) of the Corporate Tax Law No: 5520. This exemption is also used for the accrued advanced tax terms.

Halk Banka AD Skopje

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

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

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

(i) Tax on dividend distribution:

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

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

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

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

(ii) Tax on non deductible items:

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIX. EXPLANATIONS ON TAXATION (continued)

Recognition of tax provisions:

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

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

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

XX. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2011

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XXI. EXPLANATIONS ON SHARES AND SHARE ISSUE

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

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

XXII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XXIII. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of 31 December 2011, Halk Finansal Kiralama A.Ş. (*consolidated entity*) has an amount of TRY 81.810 of investment incentives which could be utilized.

XXIV. EXPLANATIONS ON SEGMENT REPORTING

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

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

XXV. EXPLANATION ON OTHER MATTERS

None.

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO

Risk measurement methods used in the determination of consolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio calculation is performed in accordance with the Communiqué on “Measurement and Assessment of the Capital Adequacy of Banks”, which was published in the Official Gazette numbered 26333 on 1 November 2006. As of 31 December 2011, the Bank’s consolidated capital adequacy ratio calculated based on the essentials of the related communiqué is 13,85 % (31 December 2010: 15,48%).

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

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

1. Information on the consolidated capital adequacy ratio:

	Risk weights														
	Bank Only					Consolidated									
	0%	10%	20%	50%	100%	150%	200%	0%	10%	20%	50%	100%	150%	200%	
Credit risk base amount															
Balance sheet items (Net)	25.681.894	-	2.134.556	19.822.149	31.339.079	518.985	2.139.230	25.832.439	-	2.198.204	20.298.767	31.314.318	532.145	2.139.230	
Cash	481.801	-	15	-	-	-	-	486.600	-	15	-	-	-	-	
Matured marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at the Central Bank of Turkey	2.825.305	-	-	-	-	-	-	2.825.305	-	-	-	-	-	-	
Domestic, foreign banks, head office and overseas branches balances	-	-	1.469.445	-	5.336	-	-	-	-	1.530.285	-	5.393	-	-	
Money market placements	-	-	-	-	-	-	-	32.394	-	-	-	-	-	-	
Receivables from reverse repos transactions	-	-	-	-	-	-	-	863	-	-	-	-	-	-	
Reserve deposits	3.965.249	-	-	-	-	-	-	3.975.813	-	-	-	-	-	-	
Loans	4.218.351	-	490.150	19.592.745	28.273.260	518.985	2.139.230	4.219.271	-	490.150	19.604.058	28.310.538	532.145	2.139.230	
Non-performing loans (Net)	-	-	-	-	266.958	-	-	-	-	-	-	269.771	-	-	
Finance lease receivables	-	-	-	-	-	-	-	-	-	-	461.617	420.852	-	-	
Financial assets available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investments held to maturity	13.272.252	-	-	-	-	-	-	13.337.783	-	-	-	-	-	-	
Receivables from the asset sale on credit terms	-	-	-	-	47.999	-	-	-	-	-	-	47.999	-	-	
Miscellaneous receivables	55.825	-	10.379	-	170.946	-	-	55.825	-	10.379	-	170.946	-	-	
Interest and Income accruals	754.079	-	5.965	229.404	449.884	-	-	755.134	-	8.773	233.092	454.975	-	-	
Subsidiaries, associates and jointly controlled entities (joint ventures) (Net)	-	-	-	-	918.657	-	-	-	-	-	-	1.052	-	-	
Property and equipment	-	-	-	-	994.765	-	-	-	-	-	-	1.299.508	-	-	
Other assets	109.032	-	158.602	-	211.274	-	-	143.451	-	158.602	-	333.284	-	-	
Off-balance sheet items	223.379	-	447.271	892.298	10.066.204	-	-	223.379	-	447.271	892.298	10.083.941	-	-	
Non-cash loans and commitments	223.379	-	357.468	892.298	10.061.768	-	-	223.379	-	357.468	892.298	10.079.505	-	-	
Derivative instruments	-	-	89.803	-	4.436	-	-	-	-	89.803	-	4.436	-	-	
Non-risk weighted accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total risk-weighted assets	25.905.273	-	2.581.827	20.714.447	41.405.283	518.985	2.139.230	26.055.818	-	2.645.475	21.191.065	41.398.259	532.145	2.139.230	

2. Capital adequacy ratio summary:

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Credit risk base amount (CRBA)	57.335.809	39.764.632	57.599.564	39.418.982
Market risk base amount (MRBA)	1.953.163	1.550.350	1.990.125	1.514.638
Operational risk base amount (ORBA)	6.119.332	5.120.983	6.211.069	5.212.748
Shareholders' Equity	9.352.673	7.399.784	9.110.541	7.142.715
Shareholders' Equity / (CRBA+MRBA+ORBA)*100	14,30	15,94	13,85	15,48

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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>	<i>1.250.000</i>	<i>1.250.000</i>	<i>1.250.000</i>	<i>1.250.000</i>
<i>Capital commitments (-)</i>	-	-	-	-
Inflation Adjustment for Paid-in Capital	1.220.451	1.220.451	1.220.451	1.220.451
Share Premium	-	-	-	-
Share Cancellation Profits	-	-	-	-
Legal Reserves	749.652	610.282	765.200	620.349
<i>I. Degree Legal Reserve (Turkish Commercial Code 466/1)</i>	<i>395.998</i>	<i>297.127</i>	<i>401.181</i>	<i>301.942</i>
<i>II. Degree Legal Reserve (Turkish Commercial Code 466/2)</i>	<i>352.151</i>	<i>312.163</i>	<i>362.516</i>	<i>317.415</i>
<i>Reserves per Specific Acts</i>	<i>1.503</i>	<i>992</i>	<i>1.503</i>	<i>992</i>
Statutory Reserves	-	-	-	-
Extraordinary Reserves	3.637.115	2.233.578	3.514.868	2.272.757
<i>Reserves allocated per General Assembly Minute</i>	<i>3.589.934</i>	<i>2.186.397</i>	<i>3.447.828</i>	<i>2.225.576</i>
<i>Retained Earnings⁽¹⁾</i>	<i>47.181</i>	<i>47.181</i>	<i>67.040</i>	<i>47.181</i>
<i>Accumulated Loss</i>	-	-	-	-
<i>Foreign Currency Share Capital Exchange Difference</i>	-	-	-	-
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-	-	-	-
Profit	2.045.134	1.970.569	2.081.483	1.888.693
<i>Net period profit</i>	<i>2.045.134</i>	<i>1.970.569</i>	<i>2.027.379</i>	<i>1.842.695</i>
<i>Retained Earnings</i>	-	-	<i>54.104</i>	<i>45.998</i>
Portion of Provisions Allocated for Potential Risk up to 25% of Core Capital Amount	194.000	7.600	194.000	7.600
Subsidiary and Associate Shares and Gains on Sale of Properties to Be Added to Capital	-	-	-	-
Portion of Primary Tier-II Capital up to 15% of Core Capital	-	-	-	-
Minority Interest	-	-	6.840	6.484
Losses that cannot be covered by reserves (-)	-	-	-	-
<i>Net period loss</i>	-	-	-	-
<i>Accumulated Loss</i>	-	-	-	-
Leasehold Improvements (-)	70.079	66.169	72.626	68.644
Prepaid Expenses (-)	-	262.019	-	264.186
Intangible Assets(-)	27.570	17.665	45.543	18.655
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-	-	-
Excess Amount defined in 3rd Clause, 56th Article of the Banking Act (-)	-	-	-	-
Total Core Capital	8.998.703	6.946.627	8.914.673	6.914.849
SUPPLEMENTARY CAPITAL				
General Loan Provisions	656.783	390.121	659.914	390.121
45% of Movable Assets Revaluation Fund	-	-	-	-
45% of Tangible Assets Revaluation Fund	-	-	-	-
Non-cash Shares of Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	4.422	44.076	231	61
Proportion of Primary Tier -II Capital excluded from the Core Capital Calculation	-	-	-	-
Secondary Tier –II Capital	-	-	-	-
45% of Marketable Securities Revaluation Fund	(266.778)	52.076	(278.203)	51.089
<i>From Subsidiaries and Associates</i>	-	-	-	-
<i>From Financial Assets Available for Sale</i>	<i>(266.778)</i>	<i>52.076</i>	<i>(278.203)</i>	<i>51.089</i>
Inflation adjustments for capital reserves, profit reserves and retained earnings/accumulated losses (Except inflation adjustments for legal reserves, statutory reserves and extraordinary reserves)	-	-	-	-
Minority Interest	-	-	-	-
Total Supplementary Capital	394.427	486.273	381.942	441.271
TIER-III CAPITAL				
CAPITAL	9.393.130	7.432.900	9.296.615	7.356.120
DEDUCTIONS FROM CAPITAL	40.457	33.116	186.074	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	-	-	145.617	180.289
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-	-	-	-
The net book value of properties exceeding 50% of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	28.350	26.535	28.350	26.535
Other	3.288	-	3.288	-
TOTAL EQUITY	9.352.673	7.399.784	9.110.541	7.142.715

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

**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.

As of 31 December 2011, the receivables of the Parent Bank from its top 100 cash loan customers is 20,96% of its total cash loans.

As of 31 December 2011, receivables of the Parent Bank from its top 100 non-cash loan is 57,75% of its total non-cash loans.

As of 31 December 2011, share of cash and non-cash receivables of the Parent Bank from its top 100 customers is 17,24% of its total balance sheet and off-balance sheet assets.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2011

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

As of 31 December 2011, general loan loss provision related to the credit risk incurred by the Bank in accordance with the legislation on “Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” is TRY 659.914 (31 December 2010: TRY 390.121).

Credit risk by types of borrowers and geographical concentrations:

	Loans to real person and legal entities ⁽⁴⁾		Loans to banks and other financial institutions ⁽⁴⁾		Marketable Securities ⁽¹⁾		Other Loans ⁽²⁾	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Loans according to borrowers								
Private Sector	37.965.175	28.466.360	406.269	2.074.764	23.971	14.263	802.601	158.088
Public Sector	1.777.776	1.630.707	-	-	22.566.015	19.395.070	1.169.451	174.796
Banks	-	-	89.299	60.927	52.924	-	1.535.678	1.012.668
Retail	15.060.161	11.326.183	-	-	-	-	-	-
Share Certificates	-	-	-	-	-	-	-	-
Total	54.803.112	41.423.250	495.568	2.135.691	22.642.910	19.409.333	3.507.730	1.345.552
Information according to geographical concentration								
Domestic	54.185.004	41.237.747	495.568	2.095.185	22.566.359	19.398.547	2.468.016	1.021.754
EU countries	218.113	66.885	-	-	8.805	8.636	926.981	272.655
OECD Countries ⁽³⁾	187	-	-	-	-	-	12.058	6.172
Offshore banking regions	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	38.731	13.471
Other Countries	399.808	118.618	-	40.506	67.746	2.150	61.944	31.500
Total	54.803.112	41.423.250	495.568	2.135.691	22.642.910	19.409.333	3.507.730	1.345.552

(1) Includes marketable securities designated at fair value through profit or loss, available for sale and held-to-maturity. Excludes TRY 868.528 of accrual of marketable securities (31 December 2010: TRY 891.177).

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

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

(4) Interest and income accruals for the loans amounting TRY 715.152 are not included in the table above. (31 December 2010: TRY 444.323)

Information according to geographical concentration:

	Assets ⁽²⁾	Liabilities ⁽³⁾	Non-cash Loans	Equity Investments ⁽²⁾	Net Profit/Loss
Current Period					
Domestic	90.345.396	72.662.286	17.714.520	29.691	2.026.697
EU countries	1.036.026	3.006.754	62.284	139.909	(207)
OECD Countries ⁽¹⁾	12.245	253.539	5.021	-	-
Offshore Banking Regions	-	-	-	-	-
USA, Canada	40.803	2.146.696	35.906	-	-
Other Countries	555.128	5.530.512	37.546	1.459	889
Associates, Subsidiaries and Entities under Common control (Joint Ventures)	-	-	-	-	-
Undistributed Assets /Liabilities ⁽⁴⁾	-	-	-	-	-
Total	91.989.598	83.599.787	17.855.277	171.059	2.027.379
Prior Period					
Domestic	72.389.154	58.131.425	12.603.623	77.131	1.840.251
EU countries	223.975	1.717.185	73.790	124.202	2.444
OECD Countries ⁽¹⁾	6.172	17.836	2.219	-	-
Offshore Banking Regions	-	-	-	-	-
USA, Canada	13.471	1.469.957	24.450	-	-
Other Countries	192.550	4.318.151	22.270	224	-
Associates, Subsidiaries and Entities under Common control (Joint Ventures)	-	-	-	-	-
Undistributed Assets /Liabilities ⁽⁴⁾	-	-	-	-	-
Total	72.825.322	65.654.554	12.726.352	201.557	1.842.695

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

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

Sector concentrations for cash loans:

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	663.254	1,73	52.450	0,30	698.812	2,19	38.141	0,31
<i>Farming and raising livestock</i>	652.065	1,70	48.019	0,27	686.288	2,15	30.651	0,25
<i>Forestry</i>	1.937	0,01	-	0,00	2.807	0,01	-	0,00
<i>Fishing</i>	9.252	0,02	4.431	0,03	9.717	0,03	7.490	0,06
Manufacturing	7.272.225	18,97	8.578.416	48,51	6.001.460	18,79	5.942.927	49,23
<i>Mining</i>	135.350	0,35	120.675	0,68	92.322	0,29	86.915	0,72
<i>Production</i>	7.073.992	18,46	7.858.387	44,44	5.848.346	18,31	5.175.926	42,88
<i>Electric, gas and water</i>	62.883	0,16	599.354	3,39	60.792	0,19	680.086	5,63
Construction	1.361.351	3,55	274.174	1,55	1.274.501	3,99	158.718	1,32
Services	12.594.781	32,86	7.101.644	40,16	12.112.598	37,93	4.763.990	39,48
<i>Wholesale and retail trade</i>	7.425.809	19,37	1.724.511	9,76	6.288.656	19,69	929.340	7,70
<i>Hotel, food and beverage services</i>	433.579	1,13	1.097.861	6,21	348.260	1,09	920.453	7,63
<i>Transportation and telecommunication</i>	1.982.637	5,17	663.447	3,75	1.334.864	4,18	737.703	6,11
<i>Financial institutions</i>	286.651	0,75	519.813	2,94	1.776.151	5,56	698.219	5,79
<i>Real estate and renting services</i>	1.867.958	4,87	2.683.364	15,17	1.859.528	5,82	1.230.487	10,20
<i>Self-employment services</i>	289.200	0,75	-	0,00	200.614	0,63	-	0,00
<i>Education services</i>	91.063	0,24	39.657	0,22	95.348	0,30	34.260	0,28
<i>Health and social services</i>	217.884	0,57	372.991	2,11	209.177	0,66	213.528	1,77
Other ⁽¹⁾	16.439.289	42,89	1.676.248	9,48	11.846.421	37,10	1.165.696	9,66
Total	38.330.900	100,00	17.682.932	100,00	31.933.792	100,00	12.069.472	100,00

⁽¹⁾ Accruals are included in other line.

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

Gross Maximum Exposure	Current Period	Prior Period
Due from banks	1.538.705	1.012.668
Money Market Receivables	33.313	216.125
Financial Assets at Fair Value through profit or loss	149.499	89.987
Financial Assets Available for Sale	9.374.849	7.481.355
Held to maturity Investments	14.064.458	12.749.840
Loans	56.283.603	44.296.487
Finance Lease Receivables (Net)	889.533	-
Total	82.333.960	65.846.462
Contingent Liabilities	17.855.277	12.726.352
Commitments	11.264.984	9.884.659
Total	29.120.261	22.611.011
Total Credit Risk Exposure	111.454.221	88.457.473

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

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

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

	Neither past due nor impaired	Past due and individually not impaired ⁽³⁾	Past due and individually impaired ⁽²⁾	Total
Receivables from banks	1.538.705	-	-	1.538.705
Financial assets at fair value through profit or loss	149.499	-	-	149.499
Loans ⁽¹⁾	54.488.375	239.896	269.771	54.998.042
<i>Corporate Lending</i>	21.576.240	3.549	28.207	21.607.996
<i>SME Lending</i>	16.079.234	119.002	195.681	16.393.917
<i>Consumer Lending</i>	14.901.670	117.345	45.145	15.064.160
<i>Other</i>	1.931.231	-	738	1.931.969
Financial assets available for sale	9.374.849	-	-	9.374.849
Investments held to maturity	14.064.458	-	-	14.064.458
Financial Lease Receivables (Net)	852.298	9.794	27.441	889.533

⁽¹⁾ As of 31 December 2011, loans for which the risk does not belong to the Parent Bank amounting TRY 1.285.561 are not included the table above.

⁽²⁾ Specific provision amounting TRY 1.411.113 is made for overdue and impaired assets amounting TRY 1.680.884.

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

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

	Neither past due nor impaired	Past due and individually not impaired ⁽³⁾	Past due and individually impaired ⁽²⁾	Total
Receivables from banks	1.012.668	-	-	1.012.668
Financial assets at fair value through profit or loss	89.987	-	-	89.987
Loans ⁽¹⁾	42.671.630	185.393	293.223	43.150.246
<i>Corporate Lending</i>	16.498.322	1.768	74.520	16.574.610
<i>SME Lending</i>	12.683.185	158.555	188.111	13.029.851
<i>Consumer Lending</i>	11.384.327	25.070	30.592	11.439.989
<i>Other</i>	2.105.796	-	-	2.105.796
Financial assets available for sale	7.494.990	-	-	7.494.990
Investments held to maturity	12.749.840	-	-	12.749.840
Finance Lease Receivables (Net)	-	-	-	-

⁽¹⁾ As of 31 December 2010, loans for which the risk does not belong to the Bank amounting TRY 1.146.241 are not included the table above.

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

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

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

⁽¹⁾ As of 31 December 2011, Loans for which the risk does not belong to the Parent Bank amounting TRY 1.285.561 are not included the table above.

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

- ⁽³⁾ Only graded firms are included.
⁽⁴⁾ Includes the total of cash and non cash loans.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE
(continued)****II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)**

The net value and type of collaterals of the loans amounting TRY 660.783 followed under loans and other receivables under close monitoring section is below: (31 December 2010 : TRY 906.886).

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Real estate mortgage	428.717	640.047
Salary pledge, vehicle pledge and pledge of commercial undertaking	53.484	51.711
Financial collaterals (cash, securities pledge, etc.)	33	283
Cheque /bills	5.090	12.447
Suretyship	92.888	145.568
Other	80.571	56.830
Total	660.783	906.886

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

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

The net value and type of collaterals belong to loans amounted TRY 1.680.884 followed under non performing loans section is below: (31 December 2011: TRY 1.757.753)

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Cash	2.045	12.877
Mortgage	499.189	578.297
Pledge	28.854	51.662
Cheque, bills	8.723	4.411
Suretyship	786.225	715.001
Bond	3	7
Other ⁽²⁾	355.845	395.498
Total	1.680.884	1.757.753

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

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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 (summarized below) is considered. Beside the standard method, VAR is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by three different methods which are historic simulation, Monte Carlo simulation and parametric method, and these results are also reported daily to the management.

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

a) Information related to market risk:

	Amount
(I) Capital requirement to be employed for general market risk - Standard method	141.425
(II) Capital requirement to be employed for specific risk - Standard method	2.019
(III) Capital requirement to be employed for currency risk - Standard method	15.537
(IV) Capital requirement to be employed for commodity risk - standard method	-
(V) Capital requirement to be employed for settlement risk - Standard method	-
(VI) Total capital requirement to be employed for market risk resulting from options–Standard method	229
(VII) Total capital requirement to be employed for market risk in banks using risk measurement model	-
(VIII) Total capital requirement to be employed for market risk (I+II+III+IV+V+VI)	159.210
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	1.990.125

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

	Current Period			Average	Prior Period	
	Average	Maximum	Minimum		Maximum	Minimum
Interest Rate Risk	131.149	150.944	114.310	83.282	103.111	66.527
Common stock risk	2.555	3.076	2.192	1.971	2.362	1.750
Currency Risk	16.237	38.424	8.936	15.381	29.016	8.410
Commodity Risk	-	-	-	-	-	-
Clearance Risk	-	-	-	-	-	-
Option Risk	395	1.234	32	486	1.429	58
Total Value Subject to Risk	150.336	193.678	125.470	101.120	135.918	76.745

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2011

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

SECTION 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 31 December 2011 and the previous five working days in full TRY are as follows:

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

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

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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	3.971.057	46.540	81	758.858	4.776.536
Banks and financial institutions	1.330.188	111.886	6.129	51.934	1.500.137
Financial assets at fair value through profit and loss ⁽³⁾	8.707	69.328	-	65	78.100
Money market placements	-	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	729.509	880.494	-	1.067	1.611.070
Loans ⁽²⁾	7.293.948	10.324.264	-	120.235	17.738.447
Subsidiaries, associates and entities under common control	131.273	-	-	-	131.273
Held-to-maturity investments	963.095	1.038.428	-	43.702	2.045.225
Derivative financial assets held for risk management	-	-	-	-	-
Tangible assets	-	-	-	22.334	22.334
Intangible assets	-	-	-	-	-
Other assets ⁽³⁾	425.850	402.778	-	9.375	838.003
Total assets	14.853.627	12.873.718	6.210	1.007.570	28.741.125
Liabilities					
Bank deposits	2.770.009	638.625	-	178.549	3.587.183
Foreign currency deposits	9.130.473	7.160.229	8.675	2.312.314	18.611.691
Money market balances	139.070	708.860	-	-	847.930
Funds provided from other financial institutions	4.244.383	2.329.052	-	1.600	6.575.035
Marketable securities issued	-	-	-	-	-
Sundry creditors	29.627	57.291	7	21	86.946
Derivative financial assets held for risk management	-	-	-	-	-
Other liabilities ⁽³⁾	60.631	181.736	47	9.449	251.863
Total liabilities	16.374.193	11.075.793	8.729	2.501.933	29.960.648
Net balance sheet position	(1.520.566)	1.797.925	(2.519)	(1.494.363)	(1.219.523)
Net off-balance sheet position					
Financial derivative assets⁽⁴⁾	1.452.427	744.174	82.278	1.634.596	3.913.475
Financial derivative liabilities⁽⁴⁾	132.037	2.505.762	80.493	72.598	2.790.890
Non-cash loans⁽¹⁾	2.806.749	6.050.271	45.396	127.754	9.030.170
Prior period					
Total assets	8.535.408	9.908.242	3.914	111.911	18.559.475
Total liabilities	9.571.395	9.370.070	2.588	588.135	19.532.188
Net balance sheet position	(1.035.987)	538.172	1.326	(476.224)	(972.713)
Net off-balance sheet position					
Financial derivative assets	987.958	702.391	-	561.481	2.251.830
Financial derivative liabilities	63.814	1.325.610	-	76.281	1.465.705
Non-cash loans⁽¹⁾	1.973.961	3.899.018	29.407	76.153	5.978.539

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

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

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 31.800), foreign currency intangible assets (TRY 16.035), prepaid expenses (TRY 35) in assets; and derivative financial instruments foreign currency expense accruals (TRY 19.443), shareholders' equity negative (TRY 287.466) and foreign currency minority shares (TRY 1.586) in liabilities are not taken into consideration in the currency risk measurement. Halk Banka AD, Skopje's nonperforming loans with no specific provision amounting to (TRY 2.813) is presented in other assets.

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

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

TÜRKİYE HALK BANKASI AŞ**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE
(continued)****V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK
(continued)**

Foreign currency sensitivity:

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

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

	Change in currency rate in %	Effect on profit /loss before taxation	
		Current period	Prior period
USD	10% increase	3.634	(8.505)
EURO	10% increase	(20.018)	(11.184)
Other	10% increase	6.690	1.030

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

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2011

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

SECTION 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.

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	19.916	-	-	-	-	7.267.817	7.287.733
Banks and financial institutions	1.319.319	74.056	-	-	-	145.330	1.538.705
Financial assets at fair value through profit and loss	16.176	43.575	6.037	78.004	5.586	121	149.499
Money market placements	33.313	-	-	-	-	-	33.313
Financial assets available-for-sale	1.413.567	1.139.245	1.185.680	3.978.649	1.657.708	15.571	9.390.420
Loans	24.692.744	6.738.282	10.795.891	11.004.591	1.822.924	959.400	56.013.832
Held-to-maturity investments	3.466.143	3.669.329	2.602.180	2.990.431	1.336.375	-	14.064.458
Other assets ^{(1), (2)}	111.872	51.486	168.936	566.486	106.328	2.677.589	3.682.697
Total assets	31.073.050	11.715.973	14.758.724	18.618.161	4.928.921	11.065.828	92.160.657
Liabilities							
Bank deposits	3.707.469	64.100	37.665	130.671	-	3.040.932	6.980.837
Other deposits	31.983.368	13.175.156	3.841.321	49.707	90	10.198.031	59.247.673
Money market balances	4.271.473	332.118	338.118	-	-	-	4.941.709
Sundry creditors	21.112	-	-	-	-	1.150.275	1.171.387
Marketable securities issued	495.611	-	-	-	-	-	495.611
Funds provided from other financial institutions ⁽⁴⁾	2.009.608	2.443.210	1.737.918	688.020	130.578	1.011	7.010.345
Other liabilities ⁽³⁾	1.461.551	348.600	40.745	-	-	10.462.199	12.313.095
Total liabilities	43.950.192	16.363.184	5.995.767	868.398	130.668	24.852.448	92.160.657
Balance sheet long position	-	-	8.762.957	17.749.763	4.798.253	-	31.310.973
Balance sheet short position	(12.877.142)	(4.647.211)	-	-	-	(13.786.620)	(31.310.973)
Off-balance sheet long position	-	7.951	281.562	815	-	-	290.328
Off-balance sheet short position	-	(7.951)	(141.532)	(815)	(59.100)	-	(209.398)
Total position	(12.877.142)	(4.647.211)	8.902.987	17.749.763	4.739.153	(13.786.620)	80.930

⁽¹⁾ TRY 93.671 of deferred tax assets is disclosed under the non interest bearing column in other assets.

⁽²⁾ TRY 269.771 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

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

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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 in other liabilities line.

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 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	0,1 – 0,50	-	-	5,00
Due from other banks and financial institutions ⁽¹⁾	0,82	0,25	-	1,45
Financial assets at fair value through profit and loss	-	4,60	-	9,83
Money market placements	-	-	-	-
Available-for-sale financial assets	4,90	4,97	-	8,72
Loans ⁽²⁾	4,55	3,82	-	12,46
Held-to-maturity investments	6,38	7,02	-	11,09
Liabilities				
Bank deposits	1,29	0,99	-	10,84
Other deposits ⁽⁴⁾	3,75	3,77	-	9,44
Money market borrowings	2,11	1,59	-	9,16
Sundry creditors ⁽³⁾	-	-	-	4,50
Marketable securities issued	-	-	-	8,82
Funds provided from other financial institutions ⁽⁴⁾	2,35	1,60	-	6,90
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	0,5	-	-	5
Due from other banks and financial institutions ⁽¹⁾	0,52	1,18	-	7,19
Financial assets at fair value through profit and loss	-	3,93	-	11,30
Money market placements	-	-	-	-
Available-for-sale financial assets	5,00	4,64	-	10,03
Loans ⁽²⁾	3,61	3,03	3,50	11,69
Held-to-maturity investments	6,33	6,85	-	13,62
Liabilities				
Bank deposits	0,28	0,85	-	7,02
Other deposits	2,07	2,52	-	8,29
Money market borrowings	-	1,73	-	6,76
Sundry creditors	-	-	-	4,50
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions ⁽⁴⁾	1,68	1,18	-	6,77

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

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

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

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

⁽⁵⁾ Required reserve ratio on Central Bank of TRNC and Central Bank of Macedonia.

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

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

Interest rate sensitivity:

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

As of the balance sheet date, any variations in the TRY and foreign currency interest rates which affects the Bank's trading accounts hence profit and loss, is measured by value at risk analysis. Parametric and historical simulation methods are carried out by using value at risk analysis. As of December 31, 2011 the effect of changes in the risk factors affecting trading accounts – considering 10 day retention time, and the 99% confidence interval – amounted to TRY 117 331 (31 December 2010: TRY 97 867).

The potential impact of interest rate shocks that may occur on the banking accounts is calculated through analysis of change in the economic value. In this context, TRY and foreign currency yield curves are shifted upward in parallel and are applied to shock 200 basis points. As of 31 December 2011 loss that might occur in exchange for the banking accounts in result of economic shocks, amounted to TRY 699 117. The main reason for that is change in fair value of fixed rate loans (31 December 2010: TRY 818 070).

VII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK

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

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

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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	1.191.958	1.758.650	2.813.389	1.479.154	44.311	271	-	7.287.733
Banks and financial institutions	160.668	1.303.981	74.056	-	-	-	-	1.538.705
Financial assets at fair value through profit and loss	13.694	8.942	38.935	6.037	76.305	5.586	-	149.499
Money market placements	-	33.313	-	-	-	-	-	33.313
Financial assets available-for-sale	4.965	285.019	196.696	481.377	5.184.512	3.222.280	15.571	9.390.420
Loans ⁽²⁾	279.619	4.186.597	4.748.500	18.311.583	24.939.550	3.547.983	-	56.013.832
Held-to-maturity investments	-	190.855	803.965	1.106.406	9.918.148	2.045.084	-	14.064.458
Other assets ⁽³⁾	301.009	68.545	90.968	169.187	596.473	73.263	2.383.252	3.682.697
Total assets	1.951.913	7.835.902	8.766.509	21.553.744	40.759.299	8.894.467	2.398.823	92.160.657
Liabilities								
Bank deposits	3.040.932	3.707.469	64.100	37.665	130.671	-	-	6.980.837
Other deposits	10.281.894	31.895.565	13.168.394	3.755.619	139.163	7.038	-	59.247.673
Funds provided from other financial institutions ⁽⁴⁾	3.046	234.052	466.330	3.280.519	1.215.422	1.810.976	-	7.010.345
Money market balances	-	4.271.473	332.118	338.118	-	-	-	4.941.709
Marketable securities issued	-	495.611	-	-	-	-	-	495.611
Sundry creditors	1.103.442	24.638	456	12.586	2.909	-	27.356	1.171.387
Other liabilities ⁽¹⁾	1.601.430	642.442	470.031	360.827	265.825	210.547	8.761.993	12.313.095
Total liabilities	16.030.744	41.271.250	14.501.429	7.785.334	1.753.990	2.028.561	8.789.349	92.160.657
Liquidity gap	(14.078.831)	(33.435.348)	(5.734.920)	13.768.410	39.005.309	6.865.906	(6.390.526)	-
Previous period								
Total assets	2.147.289	9.940.355	5.843.965	13.716.454	32.293.192	6.711.709	2.373.915	73.026.879
Total liabilities	11.535.150	35.894.310	11.055.729	4.342.346	1.064.092	1.538.743	7.596.509	73.026.879
Liquidity gap	(9.387.861)	(25.953.955)	(5.211.764)	9.374.108	31.229.100	5.172.966	(5.222.594)	-

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

⁽²⁾ TRY 269.771 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

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

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

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

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

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	49.042.356	13.408.764	3.921.640	276.747	7.040	(428.037)	66.228.510
Funds provided from other financial institutions	255.752	458.066	3.370.828	1.463.648	1.989.147	(527.096)	7.010.345
Money market borrowings	4.296.885	333.153	344.220	-	-	(32.549)	4.941.709
Securities issued	498.671	-	-	-	-	(3.060)	495.611
Funds	616.898	75.101	253.089	227.475	224.475	(51.804)	1.345.234
Sundry Creditors	548.604	50.228	196.574	375.975	6	-	1.171.387
Total	55.259.166	14.325.312	8.086.351	2.343.845	2.220.668	(1.042.546)	81.192.796

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

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

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

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	434.626	162.649	70.521	-	-	667.796
Forward Contracts – Sell	434.798	1.703.426	71.104	-	-	2.209.328
Swaps – Buy	1.670.280	153.225	-	93.000	-	1.916.505
Swaps – Sell	1.683.159	153.119	-	59.500	-	1.895.778
Credit Default Swap – Buy	-	186.000	-	93.000	-	279.000
Credit Default Swap – Sell	-	138.970	-	59.100	-	198.070
Forward Precious Metal - Buy	-	1.500.223	-	-	-	1.500.223
Forward Precious Metal - Sell	-	7.849	-	-	-	7.849
Money Buy Options	36.785	10.663	21.932	-	-	69.380
Money Sell Options	36.811	10.638	21.931	-	-	69.380
Total	4.296.459	4.026.762	185.488	304.600	-	8.813.309

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

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

VIII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION

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

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

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

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

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

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

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

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

Under the Treasury transactions, medium and long-term fund provision is performed through securities exchange, money market operations, spot and time TRY and foreign exchange 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 YEAR ENDED 31 December 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 31 December 2011 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment⁽¹⁾	Other⁽³⁾	Elimination⁽²⁾	Total
OPERATING INCOME / EXPENSES							
Interest income	901.228	766.928	7.573.218	6.019.369	47.713	(7.969.194)	7.339.262
<i>Interest on loans</i>	472.732	598.862	3.863.407	315.984	-	-	5.250.985
<i>Interest income on marketable securities</i>	-	-	-	2.019.637	14.003	-	2.033.640
<i>Interest received from banks</i>	-	-	-	9.892	184	-	10.076
<i>Other interest income⁽²⁾</i>	428.496	168.066	3.709.811	3.673.856	33.526	(7.969.194)	44.561
Interest expense	651.343	540.020	5.458.666	5.111.675	12.994	(7.969.194)	3.805.504
<i>Interest on deposits</i>	272.666	113.428	2.539.616	227.039	-	-	3.152.749
<i>Interest on borrowings</i>	2.612	11.229	5.651	108.359	12.994	-	140.845
<i>Interest on money market borrowings</i>	-	-	-	458.659	-	-	458.659
<i>Interest on marketable securities issued</i>	-	-	-	17.308	-	-	17.308
<i>Other interest expense⁽²⁾</i>	376.065	415.363	2.913.399	4.300.310	-	(7.969.194)	35.943
Net interest income	249.885	226.908	2.114.552	907.694	34.719	-	3.533.758
Net fees and commissions income	71.346	97.301	484.841	51.679	(2.138)	-	703.029
Net trading profit / (loss)	-	-	-	207.253	3.006	-	210.259
Dividend income	-	-	-	5.534	139	-	5.673
Other income	4.861	29.863	326.791	192.389	265.733	-	819.637
Loans and other receivables' impairment loss	3.433	45.545	168.136	473.051	1.551	-	691.716
Other expenses	14.508	50.787	850.320	820.902	208.576	-	1.945.093
Income before taxes	308.151	257.740	1.907.728	70.596	91.332	-	2.635.547
Income tax provision	-	-	-	(595.971)	(12.877)	-	(608.848)
Net profit for the period	308.151	257.740	1.907.728	(525.375)	78.455	-	2.026.699
SEGMENT ASSETS							
Marketable securities	-	-	-	23.317.706	193.732	-	23.511.438
Derivative financial assets held for trading	-	-	-	92.939	-	-	92.939
Banks and money market receivables	-	-	-	1.544.906	27.112	-	1.572.018
Associates and subsidiaries (net)	-	-	-	155.488	-	-	155.488
Loans	7.122.471	8.298.222	35.063.374	5.799.536	-	-	56.283.603
Other assets ⁽¹⁾	671	160.081	933.226	8.447.531	1.003.662	-	10.545.171
TOTAL ASSETS	7.123.142	8.458.303	35.996.600	39.358.106	1.224.506	-	92.160.657
SEGMENT LIABILITIES							
Deposits	6.921.885	2.813.885	46.615.466	9.877.274	-	-	66.228.510
Derivative financial liabilities held for trading	-	-	-	65.358	-	-	65.358
Money market balances	-	-	-	4.941.709	-	-	4.941.709
Borrowing funding loans	35.746	204.493	159.670	5.944.379	666.057	-	7.010.345
Marketable securities issued	-	-	-	495.611	-	-	495.611
Other liabilities	25.354	47.019	2.126.270	850.994	48.812	-	3.098.449
Provisions	6.812	13.866	80.975	1.341.073	317.079	-	1.759.805
Shareholders' equity	-	-	-	8.514.318	46.552	-	8.560.870
TOTAL LIABILITIES	6.989.797	3.079.263	48.982.381	32.030.716	1.078.500	-	92.160.657
OFF BALANCE SHEET ITEMS							
Guarantees and suretyships	9.672.659	3.959.359	4.160.754	53.685	8.820	-	17.855.277
Commitments	23.889	213.890	5.328.820	65.674.431	8.918	-	71.249.948
Derivative financial instruments	-	-	-	8.136.224	-	-	8.136.224

(1) Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.314.861 (net) and deferred tax assets amounting TRY 93.671 in other assets are presented under the Treasury / Investment column.

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

(3) Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ and Halk Finansal Kiralama AŞ and Halk Portföy Yönetimi AŞ. transactions are shown in other column.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES							
Interest income	772.010	492.956	6.074.668	5.184.380	6.606	(6.166.685)	6.363.935
Interest on loans	433.012	349.072	3.191.646	282.510	-	-	4.256.240
Interest income on marketable securities	-	-	-	2.014.430	5.402	-	2.019.832
Interest received from banks	-	-	-	73.470	-	-	73.470
Other interest income ^{1,2)}	338.998	143.884	2.883.022	2.813.970	1.204	(6.166.685)	14.393
Interest expense	610.179	337.364	4.369.057	4.001.720	140	(6.166.685)	3.151.775
Interest on deposits	268.369	100.696	2.078.216	316.114	-	-	2.763.395
Interest on borrowings	820	6.104	6.152	53.131	-	-	66.207
Interest on money market borrowings	-	-	-	272.513	-	-	272.513
Interest on marketable securities issued	-	-	-	-	-	-	-
Other interest expense ^{2,2)}	340.990	230.564	2.284.689	3.359.962	140	(6.166.685)	49.660
Net interest income	161.831	155.592	1.705.611	1.182.660	6.466	-	3.212.160
Net fees and commissions income	41.503	37.163	419.926	46.226	(34.843)	-	509.975
Net trading profit / (loss)	-	-	-	133.517	(162)	-	133.355
Dividend income	-	-	-	422	801	-	1.223
Other income	2.343	27.271	253.740	117.509	207.853	-	608.716
Loans and other receivables' impairment loss	3.180	21.915	255.501	177.874	-	-	458.470
Other expenses	11.644	45.604	706.439	738.937	151.325	-	1.653.949
Income before taxes	190.853	152.507	1.417.337	563.523	28.790	-	2.353.010
Income tax provision	-	-	-	(501.633)	(8.086)	-	(509.719)
Net profit for the period	190.853	152.507	1.417.337	61.890	20.704	-	1.843.291
SEGMENT ASSETS							
Marketable securities	-	-	-	20.173.443	127.067	-	20.300.510
Derivative financial assets held for trading	-	-	-	34.307	-	-	34.307
Banks and money market receivables	-	-	-	1.205.519	23.274	-	1.228.793
Associates and subsidiaries (net)	-	-	-	187.922	-	-	187.922
Loans	7.002.121	5.781.770	27.248.538	4.264.058	-	-	44.296.487
Other assets ⁽¹⁾	13.120	76.641	965.886	5.569.802	353.411	-	6.978.860
TOTAL ASSETS	7.015.241	5.858.411	28.214.424	31.435.051	503.752	-	73.026.879
SEGMENT LIABILITIES							
Deposits	7.210.628	2.602.577	38.941.181	5.800.029	-	-	54.554.415
Derivative financial liabilities held for trading	-	-	-	39.151	-	-	39.151
Money market balances	-	-	-	3.280.823	-	-	3.280.823
Borrowing funding loans	7.441	95.736	132.071	3.590.839	-	-	3.826.087
Marketable securities issued	-	-	-	-	-	-	-
Other liabilities	32.227	60.387	1.797.216	690.059	24.783	-	2.604.672
Provisions	6.101	9.367	72.105	1.039.540	222.293	-	1.349.406
Shareholders' equity	-	-	-	7.310.290	62.035	-	7.372.325
TOTAL LIABILITIES	7.256.397	2.768.067	40.942.573	21.750.731	309.111	-	73.026.879
OFF BALANCE SHEET ITEMS							
Guarantees and suretyships	6.987.939	2.407.489	3.329.660	1.264	-	-	12.726.352
Commitments	48.183	105.255	4.670.000	5.064.440	-	-	9.887.878
Derivative financial instruments	-	32.354	30.180	4.798.508	-	-	4.861.042

(1) Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.234.437 (net) and deferred tax assets amounting TRY 222.820 in other assets are presented under the Treasury / Investment column.

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

(3) Halk Hayat Emeklilik AŞ, Halk Sigorta AŞ and Halk Portföy Yönetimi AŞ transactions are shown in other column.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	89.351.922	70.202.804	87.067.588	70.434.904
Cash and Balances with the Central Bank of Turkey	7.287.733	4.649.565	7.287.733	4.649.565
Financial assets fair value changes reflected to income statement	149.499	89.987	149.499	89.987
Banks	1.538.705	1.012.668	1.538.705	1.012.620
Money market placements	33.313	216.125	33.313	216.114
Available for sale financial assets ⁽¹⁾	9.374.849	7.481.355	9.374.849	7.481.355
Held to maturity investments	14.064.458	12.749.840	13.788.354	13.002.901
Loans ⁽²⁾	56.013.832	44.003.264	54.005.602	43.982.362
Finance lease receivables (Net)	889.533	-	889.533	-
Financial Liabilities	79.912.920	62.476.273	79.464.628	62.518.677
Deposits	66.228.510	54.554.415	66.331.477	54.613.683
Derivative financial liabilities held for trading	65.358	39.151	65.358	39.151
Funds provided from other financial institutions	7.010.345	3.826.087	6.577.207	3.809.266
Money market borrowings	4.941.709	3.280.823	4.941.709	3.280.823
Securities issued	495.611	-	495.611	-
Miscellaneous payables	1.171.387	775.231	1.053.266	775.188
Finance lease payables	-	566	-	566

⁽¹⁾ As of 31 December 2011, TRY 15.571 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2010: TRY 13.635).

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

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

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

Classification of Fair Value Measurement

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

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

Classification requires using observable market data if possible.

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

(1) Current Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	47.996	99.406	2.097	149.499
<i>Debt securities</i>	32.848	-	-	32.848
<i>Derivative financial assets held for trading purpose</i>	-	92.939	-	92.939
<i>Bonds</i>	-	-	-	-
<i>Other Securities</i>	15.148	6.467	2.097	23.712
Available-for-sale financial assets ⁽¹⁾	8.955.870	418.979	-	9.374.849
<i>Debt securities</i>	8.955.870	418.979	-	9.374.849
Total Financial Assets	9.003.866	518.385	2.097	9.524.348
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	65.358	-	65.358
Total Financial Liabilities	-	65.358	-	65.358

ber 2011 share certificates amounting to TRY 15.571 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	53.755	34.307	1.925	89.987
<i>Debt securities</i>	53.678	-	-	53.678
<i>Derivative financial assets held for trading purpose</i>	-	34.307	-	34.307
<i>Bonds</i>	77	-	-	77
<i>Other Securities</i>	-	-	1.925	1.925
Available-for-sale financial assets ⁽¹⁾	7.433.291	48.064	-	7.481.355
<i>Debt securities</i>	7.433.291	48.064	-	7.481.355
Total Financial Assets	7.487.046	82.371	1.925	7.571.342
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	39.151	-	39.151
Total Financial Liabilities	-	39.151	-	39.151

⁽¹⁾ As of 31 December 2010 share certificates amounting to TRY 13.365 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

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

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

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	386.373	100.227	316.636	62.649
Central Bank of Turkey	2.124.824	4.676.294	2.466.013	1.804.255
Other	-	15	-	12
Total	2.511.197	4.776.536	2.782.649	1.866.916

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	2.120.213	705.092	2.458.657	491.046
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Other ⁽²⁾	4.611	3.971.202	7.356	1.313.209
Total	2.124.824	4.676.294	2.466.013	1.804.255

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

⁽²⁾ Blocked reserve deposits kept in Central Bank of Turkey and Central Bank of Cyprus.

The banks operating in Turkey keep reserve deposits for Turkish currency liabilities in TRY specified rates between 5% and 11% according to their maturities (31 December 2010: 6%), foreign currency liabilities in USD or EUR at the rates between 6% and 11% according to their maturities (31 December 2010: 11%), respectively as per the Communiqué no.2011/11 and 2011/13 “Reserve Deposits” of the Central Bank of Turkey.

With the Board of Minutes No. 688 dated 26 December 2008 of TRNC Central Bank’s, required reserve ratio is 8% for TRY liabilities and 8% for FC liabilities.

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

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

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

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

None.

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

None.

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	3.930	-	10.049
Swap transactions	-	88.970	-	23.537
Futures transactions	-	-	-	-
Options	37	2	3	718
Other	-	-	-	-
Total	37	92.902	3	34.304

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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	27.258	602.919	82.304	722.132
Foreign banks	11.310	897.218	21.028	187.204
Branches and offices abroad	-	-	-	-
Total	38.568	1.500.137	103.332	909.336

b) Information on foreign banks:

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	813.392	157.089	-	-
USA and Canada	40.803	13.471	-	-
OECD Countries ⁽¹⁾	12.058	6.172	-	-
Offshore Banking Regions	-	-	-	-
Other	42.275	31.500	-	-
Total	908.528	208.232	-	-

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

(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	
	TP	YP	TP	YP
Share certificates	-	-	-	-
Bond, security and other financial assets	90.932	-	-	-
Other	-	-	-	-
Total	90.932	-	-	-

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds	118.586	96.235	-	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	118.586	96.235	-	-

b) Information on financial assets available for sale portfolio:

	Current period	Prior period
Debt securities	9.485.019	7.484.123
<i>Quoted on a stock exchange</i>	9.485.019	7.484.123
<i>Not quoted</i>	-	-
Share certificates	27.925	25.970
<i>Quoted on a stock exchange</i>	-	-
<i>Not quoted</i>	27.925	25.970
Impairment provision(-)	122.524	15.103
Total	9.390.420	7.494.990

⁽¹⁾ Increase in impairment provision recognized in current period is due to valuation differences of financial assets of which are cost valued above market rates.

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	120.545	-	97.620	-
Total	120.545	-	97.620	-

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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	42.997.063	77.638	528.353	22.198
Discount notes	32.690	-	-	-
Export loans	2.761.038	-	1.635	-
Import loans	-	-	-	-
Loans given to financial sector	495.568	-	-	-
Overseas loans	409.801	-	973	21
Consumer loans ⁽¹⁾	13.932.924	72	147.201	19.812
Credit cards ⁽²⁾	935.360	17	22.536	2.359
Precious metals loans	-	-	-	-
Other	24.429.682	77.549	356.008	6
Specialized lending	11.525.627	37.569	110.232	-
Other receivables	-	-	-	-
Accruals	705.384	1.488	7.993	287
Total	55.228.074	116.695	646.578	22.485

⁽¹⁾ Includes TRY 91.515 of personnel loans.

⁽²⁾ Includes TRY 29.030 of personnel credit cards.

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

In accordance with the communiqué “The Change In The Regulation of Identifying The Properties and Determining The Methods and Principles to Allocate Provisions for Loans and Other Receivables” published on 28 May 2011 No: 27947 Official Gazette, changes on payment plans and changes on payment periods of “Standard Loans and Other Receivables” and “Loans and Other Receivables Monitored Under Close Monitoring” are disclosed below:

	Standard loans and other receivables		Loans and receivables under close monitoring	
	Up to 1 year	1 year or longer	Up to 1 year	1 year or longer
The number of loans whose terms of payment has been changed	4.036	2.765	306	594

c) Loans according to their maturity structure:

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Restructured or rescheduled ⁽¹⁾	Loans and other receivables	Restructured or rescheduled ⁽¹⁾
Cash loans				
Short-term loans and other receivables	15.527.343	601	144.644	585
Non-specialized loans	14.833.599	519	138.857	578
Specialized loans	496.035	74	3.978	-
Other receivables	-	-	-	-
Accruals	197.709	8	1.809	7
Medium and long-term loans and other receivables	39.700.731	116.094	501.934	21.900
Non-specialized loans	28.163.464	77.119	389.496	21.620
Specialized loans	11.029.592	37.495	106.254	-
Other receivables	-	-	-	-
Accruals	507.675	1.480	6.184	280
Total	55.228.074	116.695	646.578	22.485

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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	207.019	13.452.419	13.659.438
<i>Real estate loans</i>	4.025	5.379.089	5.383.114
<i>Automobile loans</i>	864	50.258	51.122
<i>Consumer loans</i>	202.130	8.023.072	8.225.202
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	268	268
<i>Real estate loans</i>	-	268	268
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	1.153	93.064	94.217
<i>Real estate loans</i>	119	10.444	10.563
<i>Automobile loans</i>	304	2.661	2.965
<i>Consumer loans</i>	690	77.269	77.959
<i>Other</i>	40	2.690	2.730
Individual credit cards-TRY	845.979	2.107	848.086
<i>Installment</i>	238.887	-	238.887
<i>Non-installment</i>	607.092	2.107	609.199
Individual credit cards-FC	-	8.138	8.138
<i>Installment</i>	-	8.138	8.138
<i>Non-installment</i>	-	-	-
Personnel loans-TRY	5.935	83.031	88.966
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	5.935	83.031	88.966
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	31	2.518	2.549
<i>Real estate loans</i>	-	894	894
<i>Automobile loans</i>	6	48	54
<i>Consumer loans</i>	25	1.549	1.574
<i>Other</i>	-	27	27
Personnel credit cards-TRY	28.807	14	28.821
<i>Installment</i>	8.210	-	8.210
<i>Non-installment</i>	20.597	14	20.611
Personnel credit cards-FC	-	209	209
<i>Installment</i>	-	209	209
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY (Retail customer)	249.839	-	249.839
Overdraft accounts-FC (Retail customer)	4.732	-	4.732
Total	1.343.495	13.641.768	14.985.263

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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	30.389	589.685	620.074
<i>Business residential loans</i>	10.547	367.344	377.891
<i>Automobile loans</i>	19.842	222.341	242.183
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	19.369	79.695	99.064
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	19.369	79.695	99.064
Corporate credit cards-TRY	74.898	-	74.898
<i>Installment</i>	13.583	-	13.583
<i>Non-installment</i>	61.315	-	61.315
Corporate credit cards-FC	-	120	120
<i>Installment</i>	-	120	120
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY (Commercial customer)	248.814	-	248.814
Overdraft accounts-FC (Commercial customer)	-	-	-
Total⁽¹⁾	373.470	669.500	1.042.970

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

f) Loan according to type of borrowers:

	Current period	Prior period
Public	1.798.381	1.647.341
Private	54.215.451	42.355.923
Total	56.013.832	44.003.264

g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	55.388.703	43.746.012
Foreign loans ⁽¹⁾	625.129	257.252
Total	56.013.832	44.003.264

⁽¹⁾ Consumer loans amounting to TRY 101.498, non-specialized loans amounting to TRY 97.348 and credit cards amounting to TRY 8.467 of Halk Banka AD Skopje are represented in foreign loans.

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

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

(5) Information on loans: (continued)

i) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	90.410	127.289
Loans and receivables with doubtful collectability	22.897	75.681
Uncollectible loans and receivables	1.297.806	1.261.560
Total	1.411.113	1.464.530

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

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period	36.628	7.817	129.380
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	36.628	7.817	129.380
Prior period	44.297	20.564	286.518
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	44.297	20.564	286.518

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior period end balance	195.025	106.512	1.456.216
Additions (+) ⁽¹⁾	257.412	40.707	95.900
Transfers from other categories of loans under follow-up (+)	-	47.936	285.560
Transfers to other categories of loans under follow-up (-)	203.692	129.804	-
Collections (-)	101.667	33.583	335.638
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance⁽¹⁾	147.078	31.768	1.502.038
Specific provision (-) ⁽¹⁾	90.410	22.897	1.297.806
Net balance on balance sheet⁽¹⁾	56.668	8.871	204.232

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	2.919	1.160	8.110
Specific provisions(-)	1.222	840	7.314
Net balance in the balance sheet	1.697	320	796
Prior period			
Balance at the end of the period	-	-	-
Specific provisions(-)	-	-	-
Net balance in the balance sheet	-	-	-

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)			
Loans to granted real persons and legal entities (Gross)	146.940	31.510	1.460.899
Specific provisions (-)	90.272	22.639	1.256.667
Loans to granted real persons and legal entities (Net)	56.668	8.871	204.232
Banks (Gross)			
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	138	258	41.139
Specific provisions (-)	138	258	41.139
Other loans and receivables (Net)	-	-	-
Prior period (Net)			
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)	-	-	-

TÜRKİYE HALK BANKASI AŞ**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011***(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)***SECTION 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)

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

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

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

l) Explanations on write-off policy:

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

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

Current Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	244	1.537	1.768	3.549
SME Loans	79.147	26.178	13.677	119.002
Consumer Loans	12.901	4.827	2.245	19.973
Credit cards	79.797	13.359	4.216	97.372
Total	172.089	45.901	21.906	239.896

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

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

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

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills	-	-	-	-
Government bonds and similar securities	2.643.807	417.083	2.290.572	86.107
Other	-	-	-	-
Total	2.643.807	417.083	2.290.572	86.107

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Treasury bills, government bonds and similar securities	4.004.244	895.666	2.537.984	722.386
Other	-	-	-	-
Total	4.004.244	895.666	2.537.984	722.386

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

	Current period	Prior period
Government bonds	14.064.458	12.749.840
Treasury bills	-	-
Other public sector debt securities	-	-
Total	14.064.458	12.749.840

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	14.064.458	12.749.840
<i>Quoted on a stock exchange</i>	11.618.046	10.360.874
<i>Not quoted</i>	2.446.412	2.388.966
Impairment provision (-)	-	-
Total	14.064.458	12.749.840

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

	Current period	Prior period
Beginning balance	12.749.840	16.573.548
Foreign currency differences on monetary assets	329.521	(14.112)
Purchases during the year ⁽¹⁾	1.949.361	3.127.589
Disposals through sales and redemptions ⁽²⁾	(1.007.966)	(6.937.185)
Impairment provision (-) / provision reversal (+)	-	-
Effect of the subsidiaries included in the consolidation	43.702	-
Balance at the end of the period	14.064.458	12.749.840

⁽¹⁾ As of 31 December 2011, Interest income accrual amounting TRY 726.675 have been included in purchases row (31 December 2010: TRY 503.032).

⁽²⁾ In accordance with the tainting rules defined in paragraph 9 of Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2011, the Parent Bank reclassified TRY 734.142 of financial assets from held to maturity investments portfolio to available for sale portfolio. Related amount was presented in "Disposals Through Sales and Redemptions" row.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2011

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

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

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

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of Treasury of Republic of Turkey ⁽²⁾	6.614.199	-	7.061.818	-	5.076.530	-	5.352.897	-
Obtained with the transfer	2.340.938	-	2.402.709	-	2.340.938	-	2.388.965	-
Reclassified from other securities portfolios ⁽¹⁾	2.424.517	1.229.627	2.554.706	1.289.865	2.989.881	1.203.581	3.096.506	1.254.814
Other	-	728.502	-	755.360	-	635.878	-	656.658
Total	11.379.654	1.958.129	12.019.233	2.045.225	10.407.349	1.839.459	10.838.368	1.911.472

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

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

(7) Information on associates (Net):

a) Information on associates:

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	4.127.201	437.577	33.499	93.438	(26.011)	(691)	3.381	-
2.	45.752	45.579	183	-	-	3.533	887	-
3.	10.716	4.781	75	243	118	555	345	-
4.	22.331	11.731	3.712	908	-	1.547	4.571	-
5.	44.844	33.989	2.465	2.614	4	18.340	14.132	-
6.	25.225	18.484	10.344	1.116	-	2.619	1.465	-
7.	202.715	196.820	3.051	7.637	-	2.656	4.321	-

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

(2) The associates that are presented in (b), the financial data of Bankalararası Kart Merkezi AŞ is obtained from 30 September 2010 reviewed financial statements, and the financial data of Halk Finansal Kiralama AŞ and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ are obtained from 31 December 2011 audited financial statements. Demir Halkbank NV obtained from 31 December 2011 unaudited financial statements, remaining associates are obtained from 30 September 2010 unaudited financial statements.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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)

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	187.922	176.665
Movements during the period	(32.434)	11.257
<i>Purchases⁽¹⁾</i>	1.000	944
<i>Free shares obtained profit from current year's share⁽¹⁾</i>	1.238	-
<i>Profit in current year income</i>	905	10.911
<i>Sales</i>	-	-
<i>Transfer⁽²⁾</i>	(51.490)	-
<i>Revaluation decrease (-) / increase⁽³⁾</i>	15.913	(598)
<i>Provision for impairment (-) / reversals (+)⁽⁴⁾</i>	-	-
Balance at the end of the period	155.488	187.922
Capital commitments ⁽³⁾	1.000	2.000
Share percentage at the end of the period (%)	0,00	0,00

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

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

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

d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	131.273	115.566
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	51.491
Financing companies	-	-
Other financial investments	24.215	19.813

e) Associates quoted to a stock exchange:

None.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

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

(8) Information on consolidated subsidiaries (Net):

a) Information on subsidiaries:

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value
1.	99.672	51.742	2.026	13.289	118	10.396	11.124	-
2. ⁽³⁾	195.844	45.529	3.454	5.909	1.607	(8.259)	4.002	-
3.	275.974	87.994	1.803	21.494	12.394	38.260	29.372	-
4.	531.455	509.251	497.833	2.031	2	30.422	1.829	-
5.	937.690	120.021	4.211	34.003	-	12.169	17.215	-
6.	4.818	4.761	83	209	1	(239)	-	-
7.	347.819	84.543	20.137	12.104	1.015	729	-	-

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

⁽²⁾ The values are taken from the financials of the audited financial statements as of 31 December 2011.

⁽³⁾ Halk Sigorta AŞ. is consolidated with financials of 30.September 2011.

c) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period (before elimination)	596.081	81.133
Movements during the period	235.290	514.948
Purchases ⁽¹⁾	166.910	476.250
Free shares obtained profit from current year's share ⁽²⁾	-	38.698
Dividends from current year income	-	-
Sales	-	-
Transfer ⁽²⁾	49.660	-
Revaluation increase	-	-
Provision for impairment (-) ⁽³⁾	18.720	-
Share capital elimination of subsidiaries	(831.371)	(596.081)
Balance at the end of the period	-	-
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ Additions in the current period includes purchases of 98,12% share of Halk Banka AD, Skopje amounting to TRY 101.447 and 52,24% share of Halk Finansal Kiralama AŞ amounting to TRY 62.663. Also, Halk Portföy Yönetim AŞ has been established in the current period. Additions include purchases of 55,99% share of Halk Portföy Yönetimi AŞ amounting to TRY 2.800.

⁽²⁾ Balance is classified from subsidiaries related to Halk Finansal Kiralama AŞ in the current period.

⁽³⁾ Balance is the reversal of provision for impairment of Halk Finansal Kiralama AŞ in the current period.

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

	Current period	Prior period
Banks	101.447	-
Insurance companies	77.460	77.460
Factoring companies	-	-
Leasing companies	131.043	-
Financing companies	-	-
Other financial subsidiaries	521.421	518.621

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2011

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

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

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

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

e) Acquisition of subsidiaries:

Halk Finansal Kiralama AŞ

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

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

If the acquisition had occurred on 1 January 2011, management estimates that consolidated profit for the period would have been TRY 2.038.977.

Identifiable assets acquired and liabilities assumed:

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

As of 31 December 2011, The values of assets, liabilities and contingent liabilities for the Halk Finansal Kiralama AŞ. recognized on acquisition are their estimated fair values and according to their estimated fair values no goodwill has been recognized as a result of Halk Leasing acquisition.

Halk Banka AD, Skopje

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

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

Identifiable assets acquired and liabilities assumed:

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

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

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

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

Net cash outflow

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

f) Subsidiaries quoted in the stock exchange:
None.

(9) Information on jointly controlled entities (joint ventures):
None.

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

a) Maturity structure of investments on financial lease:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	277.392	204.216	-	-
Between 1-4 years	623.771	550.873	-	-
More than 4 years	147.421	134.444	-	-
Total	1.048.584	889.533	-	-

b) Information on gross investments of financial lease:

	Current period	Prior period
Gross financial lease investment	1.048.584	-
Unearned revenues from financial lease	(159.051)	-
Total	889.533	-

c) Information on receivables from non- performing loans of financial lease:

	Current period	Prior period
Financial lease receivables with limited collectability	2.608	-
Financial lease receivables with doubtful collectability	9.603	-
Uncollectible financial lease receivables	47.850	-
Specific provisions	(32.620)	-
Total	27.441	-

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

None.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

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

(12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Additions	Acquisitions through business combinations	Disposals	Transfers	Balance at the end of the period
Cost:						
Immovables	970.331	22.103	-	(40.796)	(15.162)	936.476
Tangible assets purchased through financial lease	46.868	2.854	-	(8.267)	-	41.455
Office machines	180.957	108.078	1.085	(91.342)	-	198.778
Fixed assets obtained due to non-performing loans	308.856	333.416	-	(198.727)	(87.378)	356.167
Lease hold improvements costs	102.480	29.103	660	(9.166)	-	123.077
Other	211.624	16.751	26.830	(6.776)	-	248.429
Total Cost	1.821.116	512.305	28.575	(355.074)	(102.540)	1.904.382
Accumulated depreciation (-)						
Immovables	212.151	14.251	-	(5.290)	(4.741)	216.371
Tangible assets purchased through financial lease	42.283	3.495	-	(8.098)	-	37.680
Office machines	107.779	24.365	949	(38.550)	-	94.543
Fixed assets obtained due to non-performing loans	11.950	3.924	-	(11.038)	1.509	6.345
Lease hold improvements costs	34.740	21.790	131	(6.210)	-	50.451
Other	155.179	16.866	1.242	(1.355)	-	171.932
Total accumulated depreciation (-)	564.082	84.691	2.322	(70.541)	(3.232)	577.322
Provision for impairment (-)						
Immovables	8.457	24	-	(1.008)	(290)	7.183
Fixed assets obtained due to non-performing loans	14.140	4.326	-	(13.450)	-	5.016
Total provision for impairment (-)	22.597	4.350	-	(14.458)	(290)	12.199
Net Book Value	1.234.437	423.264	26.253	(270.075)	(99.018)	1.314.861

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

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

(12) Information on tangible assets (continued):

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

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

(13) Information on intangible assets:

Current Period	Balance at the end of the prior period	Additions	Acquisitions through business combinations	Disposals	Transfers	Balance at the end of the period
Cost:						
Other intangible assets	23.640	12.738	17.948	(2.071)		52.255
Total Cost	23.640	12.738	17.948	(2.071)	-	52.255
Accumulated Depreciation (-)						
Other intangible assets	4.985	2.434	608	(1.315)	-	6.712
Total Accumulated Depreciation (-)	4.985	2.434	608	(1.315)	-	6.712
Net Book Value	18.655	10.304	17.340	(756)	-	45.543

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

(14) Information on investment property:

None.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

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

(15) Information on tax assets:

a) Information on current assets

As of 31.December 2011, the Group has TRY 12.912 of current assets for tax.(31 December 2010: None).

b) Information on deferred tax assets:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	77.384	79.106
Revaluation of Financial Assets	(4.425)	132.660
Other	20.712	11.054
Deferred Tax (Asset) /Liability:	93.671	222.820
Deferred tax accounted in shareholders' equity	(32.733)	43.546
Available for sale financial assets IRR-fair value difference	(32.733)	43.546

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

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

	Current period	Prior period
Cost	87.460	98.131
Accumulated Depreciation (-) ⁽¹⁾	(1.837)	-
Net Book Value	85.623	98.131
Opening Balance	98.131	84.091
Acquisitions (Transfers) (Net)	102.540	105.564
Acquisitions through business combinations	3.451	-
Disposals(-),(Net)	(116.712)	(92.652)
Impairment Charge/Cancellation	50	1.128
Amortization Charge ⁽¹⁾	(1.837)	-
Net Book Value	85.623	98.131

⁽¹⁾ The amount of accumulated depreciation belongs to asset held for sale in current period.

(17) Information on other assets:

	Current period	Prior period
Prepaid expenses	201.289	264.187
Clearing House account	166.151	181.430
Receivables from credit card payments	157.768	71.971
Receivables from intermediary operations (Receivables from insurance operations and clients)	79.421	73.653
Receivables from asset sale on credit terms	47.999	40.467
Cash guarantees given	22.585	2.148
Guarantees given for derivative financial instruments	10.379	15.875
Other	129.703	105.521
Total	815.295	755.252

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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:

	7 day call Demand accounts	Up to 1 month	1-3 months	3-6 6 months- months 1 year	1 year and over	Cumulative deposits	Total		
Saving deposits	2.134.100	-	487.067	18.873.956	2.058.919	317.385	852.893	90.331	24.814.651
Foreign currency deposits	2.058.800	-	2.785.748	7.051.621	2.154.193	789.567	1.694.754	10.818	16.545.501
<i>Residents in Turkey</i>	1.875.246	-	1.718.162	6.534.438	1.306.222	463.508	1.182.384	10.813	13.090.773
<i>Residents abroad</i>	183.554	-	1.067.586	517.183	847.971	326.059	512.370	5	3.454.728
Public sector deposits	1.732.329	-	728.399	2.569.662	540.507	32.252	652	-	5.603.801
Commercial inst. deposits	1.954.624	-	2.309.988	3.436.172	342.238	62.920	41.787	-	8.147.729
Other inst. deposits	335.851	-	32.901	992.193	432.832	256.614	19.410	-	2.069.801
Precious metals	2.066.190	-	-	-	-	-	-	-	2.066.190
Interbank deposits	3.040.932	-	3.012.839	740.108	31.060	25.230	130.668	-	6.980.837
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	4.539	-	2.816.026	37.006	30.030	4.139	-	-	2.891.740
<i>Foreign banks</i>	2.826.543	-	196.813	703.102	1.030	21.091	130.668	-	3.879.247
<i>Participation banks</i>	209.850	-	-	-	-	-	-	-	209.850
Total	13.322.826	-	9.356.942	33.663.712	5.559.749	1.483.968	2.740.164	101.149	66.228.510

a.2. Prior period:

	7 day call Demand accounts	Up to 1 month	1-3 months	3-6 6 months- months 1 year	1 year and over	Cumulative deposits	Total		
Saving deposits	1.789.824	-	4.355.760	15.294.271	413.109	172.023	59.068	67.782	22.151.837
Foreign currency deposits	1.733.953	-	3.133.814	5.113.588	985.228	1.447.214	368.150	10.284	12.792.231
<i>Residents in Turkey</i>	1.690.798	-	3.028.333	4.876.550	923.253	1.081.347	232.511	10.271	11.843.063
<i>Residents abroad</i>	43.155	-	105.481	237.038	61.975	365.867	135.639	13	949.168
Public sector deposits	1.405.663	-	461.599	1.393.275	21.398	24.280	417	-	3.306.632
Commercial inst. deposits	1.839.250	-	2.669.879	4.797.000	98.347	66.463	1.865	-	9.472.804
Other inst. deposits	259.659	-	195.128	1.745.687	913.667	19.542	283	-	3.133.966
Precious metals	473.117	-	-	-	-	-	-	-	473.117
Interbank deposits	1.175.580	-	1.879.882	146.366	21.000	1.000	-	-	3.223.828
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	12.870	-	1.747.843	53.014	20.000	1.000	-	-	1.834.727
<i>Foreign banks</i>	1.161.415	-	132.039	93.352	1.000	-	-	-	1.387.806
<i>Participation banks</i>	1.295	-	-	-	-	-	-	-	1.295
Total	8.677.046	-	12.696.062	28.490.187	2.452.749	1.730.522	429.783	78.066	54.554.415

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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	12.713.126	11.452.490	12.046.510	10.655.063
Foreign currency saving deposits	3.759.626	2.419.516	5.963.493	4.002.148
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	66.115	53.080	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

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

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

	Current period	Prior period
Foreign branches' saving deposits and other accounts	151.869	152.388
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	3.890	2.141
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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	-	45.829	-	601
Swap transactions	-	19.443	-	37.673
Future transactions	-	-	-	-
Options	44	42	7	870
Other	-	-	-	-
Total	44	65.314	7	39.144

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	277.607	551.797	128.142	128.796
Foreign banks, institutions and funds	157.703	6.023.238	75.287	3.493.862
Total	435.310	6.575.035	203.429	3.622.658

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	199.725	3.047.697	128.142	1.833.822
Medium and long-term	235.585	3.527.338	75.287	1.788.836
Total	435.310	6.575.035	203.429	3.622.658

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

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

Main liability of the Parent Bank is deposit, which is composed of 37% of saving deposits and 25% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Parent Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Parent Bank's 51% of banks deposits and 31% of other deposits consist of foreign currency deposits.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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	3.947.963	-	2.527.844	-
<i>Financial institutions and organizations</i>	3.891.146	-	2.423.650	-
<i>Other institutions and organizations</i>	26.422	-	70.940	-
<i>Real persons</i>	30.395	-	33.254	-
From overseas transactions	101.445	842.706	69	611.411
<i>Financial institutions and organizations</i>	101.257	842.706	-	611.411
<i>Other institutions and organizations</i>	-	-	-	-
<i>Real persons</i>	188	-	69	-
Accruals	7.194	5.224	12.986	2.745
Total	4.056.602	847.930	2.540.899	614.156

- (4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Bonds	495.615	-	-	-
Securities	-	-	-	-
Total	495.615	-	-	-

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

- (5) Marketable securities issued:

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

- a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	2.719	1.342.515	75.832	1.219.400

- (6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 581.828 and does not exceed 10% of the balance sheet total (31 December 2010: TRY 533.643).

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

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

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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 ⁽¹⁾	-	-	831	566
More than 4 years	-	-	-	-
Total	-	-	831	566

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

c) Explanations regarding operational leases:

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

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior Period
General provisions	659.914	390.121
Provisions for first group loans and receivables	598.240	339.845
Provisions for second group loans and receivables	8.183	9.553
Provisions for non cash loans	53.491	40.723

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

None.

c) Specific provisions provided for un-indemnified non-cash loans:

As of 31 December 2011, the Parent Bank's specific provisions for un-indemnified non-cash loans balance are TRY 41.419 (31 December 2010: TRY 46.665). The Parent Bank provides 50% of provision for these non cash loans. TRY 2.525 (31 December 2010: TRY 2.538) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2011

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

SECTION 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 277.804 (31 December 2010: TRY 191.781) consists of TRY 41.419 (31 December 2010: TRY 46.665) for specific provisions for un-indemnified non cash loans, TRY 21.437 (31 December 2010: TRY 22.493) for legal cases filed against the Parent Bank, TRY 194.000 (31 December 2010: TRY 7.600) provision for prudence in consideration for any changes that may arise in the economy and the market, TRY 20.948 (31 December 2010: TRY 18.569) of other provisions. As per 31 December 2011 there are no provisions recognized for close monitoring loans and no provision for restructured from Group I loans 31 December 2010 amounts are TRY 69.390 and TRY 27.064, respectively.

e) Movement of employee termination benefits:

Severance indemnity provision of the Parent Bank as of 31 December 2011 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation, according to TAS 19, is as follows;

	Current Period ⁽¹⁾	Prior Period
Discount Rate	Variable	%10,00
Inflation Rate	Variable	%5,10
Wage growth	%2	%2

(1) The variable discount rate according to year is used. The discount rate is used as 11.55% in 2012, as 9,2% at the end of following 30 years after 2012 and then it remains the stable for the next years. The inflation rate is used as 8,75% in 2012 and later it decreases to 4,5% by degrees at the end of following 30 years and then the constant rates are used.

Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	204.212	180.431
Subsidiaries consolidation effect	360	-
Current year service cost	16.858	12.065
Interest expense	19.756	19.246
Actuarial gain/loss	12.962	16.169
Payment/The limitation of benefits/ Loss (Gain) because of discharge	8.776	-
Benefits paid within the period(-)	(35.884)	(23.699)
Total	227.040	204.212

As of 31 December 2011, unused vacation provision is TRY 88.276. and severance indemnity provision for outsourced firms is TRY 4.974. This amount is followed under employee benefits provision liability (31 December 2010: TRY 69.401 for unused vacation provision; TRY 2.992 for severance indemnity provision for outsource firms).

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

f) Liabilities on pension rights

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

None.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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)

f) Liabilities on pension rights (continued) :

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

Based on the results of the actuarial report prepared as of 31 December 2011 and 31 December 2010, no technical deficit has been reported. Besides, no technical deficit for T.C.Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported as of 31 December 2011 and 31 December 2010.

g) Explanations related to Insurance technical reserves (Net):

	Current period	Prior period
Life-Mathematical Provisions	155.962	99.538
Provisions for unearned premium claims	78.980	63.740
Provision for outstanding claims	65.133	46.566
Provisions for unexpired risk reserves	6.731	2.870
Other	2.471	4.036
Total	309.277	216.750

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2011, the Parent Bank's corporate tax payable is amounting to TRY 90.105 after setting off TRY 291.010 of prepaid taxes from TRY 381.115 of corporate tax liabilities.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	90.105	188.812
Income on securities tax	50.487	41.751
Property income tax	507	520
Banking and insurance transactions tax (BITT)	25.901	18.526
Foreign exchange transactions tax	2	8
Value added tax payable	501	553
Other	14.014	15.248
Total	181.517	265.418

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	123	75
Social insurance premiums-employer	312	193
Bank social aid pension fund premium-employee	3.386	3.235
Bank social aid pension fund premium-employer	4.609	4.507
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	12	5
Unemployment insurance-employer	23	16
Other	715	700
Total	9.180	8.731

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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 (continued):

b) Explanations regarding deferred tax liability:

As of 31 December 2011, the Group has TRY 1.823 of deferred tax liability.

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

None.

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

None.

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

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

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

None.

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

None.

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

None.

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

None.

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

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

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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)

f) Information on preferred shares:

None.

g) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	-	-	-	-
Valuation difference	76.761	(354.964)	177.841	(64.311)
Exchange rate difference	-	-	-	-
Total	76.761	(354.964)	177.841	(64.311)

h) Information on legal reserves:

	Current period	Prior period
First Legal Reserves	401.181	301.942
Second Legal Reserves	362.516	317.415
Legal reserves appropriated in accordance with the law	1.503	992
Total	765.200	620.349

i) Information on the extraordinary reserves

	Current period	Prior period
Reserves appropriated by General Assembly	3.447.828	2.225.576
Retained Earnings	67.040	47.181
Accumulated Reserves	-	-
Foreign Currency Translation Differences (-)	-	-
Total	3.514.868	2.272.757

(14) a) Information on minority interest shares:

	Current Period	Prior period
Paid-in capital	5.782	4.390
Marketable Securities Revaluation Fund	4	13
Legal Reserves	258	152
Extraordinary Reserves	1.333	1.333
Retained Earnings	(16)	-
Other Profit Reserves	(59)	-
Export premium	218	-
Net Period Income / Loss	(680)	596
Closing Balance	6.840	6.484

b) Movement of minority interest shares:

	Current Period	Prior period
Beginning Balance	6.484	6.594
The effect of the inclusion of subsidiaries in the scope of consolidation	1.586	-
Change in Minority Interest	(14)	(706)
Dividend Payment	(536)	-
Net Period Income / Loss	(680)	596
Closing Balance	6.840	6.484

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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	4.618.584	4.089.791
Payment commitments for cheques	3.976.513	3.604.999
Loan granting commitments	890.035	602.623
Two days forward foreign exchange buy/sell transactions	677.085	631.201
Commitments for credit cards and banking services promotions	26.857	26.217
Tax and fund liabilities from export commitments	11.389	34.849
Share capital commitments to associates and subsidiaries (1)	1.000	2.000
Other irrevocable commitments	1.063.521	892.979
Total	11.264.984	9.884.659

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

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

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

	Current period	Prior period
Bank acceptance loans	627.992	149.594
Letters of credit	4.081.908	3.377.338
Other guarantees	423.056	256.403
Total	5.132.956	3.783.335

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

	Current period	Prior period
Letters of tentative guarantees	948.430	490.139
Letters of certain guarantees	5.993.331	4.074.588
Letters of advance guarantees	1.660.373	1.217.092
Letters of guarantee given to customs offices	324.948	270.177
Other letters of guarantee	3.795.239	2.891.021
Total	12.722.321	8.943.017

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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	169.526	145.357
<i>Within one year or less original maturity</i>	8.658	110
<i>Within more than one year maturity</i>	160.868	145.247
Other non-cash loans	17.685.751	12.580.995
Total	17.855.277	12.726.352

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

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	9.191	0,10	14.283	0,16	11.756	0,17	479	0,01
<i>Farming and raising livestock</i>	8.840	0,10	14.283	0,16	9.579	0,14	458	0,01
<i>Forestry</i>	110	0,00	-	0,00	169	0,00	21	0,00
<i>Fishing</i>	241	0,00	-	0,00	2.008	0,03	-	0,00
Manufacturing	2.899.659	32,86	4.912.466	54,40	3.053.776	45,26	3.365.506	56,29
<i>Mining</i>	33.649	0,38	173.010	1,92	17.643	0,26	123.131	2,06
<i>Production</i>	2.592.261	29,37	4.455.591	49,34	2.730.719	40,47	2.661.617	44,52
<i>Electric, gas and water</i>	273.749	3,10	283.865	3,14	305.414	4,53	580.758	9,71
Construction	2.447.520	27,73	2.088.399	23,13	1.463.898	21,69	1.466.694	24,53
Services	3.426.793	38,83	1.809.848	20,04	2.193.689	32,51	916.912	15,34
<i>Wholesale and retail trade</i>	1.393.864	15,79	828.500	9,17	1.072.765	15,90	563.397	9,43
<i>Hotel, food and beverage services</i>	56.007	0,63	10.480	0,12	42.413	0,63	11.427	0,19
<i>Transportation and telecommunication</i>	106.658	1,21	60.094	0,67	90.501	1,34	40.486	0,68
<i>Financial Institutions</i>	1.606.045	18,20	358.091	3,97	825.382	12,23	193.768	3,24
<i>Real estate and renting services</i>	239.586	2,71	546.387	6,05	143.696	2,13	107.399	1,80
<i>Self-employment services</i>	5.339	0,06	344	0,00	4.308	0,06	282	0,00
<i>Education services</i>	2.842	0,03	5.357	0,06	3.300	0,05	138	0,00
<i>Health and social services</i>	16.452	0,19	595	0,01	11.324	0,17	15	0,00
Other	41.944	0,48	205.174	2,27	24.694	0,37	228.948	3,83
Total	8.825.107	100,00	9.030.170	100,00	6.747.813	100,00	5.978.539	100,00

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

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	8.796.385	9.024.198	28.722	5.972
Letters of guarantee	7.596.429	5.091.198	28.722	5.972
Bank acceptances	5.620	622.372	-	-
Letters of credit	988.711	3.093.197	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	205.625	217.431	-	-

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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)	6.151.082	3.476.585	-	-
Forward foreign currency buy/sell transactions	2.200.039	104.596	-	-
Currency buy/sell swap	3.812.283	3.179.800	-	-
Currency futures	-	-	-	-
Currency put/call options	138.760	192.189	-	-
Interest related derivative transactions (II)	-	-	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	-	-	-	-
Interest rate put/call options	-	-	-	-
Interest rate buy/sell futures	-	-	-	-
Other trading derivative transactions (III)⁽¹⁾	1.985.142	1.384.457	-	-
A. Total trading derivative transactions (I+II+III)	8.136.224	4.861.042	-	-
Types of derivative transactions for risk management	-	-	-	-
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B. Total derivative transactions for hedging	-	-	-	-
Total derivative transactions (A+B)	8.136.224	4.861.042	-	-

⁽¹⁾ Other trading derivatives include credit default swap purchases and sale transactions amounting TRY 279.000 and TRY 198.070 respectively and forward precious metal purchase and sale transactions TRY 1.500.223 and TRY 7.849 respectively.

d) Information on contingent liabilities and assets:

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

e) Services supplied on behalf of others:

None.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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	1.623.275	194.172	1.530.556	155.357
Medium and long term loans	2.665.793	631.047	2.066.429	381.689
Interest on non-performing loans	132.115	4.583	122.201	8
Premiums from resource utilization support fund	-	-	-	-
Total	4.421.183	829.802	3.719.186	537.054

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

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	-	-	66.622	-
Domestic banks	486	820	2.230	343
Overseas banks	751	8.019	930	3.345
Head office and branches abroad	-	-	-	-
Total	1.237	8.839	69.782	3.688

c) Interest income from marketable securities:

	Current period		Prior period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	4.985	766	2.995	377
Financial Assets at Fair Value through profit or loss	-	-	-	-
Financial Assets available for sale	665.394	69.834	532.665	84.090
Investments held to maturity	1.175.312	117.349	1.297.535	102.170
Total	1.845.691	187.949	1.833.195	186.637

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries	38	3.160

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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	15.631	115.273	16.947	48.971
<i>Central Bank of Turkey</i>	-	-	-	-
<i>Domestic banks</i>	15.631	5.466	9.844	3.623
<i>Overseas banks</i>	-	109.807	7.103	45.348
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	8.934	1.007	287	2
Total	24.565	116.280	17.234	48.973

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries	5.798	4.052

c) Information on interest expenses to marketable securities issued:

Interest expenses to marketable securities is TRY 17.308. (31 December 2010: None.)

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits						Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
TRY								
Bank deposits	83	139.916	6.841	949	178	-	-	147.967
Saving deposits	82	83.777	1.552.052	96.564	16.271	34.981	5.936	1.789.663
Public deposits	182	21.258	178.523	12.302	2.319	44	-	214.628
Commercial deposits	153	145.423	275.691	39.109	4.643	1.531	-	466.550
Other deposits	-	14.550	78.534	20.277	13.514	649	-	127.524
7 days call accounts	-	-	-	-	-	-	-	-
Total	500	404.924	2.091.641	169.201	36.925	37.205	5.936	2.746.332
Foreign currency								
Deposits	309	68.839	208.006	50.746	17.429	50.587	-	395.916
Bank deposits	-	10.501	-	-	-	-	-	10.501
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
Total	309	79.340	208.006	50.746	17.429	50.587	-	406.417
Grand total	809	484.264	2.299.647	219.947	54.354	87.792	5.936	3.152.749

(3) Information on dividend income:

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	620	418
Other	5.053	805
Total	5.673	1.223

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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	7.911.772	6.066.833
Profit from the capital market operations	951.080	223.687
Profit on derivative financial instruments	1.677.946	945.348
Foreign exchange gains	5.282.746	4.897.798
Loss	(7.701.513)	(5.933.478)
Loss from the capital market operations	(855.333)	(1.929)
Loss on derivative financial instruments	(1.523.607)	(1.018.188)
Foreign exchange losses	(5.322.573)	(4.913.361)

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	1.677.946	945.348
Effect of the change in foreign exchange on profit	1.616.286	944.637
Effect of the change in interest rate on profit	61.660	711
Loss on derivative financial instruments	(1.523.607)	(1.018.188)
Effect of the change in foreign exchange on loss	(1.493.974)	(961.439)
Effect of the change in interest rate on loss	(29.633)	(56.749)
Profit/loss on derivative financial instruments	154.339	(72.840)

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	418.156	284.834
<i>Specific provision reversals for Loans under follow up</i>	<i>284.486</i>	<i>220.190</i>
<i>Other prior period expense reversals income</i>	<i>133.670</i>	<i>64.644</i>
Life insurance income	263.126	139.269
Receivable from the asset sale on credit terms	79.653	66.891
Rent income	17.248	6.605
Cheques	5.619	5.019
Other income	34.930	95.187
Total	818.732	597.805

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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	211.204	316.369
<i>Group - III loans and receivables</i>	107.771	134.190
<i>Group - IV loans and receivables</i>	20.637	33.615
<i>Group - V loans and receivables</i>	82.796	148.564
General loan provision expenses	266.662	114.567
Provision expenses for possible losses	186.400	600
Marketable securities impairment losses	-	12.133
<i>Financial assets at fair value through profit and loss</i>	-	-
<i>Financial assets available for sale</i>	-	12.133
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to- maturity	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Jointly controlled entities (joint ventures)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Other	27.450	14.801
Total	691.716	458.470

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	761.503	689.537
Reserve for employee termination benefits	58.712	49.235
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	24	303
Depreciation expenses of fixed assets	82.313	69.582
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	2.863	1.802
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	4.326	8.764
Amortization expenses of assets that will be disposed of	3.924	5.373
Impairment expense for property and equipment held for sale	-	224
Other operating expenses	613.588	482.581
<i>Operational leasing expenses</i>	85.845	59.942
<i>Maintenance expenses</i>	16.873	21.134
<i>Advertisement expenses</i>	57.494	39.354
<i>Other expenses</i>	453.376	362.151
Loss on sales of assets	2.100	5.159
Other	415.740	341.389
Total	1.945.093	1.653.949

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

**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 3.533.758 of the income before tax consists of net interest income, TRY 703.029 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is TRY 2.635.547.
- (9) Information on tax provisions for continuing and discontinued operations:
For the year ended 31 December 2011, the Group's tax provision amounting to TRY 608.848 consists of TRY 381.227 of current tax charge and TRY 227.621 of deferred tax income.
- (10) Information on net operating income/expense from continuing and discontinued operations after tax:
For the year ended 31 December 2011, the Group's net operating income after tax is TRY 2.026.699.
- (11) Information on net profit/loss from continuing and discontinued operations:
- a) Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Group's performance for the period between 1 January 2011 and 31 December 2011.
- b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.
- c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

**V. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT
OF CHANGES IN SHAREHOLDERS' EQUITY**

(1) Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 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:

The “net increase/(decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 2.244.178 thousands for the year 2011. The “others” item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TRY 2.438.101 thousands for the year 2011. For the year ended 31 December 2011, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 788.962 increase (31 December 2010: TRY 76.689, increase).

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

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

None.

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

	Current period	Prior period
Cash	4.649.565	3.415.724
<i>Cash in TRY and foreign currency</i>	379.285	256.719
<i>Central Bank, Legal Requirements and others⁽¹⁾</i>	4.270.280	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
Restricted Legal Requirements	(1.317.067)	(836.066)
Legal provision re-discounts	(3.498)	(19.351)
Money market placement discounts	(135)	-
Bank re-discounts	(53)	(75)
Cash and Cash Equivalents	4.557.605	3.732.344

⁽¹⁾ Others items include precious metals.

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

	Current period	Prior period
Cash	7.287.733	4.649.565
<i>Cash in TRY and foreign currency</i>	486.600	379.285
<i>Central Bank, Legal Requirements and others⁽¹⁾</i>	6.801.133	4.270.280
Cash equivalents	1.572.018	1.228.793
<i>Banks - maturity less than 3 months</i>	1.538.705	1.012.668
<i>Money market placements</i>	33.313	216.125
Total cash and cash equivalents	8.859.751	5.878.358
Restricted Legal Requirements	(3.975.813)	(1.317.067)
Bank blockage balance ⁽²⁾	(96.889)	-
Legal Provision re-discounts	-	(3.498)
Money market placement discounts	(56)	(135)
Bank re-discounts	(3.027)	(53)
Cash and Cash Equivalents	4.783.966	4.557.605

⁽¹⁾ Other items include precious metals.

⁽²⁾ Technical reserves of Halk Hayat ve Emeklilik AŞ, amounting to TRY 96.889, which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

**SECTION 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	-	4.477	-	-	-	-
Interest and commissions income	38	58	-	-	-	-

b) Prior period:

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

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

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
	Deposits					
Beginning balance	56.427	45.128	-	-	-	-
Closing Balance	84.030	56.427	-	-	-	-
Interest expense on deposits	5.798	4.052	-	-	-	-

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

None.

TÜRKİYE HALK BANKASI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2011

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

SECTION 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.

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

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

	Amount	% compared to the amounts in the financial statements
Non-cash loans	4.477	0,03%
Deposits	84.030	0,13%

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

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

Explained in b).

d) Transactions accounted under the equity method:

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

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 9.004 as of 31 December 2011 (31 December 2010: TRY 6.380).

TÜRKİYE HALK BANKASI AŞ**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

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

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

	Quantity	Number of employees	Country	Total Assets	Legal Capital
Domestic Branches	766	13.609			
Agencies Abroad	1	2	Tehran/İRAN		
Overseas Branches	4	17	Nicosia/TRNC	154.120	50.000
		6	Famagusta/ TRNC	20.617	-
		6	Kyrenia/ TRNC	19.063	-
		2	Askeia/ TRNC	59	-
Off-shore Branches	1	3	Manama/BAHRAIN	6.306.939	-

- (2) Explanations on branch and agency openings or closings of the Parent Bank:
The Bank opened 61 domestic branches during the year.

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

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

Related to domestic bank bill or bond issuance:

Along with the domestic bank bill or bond issuance of up to nominal value TRY 3.000.000; second stage of domestic bank bill or bond issuance is authorized by Capital Markets Board (CMB) at 17 January 2012 and is registered in Ankara Commercial Registry at 18 January 2012. Second stage bond issuance amounted to TRY 750.000, with a maturity of 175 days. Claims and registration are carried out by the Bank and Halk Yatırım Menkul Değerler AŞ at 23-24-25 January 2012.

Establishment of Halk Factoring Anonim Şirketi

It is agreed on Bank's board of directors committee to establish a financial services company titled "Halk Factoring Anonim Şirketi". The company will have a total paid-in capital of TRY 20.000, with the Bank to invest TRY 19.000 for a 95% and Halk Yatırım Menkul Değerler AŞ, Halk Finansal Kiralama AŞ, Halk Sigorta AŞ each to invest equally TRY 250 for 1,25% shares.

Halk Hayat ve Emeklilik AŞ's having license on engaging private pension plan activities:

It has been approved with the T.C.Prime Ministry Undersecretariat of treasury numbered B.02.1 HZN.0.10.06.01.273.05 that Bank's subsidiary Halk Hayat ve Emeklilik AŞ could operate in private pension plan activities.

Explanations regarding the acquisition and assignation of Ziraat Banka AD, Skopje shares with Halk Banka AD, Skopje assignation

The Bank and T.C. Ziraat Bankası AŞ has agreed on acquisition and assignation of the all shares, assets, liabilities and branches of Ziraat Banka AD, Skopje; which operates in Macedonia. Transfer processes will be governed by Central Bank, and other governors in Macedonia. The process is expected to be completed before the end of 2012.

Explanations regarding to cancellation of investment allowance exception by Constitutional Court:

Published in Official Gazette dated February 18, 2012 the Constitutional Court and the Presidency 28 208 2012/9 dated "Prompt suspension of execution in", No. 6009, dated July 23, 2010, "Income Tax Law and Certain Laws and Decree Law Amending 's, A-5. Temporary Article 69 of Law No. 193 added to the first paragraph, "so far, be able to deduct the tax base in determining the amount of investment allowance, shall not exceed 25% of the profits." shaped sentence, E.2010/93 dated February 9, 2012, decision No. K.2012/20 has been canceled, this sentence, arising from the implementation status and the prevention of losses and the subsequent removal difficult or impossible to cancel the decision not to be in vain to stop enforcement of the decision until the day was decided to be published in the Official Gazette.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE PARENT BANK'S OPERATIONS

None.

TÜRKİYE HALK BANKASI AŞ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 December 2011**

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

SECTION VII: INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

The consolidated financial statements as of and for the year ended 31 December 2011 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 8 March 2012 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITORS

None.