

**TÜRK EKONOMİ BANKASI  
ANONİM ŞİRKETİ**

**CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
JUNE 30, 2011**

To the Board of Directors of  
Türk Ekonomi Bankası A.Ş.  
İstanbul

## **Report on Review of Condensed Consolidated Interim Financial Information**

### **Introduction**

We have reviewed the accompanying condensed balance sheet of Türk Ekonomi Bankası A.Ş. as of June 30, 2011 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

İstanbul, August 26, 2011

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

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**TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED CONDENSED BALANCE SHEET**  
**AS AT JUNE 30, 2011**

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

	June 30, 2011	December 31, 2010
<b>ASSETS</b>		
Cash and balances with central banks	3,600,827	2,132,807
Deposits with and loans due from banks and other financial institutions	930,012	1,380,874
Other money market placements	360	238
Financial assets at fair value through profit and loss	2,267,161	216,188
Derivatives used for hedging purposes	4,962	11,157
Available-for-sale financial assets	4,721,802	3,515,011
Loans and receivables	24,772,904	12,310,519
Remeasurement adjustment on interest rate risk hedged portfolios	14,908	33,648
Held-to-maturity investments	18,844	235,019
Factoring receivables, net	561,521	602,646
Premises and equipment	267,743	117,568
Intangible assets	18,778	13,941
Goodwill	421,847	-
Deferred tax asset	99,767	36,895
Other assets	827,845	463,059
<b>Total assets</b>	<b>38,529,281</b>	<b>21,069,570</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Deposits from other banks	942,853	1,551,262
Customers' deposits	18,189,637	11,612,609
Other money market deposits	3,718,115	74,357
Financial liabilities at fair value through profit and loss	241,849	96,768
Derivatives used for hedging purposes	31,223	56,547
Funds borrowed:		
- Subordinated debt	508,905	470,060
- Other funds borrowed	8,590,916	4,428,335
Other liabilities	1,673,702	699,943
Provisions	174,237	46,073
Income taxes payable	3,054	52,684
Deferred tax liability	518	-
<b>Total liabilities</b>	<b>34,075,009</b>	<b>19,088,638</b>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>	<b>4,454,272</b>	<b>1,980,932</b>
Share capital issued	2,204,390	1,100,000
Premium in excess of par	2,565	2,158
Adjustment to share capital	200,262	926
Unrealized gains/(losses) on available-for-sale investments, net of tax	(14,036)	83,023
Other reserves and retained earnings	2,061,091	794,825
<b>Total equity</b>	<b>4,454,272</b>	<b>1,980,932</b>
<b>Total liabilities and equity</b>	<b>38,529,281</b>	<b>21,069,570</b>

The accompanying policies and explanatory notes are an integral part of these consolidated financial statements.

# TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

## CONSOLIDATED CONDENSED STATEMENT OF INCOME FOR THE PERIOD ENDED JUNE 30, 2011

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

	January 1- June 30, 2011	January 1- June 30, 2010
<b>Interest income</b>		
Interest on loans and receivables	1,030,796	606,166
Interest on securities	189,124	123,729
Interest on deposits with and loans due from banks and other financial institutions	13,441	23,236
Interest on other money market placements	141	1,507
Interest income on hedging derivatives	3,411	3,975
Other interest income	49	-
<b>Total interest income</b>	<b>1,236,962</b>	<b>758,613</b>
<b>Interest expense</b>		
Interest on customer deposits	(397,478)	(245,110)
Interest on other money market deposits	(44,387)	(29,053)
Interest on funds borrowed and deposits from other banks	(173,120)	(79,434)
Interest on hedging derivatives	(18,987)	(25,761)
<b>Total interest expense</b>	<b>(633,972)</b>	<b>(379,358)</b>
<b>Net interest income</b>	<b>602,990</b>	<b>379,255</b>
<b>Fees and commissions and other operating income</b>		
Fees and commissions income	303,761	232,139
Fees and commissions expenses	(117,983)	(80,193)
Net gain/ (loss) on financial instruments at fair value through profit or loss	(20,341)	(6,567)
Net gain/(loss) on investment securities	65,252	27,554
Net income / (loss) from other activities	6,299	(4,498)
<b>Net banking income</b>	<b>839,978</b>	<b>547,690</b>
<b>Operating expenses</b>		
Salaries and employee benefits	(333,178)	(197,787)
Other operating expenses	(225,834)	(120,635)
Depreciation and amortization	(43,308)	(26,966)
Taxes other than on income	(33,936)	(20,926)
<b>Gross operating income</b>	<b>203,722</b>	<b>181,376</b>
Provisions for impairment of loan, lease and factoring receivables, net of recoveries	(5,102)	(28,658)
<b>Net operating income</b>	<b>198,620</b>	<b>152,718</b>
Gain/(loss) on sale of fixed assets and investments, net	(228)	27
<b>Profit from operating activities before income tax</b>	<b>198,392</b>	<b>152,745</b>
Income tax – current	(7,189)	(30,192)
Income tax – deferred	(34,320)	(1,803)
<b>Net profit for the year from continuing operations</b>	<b>156,883</b>	<b>120,750</b>
<b>Discontinued operations</b>		
Profit for the year from discontinued operations	-	9,174
<b>Attributable to :</b>		
Equity holders of the Parent	156,883	129,924
<b>Net profit</b>	<b>156,883</b>	<b>129,924</b>
Earnings per share (full TRY)	0.0813	0.1181

The accompanying policies and explanatory notes are an integral part of these consolidated financial statements.

**TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ****CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED JUNE 30, 2011**

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

	<b>January 1- June 30, 2011</b>	January 1- June 30, 2010
<b>Profit for the period</b>	<b>156,883</b>	129,924
<b>Other comprehensive income</b>		
Fair value gains on available-for-sale financial assets, net of tax	<b>(97,059)</b>	(9,316)
Net change in fair values	<b>(44,641)</b>	13,276
Net amount transferred to income	<b>(52,418)</b>	(22,592)
Currency translation differences	<b>27,292</b>	(18,424)
<b>Other comprehensive income for the period, net of tax</b>	<b>(69,767)</b>	(27,740)
<b>Total comprehensive income for the period</b>	<b>87,116</b>	102,184
Total comprehensive income attributable to Equity holders of the Parent	<b>87,116</b>	102,184

The accompanying policies and explanatory notes are an integral part of these consolidated financial statements.

**TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ**

**CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD ENDED JUNE 30, 2011**

*Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.*

	<b>Attributable to equity holders of the Parent</b>								
	Share Capital	Premium in excess of Par	Adjustment to share capital	Other Capital Reserves	Unrealized gains/(losses) on available-for-sale investments, net of tax	Currency translation reserve	Legal reserves and retained earnings	Total Equity	
At January 1, 2010	1,100,000	2,158	926	-	21,823	9,259	645,802	1,779,968	
Total comprehensive income for the period	-	-	-	-	(9,316)	(18,424)	129,924	102,184	
At June 30, 2010	1,100,000	2,158	926	-	12,507	(9,165)	775,726	1,882,152	
<b>At January 1, 2011</b>	<b>1,100,000</b>	<b>2,158</b>	<b>926</b>	<b>-</b>	<b>83,023</b>	<b>2,365</b>	<b>792,460</b>	<b>1,980,932</b>	
Effect of merger (Note 6)	<b>1,050,000</b>	<b>407</b>	<b>199,336</b>	<b>1,136,481</b>	-	-	-	<b>2,386,224</b>	
Capital increase through internal resources	<b>54,390</b>	-	-	-	-	-	<b>(54,390)</b>	-	
Total comprehensive income for the period	-	-	-	-	<b>(97,059)</b>	<b>27,292</b>	<b>156,883</b>	<b>87,116</b>	
<b>At June 30, 2011</b>	<b>2,204,390</b>	<b>2,565</b>	<b>200,262</b>	<b>1,136,481</b>	<b>(14,036)</b>	<b>29,657</b>	<b>894,953</b>	<b>4,454,272</b>	

The accompanying policies and explanatory notes are an integral part of these consolidated financial statements.

# TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

## CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED JUNE 30, 2011

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

	Notes	January 1- June 30, 2011	January 1- June 30, 2010
<b>Cash flows from operating activities</b>			
Interest received		1,188,342	835,969
Interest paid		(606,731)	(305,919)
Fees and commissions received		355,268	232,357
Trading income		15,977	(87,895)
Recoveries of impairment of loan, lease and factoring receivables		105,270	80,227
Fees and commissions paid		(117,983)	(80,099)
Cash payments to employees and other parties		(288,568)	(208,653)
Cash received from other operating activities		6,299	-
Other operating activities		(212,184)	(177,538)
Income taxes paid		(84,083)	(23,767)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>361,607</b>	<b>264,682</b>
<b>Changes in operating assets and liabilities</b>			
Net increase) in trading securities		(1,235,572)	(111,818)
Net increase in reserve deposits at central banks		(1,120,153)	(236,506)
Net increase in deposits with and loans due from banks and other financial institutions		42,610	45,692
Net increase in loans and receivables		(4,553,092)	(1,702,693)
Net (increase) / decrease in factoring receivables		37,764	(59,072)
Net decrease in minimum lease payments receivable		-	29,453
Net (increase) / decrease in other assets		1,008,783	(144,899)
Net increase / (decrease) in deposits from other banks		(1,422,017)	78,669
Net increase in customers' deposits		1,044,373	313,430
Net increase / (decrease) in other money market deposits		3,639,609	(735,584)
Net increase in other liabilities		1,405,702	163,463
<b>Net cash used in operating activities</b>		<b>(1,151,993)</b>	<b>(2,359,865)</b>
<b>Cash flows from investing activities</b>			
Purchases of available-for-sale securities		(2,263,922)	(2,614,787)
Proceeds from sale and redemption of available-for-sale securities		1,850,366	2,326,440
Purchases of held-to-maturity securities		(1,243)	-
Proceeds from redemption of held-to-maturity securities		106,227	454,218
Purchases of property and equipment		(20,768)	(6,899)
Proceeds from the sale of premises and equipment		182	11,679
Purchases of intangible assets		(3,248)	(4,703)
<b>Net cash provided by / (used in) investing activities</b>		<b>(332,406)</b>	<b>165,948</b>
<b>Cash flows from financing activities</b>			
Proceeds from funds borrowed and debt securities		6,184,928	19,780,353
Repayment of funds borrowed and debt securities		(6,203,862)	(18,705,492)
<b>Net cash provided by financing activities</b>		<b>(18,934)</b>	<b>1,074,861</b>
Effect of net foreign exchange differences		51,354	59,670
Net decrease in cash and cash equivalents		(1,090,372)	(794,704)
Cash and cash equivalents at the beginning of the period (*)		2,246,349	1,718,235
<b>Cash and cash equivalents at the end of the period</b>		<b>1,155,977</b>	<b>923,531</b>

(\*) The cash and cash equivalents at beginning of the period also includes cash and cash equivalents that were transferred from Fortis Bank A.Ş. and Fortis Yatırım as at February 14, 2011 amounting to TRY 936,187.

The accompanying policies and explanatory notes are an integral part of these consolidated financial statements.

# TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2011

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

### 1. CORPORATE INFORMATION

#### General

Türk Ekonomi Bankası A.Ş. (the “Bank” or “TEB”) was incorporated in Turkey in 1927 under the name of Kocaeli Halk Bankası T.A.Ş. and was acquired by the Çolakoğlu Group in 1982. The name of the Bank was changed as Türk Ekonomi Bankası A.Ş. and its headquarters was transferred to Istanbul. Certain shares of the Bank, representing 20% of the total, were listed on the Istanbul Stock Exchange in February 2000. Currently, 4.52% of the total shares are publicly traded. TEB’s shares are also listed and traded on the London Stock Exchange as GDR’s since 2000. The registered office address of TEB is situated on Saray Mahallesi Sokullu Caddesi, No: 7/A-7/B, Ümraniye-Istanbul/Turkey.

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

Following the announcement of the Banking Regulation and Supervision Agency (the “BRSA”) approval dated February 10, 2011 in at the Official Gazette no: 27844 on February 12, 2011, merger of two banks by means of transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated in accordance with the relevant registration on February 14, 2011 to İstanbul Trade Registry. Due to the merger, ceiling for the registered capital of the Bank has been increased from TRY 1,400,000 to TRY 2,204,390, and the issued capital of the Bank has been increased by TRY 1,104,390, from TRY 1,100,000 to TRY 2,204,390.

Issued registered shares of the merged bank were distributed to the shareholders of Fortis Bank A.Ş., which was dissolved due to the merger, in exchange of their current shares. Fortis Bank A.Ş. shareholders received 1.0518 registered Türk Ekonomi Bankası A.Ş. (“TEB”) shares for each Fortis Bank A.Ş. share having a nominal value of TRY 1 (full TRY).

Following the merger and related subsequent share transfers among shareholders, the shareholders’ structure and their respective ownerships are summarized below as of June 30, 2011 together with the comparative information as of December 31, 2010:

Name of shareholders	June 30, 2011		December 31, 2010	
	Paid in capital	%	Paid in capital	%
TEB Holding A.Ş. (previously TEB Mali Yatırımlar A.Ş.)	1,212,414	55.00	926,796	84.25
BNP Yatırımlar Holding A.Ş.	514,616	23.34	-	-
BNP Paribas Fortis Yatırımlar Holding A.Ş.	376,584	17.08	-	-
Publicly Traded	99,556	4.52	171,966	15.63
Other Shareholders	1,220	0.06	1,238	0.12
	<b>2,204,390</b>	<b>100.00</b>	<b>1,100,000</b>	<b>100.00</b>

As of June 30, 2011, the Bank’s paid-in-capital consists of 2,204,390,000 shares of TRY 1.00 (full TRY) nominal each.

The Bank’s controlling shareholder is TEB Holding A.Ş., which is a member of Çolakoğlu and BNP Paribas Group. 50% of TEB Holding A.Ş. share is controlled by BNP Paribas, while the remaining 50% is controlled by the Çolakoğlu Group.

# TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2011

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

### 1. CORPORATE INFORMATION (continued)

#### General (continued)

The consolidated interim financial statements of the Bank were authorized for issuance by the management on August 26, 2011. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

#### Nature of Activities of the Group

The Group operations, which are mainly for local customers, consist of banking, factoring, securities brokerage and portfolio management.

Subsidiaries included in consolidation and effective shareholding percentages of the Group as of June 30, 2011 and December 31, 2010 are as follows:

	Place of Incorporation	Effective Shareholding And Voting Rights %	
		June 30, 2011	December 31, 2010
The Economy Bank N.V. (Economy Bank)	Netherlands	100.0	100.0
TEB Yatırım Menkul Değerler A.Ş. (TEB Yatırım) (*)	Turkey	100.0	100.0
TEB Faktoring A.Ş. (TEB Faktoring)	Turkey	100.0	100.0
TEB Portföy Yönetimi A.Ş. (TEB Portföy)	Turkey	100.0	100.0
Stichting Effecten Dienstverlening	Netherlands	100.0	100.0
Kronenburg Vastgoed B.V.	Netherlands	100.0	100.0

(\*) Fortis Yatırım Menkul Değerler A.Ş. ("Fortis Yatırım") in which TEB has 99.998% participation, was merged to TEB Yatırım on June 24, 2011.

The principal activities of the consolidated subsidiaries are as follows:

Economy Bank – A commercial bank, that mainly engages in foreign trade finance, corporate banking, private banking and correspondent banking services.

TEB Yatırım – Rendering fixed income and equity brokerage and corporate finance services in line with the requirements of the Capital Markets Board of Turkey.

TEB Faktoring – Providing both domestic and export factoring services to industrial and commercial enterprises in Turkey.

TEB Portföy – Managing individual customer portfolios and mutual funds which consist of capital market instruments.

Stichting Effecten Dienstverlening – Operating under Economy Bank for holding securities of customers, located in the Netherlands.

Kronenburg Vastgoed B.V. – A real estate company established for the purpose of the ownership of property possessed by Economy Bank in the Netherlands.

# **TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ**

## **NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2011**

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

### **2. BASIS OF PREPARATION**

The interim financial statements as of June 30, 2011 have been prepared in accordance with IAS 34 (Interim Financial Reporting) and should be read in conjunction with the consolidated financial statements of the Bank for the year ended December 31, 2010.

The interim financial statements have been prepared on a basis consistent with the accounting policies set out in the financial statements of the Bank for the year ended December 31, 2010.

The Bank and its subsidiaries which are incorporated in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law and accounting standards promulgated by the other regulators and relevant laws and regulations. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their local currencies and in accordance with the regulations of the countries in which they operate. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and presented in Turkish Lira (TRY). For the purpose of fair presentation in accordance with IFRS, certain adjustments and reclassifications have been made to the statutory financial statements, which mainly comprise the effects of deferred taxation and reserve for impairment of loans and receivables.

As explained in Note 6 “Explanations on Business Combination”, the merger of TEB and Fortis Bank A.Ş. has been effectuated as of February 14, 2011. The related transaction has been accounted for in accordance with the requirements of IFRS 3 “Business Combinations”, and prior period balances presented in the financial statements and notes to the consolidated financial statements do not include any balances or figures related to Fortis Bank A.Ş.

# TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2011

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

### 2. BASIS OF PREPARATION (continued)

#### New and Revised International Financial Reporting Standards

(a) New and Revised IFRSs affecting presentation and disclosure only

None.

(b) New and Revised IFRSs affecting the reported financial performance and / or financial position

None.

(c) New and Revised IFRSs applied with no material effect on the consolidated financial statements

#### Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendments have been applied retrospectively.

#### Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010)

The amendment encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. The amendment also clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans. The amendments have been applied retrospectively.

#### IAS 24 (Revised 2009) *Related Party Disclosures*

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011.

#### IAS 32 (Amendments) *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements*

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

#### IFRS 1 (amendments) *First-time Adoption of IFRS – Additional Exemptions and Two Other Amendments*

Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

#### IFRIC 14 (Amendments) *Pre-payment of a Minimum Funding Requirement*

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made.

### 2. BASIS OF PREPARATION (continued)

#### New and Revised International Financial Reporting Standards (continued)

# TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2011

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

### (c) New and Revised IFRSs applied with no material effect on the consolidated financial statements (continued)

#### **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability.

#### **Annual Improvements May 2010**

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 5 main standards/interpretations as follow: IFRS 1 *First-time Adoption of International Financial Reporting Standards*; IFRS 3 *Business Combinations*; IAS 27 *Consolidated and Separate Financial Statements*; IAS 34 *Interim Financial Reporting* and IFRIC 13 *Customer Loyalty Programmes*. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011.

The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years.

### (d) New and Revised IFRSs in issue but not yet effective

#### **IFRS 1 (amendments) *First-time Adoption of IFRS – Two Amendments***

On 20 December, IFRS 1 is amended to;

- provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs.
- provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

The amendment above will be effective for annual periods beginning on or after 1 July 2011. These amendments are not relevant to the Group, as it is an existing IFRS preparer.

#### **IFRS 7 *Financial Instruments: Disclosures***

In October 2010, IFRS 7 *Financial Instruments: Disclosures* is amended by IASB as part of its comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will be effective for annual periods beginning on or after 1 July 2011. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

# TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2011

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

### 2. BASIS OF PREPARATION (continued)

#### New and Revised International Financial Reporting Standards (continued)

##### (d) New and Revised IFRSs in issue but not yet effective (continued)

###### **IFRS 9 *Financial Instruments: Classification and Measurement***

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 *Financial Instruments: Recognition and Measurement*. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

###### **IAS 12 *Income Taxes***

In December 2010, IAS 12 is amended. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

###### **IFRS 10 *Consolidated Financial Statements***

IFRS 10 replaces the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

###### **IFRS 11 *Joint Arrangements***

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

# TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2011

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

### 2. BASIS OF PREPARATION (continued)

#### New and Revised International Financial Reporting Standards (continued)

##### (d) New and Revised IFRSs in issue but not yet effective (continued)

###### **IFRS 12 *Disclosure of Interest In Other Entities***

IFRS 12 requires extensive disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. An entity is required to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

###### **IAS 27 *Separate Financial Statements* (2011)**

The requirements relating to separate financial statements are unchanged and are included in the amended IAS 27. The other portions of IAS 27 are replaced by IFRS 10.

###### **IAS 28 *Investments in Associates and Joint Ventures* (2011)**

IAS 28 is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

###### **IFRS 13 *Fair Value Measurements***

On 12 May 2011, IASB issued IFRS 13 Fair Value Measurement, which establishes a single source of guidance for fair value measurement under IFRSs. IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements. The Standard does not include requirements on when fair value measurements is required; it prescribes how fair value is to be measured if another Standard requires it. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

###### **IAS 1 *Presentation of Financial Statements* (2011) – *Presentation of Items of Other Comprehensive Income***

The amendments to IAS 1 provides guidance on the presentation of items contained in other comprehensive income (OCI) and their classification within OCI. The new standard is mandatory for annual periods beginning on or after 1 July 2012. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

###### **IAS 19 *Employee Benefits* (2011) (the “amendments”)**

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

# TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2011

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

### 3. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

Following the approval announcement of the Banking Regulation and Supervision Agency approval on February 10, 2011 in the Official Gazette no: 27844 on February 12, 2011, merger of two banks by means of transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated in accordance with the relevant registration on February 14, 2011 to the İstanbul Trade Registry. The details of the merger transaction is detailed in note 6 Explanations on Business Combinations.

Following the merger with Fortis Bank A.Ş., the Group has revised its risk management policies. Accordingly, held to maturity investments amounting to TRY 261,199 have been classified as financial assets available for sale in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

### 4. SEGMENT INFORMATION

#### *Business segments*

The Group is organized into three main business segments which are organized and managed separately according to the nature of the products and services provided.

#### As of and for the period ended June 30, 2011

	Retail Banking	Corporate Banking	Treasury/ Head Office	Eliminations	Group
External revenues	296,113	666,120	589,923	(5,134)	1,547,022
Revenues from other segments	-	-	-	-	-
<b>Total revenues</b>	<b>296,113</b>	<b>666,120</b>	<b>589,923</b>	<b>(5,134)</b>	<b>1,547,022</b>
Segment result (A)	47,323	226,091	(75,008)	(14)	198,392
Unallocated costs (B)	-	-	-	-	-
<b>Operating profit (A-B)</b>	<b>47,323</b>	<b>226,091</b>	<b>(75,008)</b>	<b>(14)</b>	<b>198,392</b>
Dividend income	-	-	18,470	(18,470)	-
Profit before income tax	47,323	226,091	(56,538)	(18,484)	198,392
Income tax	-	-	(41,509)	-	(41,509)
<b>Net profit</b>	<b>47,323</b>	<b>226,091</b>	<b>(98,047)</b>	<b>(18,484)</b>	<b>156,883</b>
<b>Assets and Liabilities</b>					
Segment assets	7,049,730	18,339,890	11,528,218	(24,537)	36,893,301
Unallocated assets	-	-	1,797,936	(161,956)	1,635,980
<b>Total assets</b>	<b>7,049,730</b>	<b>18,339,890</b>	<b>13,326,154</b>	<b>(186,493)</b>	<b>38,529,281</b>
Segment liabilities	10,638,090	12,359,525	9,250,345	(24,462)	32,223,498
Unallocated liabilities	-	-	1,851,526	(15)	1,851,511
<b>Total liabilities</b>	<b>10,638,090</b>	<b>12,359,525</b>	<b>11,101,871</b>	<b>(24,477)</b>	<b>34,075,009</b>
<b>Other segment information</b>					
<b>Capital expenditures</b>					
Tangible fixed assets	-	-	-	-	20,768
Intangible fixed assets	-	-	-	-	3,248
Depreciation	-	-	-	-	37,777
Amortization	-	-	-	-	5,532

# TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2011

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

### 4. SEGMENT INFORMATION (continued)

#### Period ended June 30, 2010

	Retail Banking	Corporate Banking	Treasury/ Head Office	Eliminations	Group
External revenues	458,634	299,917	229,652	(1,949)	986,254
Revenues from other segments	-	-	-	-	-
<b>Total revenues</b>	<b>458,634</b>	<b>299,917</b>	<b>229,652</b>	<b>(1,949)</b>	<b>986,254</b>
Segment result (A)	106,282	76,456	(30,070)	77	152,745
Unallocated costs (B)	-	-	-	-	-
<b>Operating profit (A-B)</b>	<b>106,282</b>	<b>76,456</b>	<b>(30,070)</b>	<b>77</b>	<b>152,745</b>
Dividend income	-	-	18,790	(18,790)	-
Profit before income tax	106,282	76,456	(11,280)	(18,713)	152,745
Income tax	-	-	(31,995)	-	(31,995)
Profit from discontinued operations	-	9,136	-	38	9,174
<b>Net profit</b>	<b>106,282</b>	<b>85,592</b>	<b>(43,275)</b>	<b>(18,675)</b>	<b>129,924</b>

#### Year ended December 31, 2010

<b>Assets and Liabilities</b>					
Segment assets	2,737,520	10,450,286	7,463,697	(213,396)	20,438,107
Unallocated assets	-	-	631,227	236	631,463
<b>Total assets</b>	<b>2,737,520</b>	<b>10,450,286</b>	<b>8,094,924</b>	<b>(213,160)</b>	<b>21,069,570</b>
Segment liabilities	5,753,994	7,925,274	4,700,301	(89,631)	18,289,938
Unallocated liabilities	-	-	798,893	(193)	798,700
<b>Total liabilities</b>	<b>5,753,994</b>	<b>7,925,274</b>	<b>5,499,194</b>	<b>(89,824)</b>	<b>19,088,638</b>

#### Period ended June 30, 2010

<b>Other segment information</b>					
<b>Capital expenditures</b>					
Tangible fixed assets	-	-	-	-	6,946
Intangible fixed assets	-	-	-	-	4,703
Depreciation	-	-	-	-	23,429
Amortization	-	-	-	-	3,760

#### *Geographical segments*

The Group's geographical segments are based on the location of Group's assets. The Group's activities are conducted predominantly in Turkey and Turkey is the home country of the Bank, which is also the main operating company. The areas of operation include all the primary business segments.

Total assets and total liabilities are based on the country in which the branch or subsidiary is located. Segment revenue from external customers included in operating income is based on the geographical location of customers or counterparties. The Group conducts majority of its business activities with local customers in Turkey. Accordingly, geographical segment revenue from customers outside of Turkey does not exceed 10% of total Group revenue.

# TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2011

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

### 4. SEGMENT INFORMATION (continued)

#### Period ended June 30, 2011

	Turkey	European Union	Total
<b>Other segment information</b>			
Segment assets	35,336,709	1,556,592	36,893,301
Unallocated assets	1,619,258	16,722	1,635,980
<b>Total assets</b>	<b>36,955,967</b>	<b>1,573,314</b>	<b>38,529,281</b>
<b>Capital expenditures</b>			
Tangible fixed assets	20,523	245	20,768
Intangible fixed assets	3,214	34	3,248

#### Year ended December 31, 2010

	Turkey	European Union	Total
<b>Other segment information</b>			
Segment assets	18,962,748	1,475,359	20,438,107
Unallocated assets	617,208	14,255	631,463
<b>Total assets</b>	<b>19,579,956</b>	<b>1,489,614</b>	<b>21,069,570</b>

#### Period ended June 30, 2010

<b>Capital expenditures</b>			
Tangible fixed assets	6,885	61	6,946
Intangible fixed assets	4,667	36	4,703

# TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2011

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### 5. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Group is controlled by the Çolakoğlu family and BNP Paribas Group each of which directly or indirectly own 50% of the shares of the Bank. For the purpose of these consolidated financial statements, unconsolidated subsidiaries, associates, shareholders, Çolakoğlu Group companies, and BNP Paribas Group entities are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group's Board of Directors and their families.

In the normal course of its business, the Group conducted various business transactions with related parties. These transactions primarily include loans, deposits and borrowing transactions. The significant outstanding balances and transactions with related parties at period-ends and relating expense and income for the period are as follows:

#### June 30, 2011:

Related party	Cash loans	Non-cash loans	Funds borrowed	Deposits taken	Deposits with banks	Derivative financial assets	Other liabilities	Derivative financial liabilities	Notional amount of derivative transactions	Interest income	Interest expense	Other operating income	Other operating expense
Direct/Indirect shareholders	34,950	72,370	5,182,176	210,355	19,265	52,275	356	120,657	7,357,461	3,479	45,067	2,185	1,815
Others	116,225	103,574	1,662,424	250,600	30,930	5,072	22	1,689	353,716	1,542	39,641	440	622

#### December 31, 2010:

Related party	Cash loans	Non-cash loans	Funds borrowed	Deposits taken	Deposits with banks	Derivative financial assets	Other liabilities	Derivative financial liabilities	Notional amount of derivative transactions	Interest income (*)	Interest Expense (*)	Other operating income (*)	Other operating expense (*)
Direct/Indirect shareholders	24,509	40,782	2,016,232	1,024,799	14,134	11,488	168	67,721	3,380,029	2,269	31,088	79	4,771
Others	140,122	117,172	1,081,634	391,344	68,529	29,161	3	260	887,840	1,736	23,730	769	5,141

(\*) Figures indicate results as of June 30, 2010.

No provisions have been recognized in respect of loans given to related parties (December 31, 2010 - nil).

#### Compensation of Key Management Personnel of the Group

The executive and non-executive members of Board of Directors and management received remuneration and fees totaling approximately TRY 23,846 as of June 30, 2011 (June 30, 2010 – TRY 13,519) comprising mainly salaries and other short-term benefit.

# TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2011

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### 6. EXPLANATIONS ON BUSINESS COMBINATION

On February 14, 2011, TEB and Fortis Bank A.Ş. merged under the legal entity of TEB resulting in dissolution of Fortis Bank A.Ş. and transfer of all its rights, receivables, liabilities and obligations to the Bank. This business combination is accounted for by applying the acquisition method in accordance with IFRS 3 Business Combinations since the merging banks were not under common control of the same parties before and after the merger. In this business combination, TEB was identified as the acquirer and Fortis Bank A.Ş. as the acquiree.

As a result of this merger, the existing shareholders of Fortis Bank A.Ş., which was dissolved due to the merger, received 1.0518 merged bank share with a nominal value of TRY 1 (in full) in exchange of each Fortis Bank A.Ş. share. Accordingly, 1,104,390,000 merged bank shares were given to the shareholders of the acquiree. The fair value of consideration given amounting to TRY 2,385,482, was determined as the fair value of the equity shares given and was based on an independent valuation advisory report. The merger impact also includes Fortis Yatırım's equity shares' fair value difference amounting to TRY 742. Consequently, the total impact of the merger in equity is presented as TRY 2,386,224 in the accompanying statement of changes in shareholders' equity.

The acquiree's (Fortis Bank A.Ş.) identifiable assets acquired and identifiable liabilities assumed at the date of acquisition are recognized at fair value. TRY 48,783 of fair value difference is recognised as capital reserves under equity.

Fair value of the identifiable net assets of Fortis Bank A.Ş. as of February 14, 2011 is as follows:

Cash and balances with Central Bank and money market placements	2,133,269
Securities	1,438,043
Loans and receivables	8,063,309
Premises and equipment and intangible assets	170,696
Deferred tax asset	56,530
Other receivables and other assets	325,384
Deposits	(6,195,402)
Funds borrowed and money market deposits	(2,990,035)
Other liabilities	(1,036,954)
<b>Net assets acquired</b>	<b>1,964,840</b>

Fair value differences arise mainly from loans and receivables, securities, premises and equipment and funds borrowed.

TRY 420,642 of positive difference between the fair value of consideration given amounting to TRY 2,385,482 and the fair value of the net identifiable assets acquired amounting to TRY 1,964,840 is accounted for as goodwill in the financial statements and included in capital reserves under equity.

Prior period financial statements of the Bank provided as comparatives represent the published financial statements as of these dates and do not include the financial statements of the acquiree.

The acquiree's net loss was TRY 9,894 and net interest income was TRY 64,822, for the period between January 1, 2011 and February 14, 2011 prior to the acquisition. If the merger had been completed as of January 1, 2011, the net profit and net interest income of the merged Bank would have been TRY 146,989 and TRY 667,812, respectively.

In accordance with IFRS 3, measurement period shall not exceed one year from the acquisition date. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable.

### 7. COMMITMENTS AND CONTINGENCIES

# TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2011

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In the normal course of business activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including:

	June 30, 2011	December 31, 2010
Letters of guarantee issued	5,144,348	3,052,806
Letters of credit	1,327,480	993,442
Acceptance credits	445,587	55,532
Other guarantees	470,788	314,530
<b>Total non-cash loans</b>	<b>7,388,203</b>	<b>4,416,310</b>
Other commitments	5,003,152	1,176,866
Credit card limit commitments and overdrafts	4,846,862	2,564,503
Letters of guarantee obtained	518,678	116,495
<b>Total</b>	<b>17,756,895</b>	<b>8,274,174</b>

### Fiduciary Activities

The Group provides custody, investment management and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in the accompanying financial statements.

The nominal values of the assets (excluding investment funds) held by the Group in agency or custodian capacities and financial assets under portfolio management amounted to TRY 10,540,938 at June 30, 2011 (December 31, 2010 - TRY 3,642,810). As of June 30, 2011, securities at custody include investment funds with market value of TRY 5,088,173 (December 31, 2010 - TRY 4,898,915).

The Group also manages forty five investment funds, which were established under the regulations of the Turkish Capital Markets Board. In accordance with the funds' charters, the Group purchases and sells marketable securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations.

### Letters of Guarantee Given to Istanbul Stock Exchange (ISE) and Istanbul Gold Market (IGM)

As of June 30, 2011, in line with the requirements of IGM, letters of guarantee amounting to USD 410,000 (December 31, 2010 - USD 410,000) had been obtained from local banks and were provided to IGM for transactions conducted in that market.

As of June 30, 2011, according to the general requirements of the ISE, letters of guarantee amounting to TRY 14,778, USD 4,510 and EUR 10,000 (December 31, 2010 - TRY 14,333, USD 4,540 and EUR 10,000) had been obtained from various local banks and were provided to ISE for bond and stock market transactions. Additionally, as of June 30, 2011 according to the general requirements, letters of guarantee amounting to TRY 3,171 (December 31, 2010 - TRY 1,413), were given to the Capital Markets Board.

# TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2011

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### 7. COMMITMENTS AND CONTINGENCIES (continued)

#### Litigation

In the normal course of its operations, the Group can be constantly faced with legal disputes, claims and complaints. The necessary provision, if any, for those cases are provided based on management estimates and professional advice.

As of June 30, 2011 one of the loan customers filed a litigation case against the Group, however, since the case is still in progress for expertise appointment and gathering supporting documents, the Group could not yet evaluate the probable effects of the case on financial statements.

Following a resolution in favor of Fortis Bank A.Ş. in 2003 for the case related to deduct accumulated losses from the corporate tax base for 2002 and for subsequent periods in accordance with Corporate Tax Law article 14/7; the Ministry of Finance appealed against the decision, however, the case was again concluded in favor of Fortis Bank A.Ş. by Tax Supreme Court. In this context, the Bank acquired the right to deduct accumulated losses amounting to TRY 364,501 thousand from the corporate tax base. Related accumulated losses have been deducted from tax base by Fortis Bank A.Ş. between the years 2003 and 2006.

On the other hand, the Tax Office has not taken into consideration the deduction amount of TRY 144,824 which is included in the 2003/4 temporary tax declaration based on the resolution of the Tax Supreme Court, and recalculated a temporary corporate tax liability of TRY 15,510 and levied a fine of TRY 16,131 to Fortis Bank A.Ş.. In that respect, Fortis Bank A.Ş. has filed a counter case against the Tax Office, and 1st Tax Office decided in favor of Fortis Bank A.Ş. with resolution no: K:2006/974 based on its decision related with 2001/I period explained above .

The Tax Office filed an appeal against the ruling; however, the 4th Administration of Council of State resolution no: K:2007/4747 ruled that the defendant's claim on the Management's double loss deduction should be initially reviewed and a new ruling should be made accordingly. Therefore the tax office's resolution is overruled by the Council of State.

Although the 1st Tax Office of İstanbul had reviewed the related issues upon the Council of State's overruling and conducted the litigation in favor of the Bank upon its resolution no: K:2010/2377, TRY 48,557 of loss amount is considered as undeductible in the basis of the resolution. Therefore, Fortis Bank A.Ş. has filed an appeal on October 4, 2010 for the overruling of the related resolution basis and the outcome of the appeal is still in process. As the Group management foresees no significant risk in relation to the related lawsuits, no provision is provided in the financial statements. The Group has increased the tax base by TRY 2,863 in regards to the related lawsuit in accordance with the requirements of the Communiqué No:6111 "Restructuring of Specific Receivables and Social Insurance and General Health Insurance Law and Amendments to Some Other Laws and Requirements".

#### Other

The branch premises that are leased under operational leases periods vary between 1 and 10 years and lease agreements are cancelable subject to a period of notice which does not exceed 6 months. There are no restrictions placed upon the lessee by entering into these leases.

# TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2011

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### 8. EARNINGS PER SHARE

Basic earnings per share (EPS) are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

In Turkey, companies can increase their share capital by making a pro rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from profit reserves such as retained earnings and revaluation surplus. For the purpose of the EPS calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Bank, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares, which are shown in the table below.

	Opening	Cash	Increase Related to Merger	Transfers from Retained Earnings	Transfers From Revaluation Surplus	Reinvestment of Dividend Payments	Total	Closing
Before 1995	-	150	-	3,000	250	-	3,400	3,400
1996	3,400	-	-	-	330	1,270	1,600	5,000
1997	5,000	-	-	1,022	596	4,382	6,000	11,000
1998	11,000	5,512	-	529	682	7,277	14,000	25,000
1999	25,000	-	-	600	2,062	16,338	19,000	44,000
2000	44,000	40,182	-	-	-	26,068	66,250	110,250
2001	110,250	-	-	-	-	-	-	110,250
2002	110,250	-	-	-	-	-	-	110,250
2003	110,250	-	-	5,350	-	-	5,350	115,600
2004	115,600	-	-	-	-	-	-	115,600
2005	115,600	-	-	-	-	-	-	115,600
2006	57,800	18,700	-	-	-	-	18,700	76,500
2007	76,500	210,000	-	216,750	251,750	-	678,500	755,000
2008	755,000	345,000	-	-	-	-	345,000	1,100,000
2009	1,100,000	-	-	-	-	-	-	1,100,000
2010	1,100,000	-	-	-	-	-	-	1,100,000
June 30, 2011	1,100,000	-	1,050,000	54,390	-	-	1,104,390	2,204,390

The following reflects the income (in full TRY) and share data (in thousand) used in the basic earnings per share computations:

	June 30, 2011	June 30, 2010
Net profit / (loss) attributable to ordinary shareholders for basic earnings per share	0.0813	0.1181
Weighted average number of ordinary shares (in millions) for basic earnings per share	1,929,818	1,100,000

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these consolidated financial statements.

### 9. SUBSEQUENT EVENTS

Upon the resolution of the Governing Committee of the Stock Market issued on June 22, 2011, the bonds issued by TEB with a nominal value of TRY 300,000 and a maturity of 178 days (starting from July 19, 2011 and ending on January 13, 2012 with 8.72877% of simple interest; and 8.92408% of annual compound interest) are traded on the Bonds and Bills Market under the ISIN"TRQTTEBK11215" code starting from July 21, 2011 as required in the Listing Requirements of ISE.