



TEB

2011 Annual Report



TABLE OF CONTENTS

| | |
|--|-----|
| SECTION 1 – INTRODUCTION | 2 |
| STATEMENT CONCERNING THE 2011 ANNUAL REPORT OF TÜRK EKONOMİ BANKASI AŞ | 3 |
| CORPORATE PROFILE | 3 |
| SHAREHOLDING STRUCTURE OF TEB | 4 |
| TEB SHARE | 5 |
| FROM PAST TO PRESENT: TEB | 6 |
| CHAIRMAN’S MESSAGE | 7 |
| CEO’S EVALUATIONS | 10 |
| ECONOMIC AND SECTORAL OVERVIEW FOR 2011 | 14 |
| TÜRK EKONOMİ BANKASI IN 2011 | 16 |
| CORPORATE SOCIAL RESPONSIBILITY | 45 |
| TEB FINANCIAL SERVICES GROUP | 47 |
| SECTION II-MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES | 54 |
| BOARD OF DIRECTORS AND AUDIT COMMITTEE | 51 |
| COMMITTEES OF TÜRK EKONOMİ BANKASI AŞ | 66 |
| TEB HUMAN RESOURCES PRACTICES | 67 |
| INFORMATION ON TRANSACTIONS CONDUCTED WITH RELATED PARTIES | 68 |
| OUTSOURCED SERVICES AND OUTSOURCING COMPANIES | 69 |
| AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING ON MARCH 31, 2011 | 70 |
| SUMMARY OF BOARD DIRECTORS’ REPORT PRESENTED TO THE GENERAL ASSEMBLY | 71 |
| PROPOSAL FOR DISTRIBUTION OF PROFIT | 72 |
| CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT | 75 |
| SECTION 3- ASSESSMENT OF FINANCIAL POSITION AND RISK MANAGEMENT | 87 |
| AUDITORS REPORT | 87 |
| THE AUDIT COMMITTEE’S ASSESSMENT OF INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND ACTIVITIES DURING THE REPORTING PERIOD | 88 |
| EVALUATION OF FINANCIAL STATUS, PROFITABILITY AND SOLVENCY | 90 |
| RISK MANAGEMENT POLICIES ACCORDING TO VARIOUS TYPES OF RISKS | 91 |
| CREDIT RATINGS ASSIGNED BY RATING AGENCIES AND INFORMATION ON THEIR CONTENTS (*) | 95 |
| DONATIONS | 96 |
| FIVE YEAR SUMMARY OF FINANCIAL INFORMATION INCLUDING THE REPORTING PERIOD | 98 |
| ANNUAL ACTIVITY REPORT COMPLIANCE OPINION | 99 |
| INDEPENDENT AUDITOR’S REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2011 | 100 |
| SECTION 4 - CONSOLIDATED FINANCIAL STATEMENTS | 101 |
| TÜRK EKONOMİ BANKASI ANONİM ŞİRKET AND ITS FINANCIAL SUBSIDIARIES INDEPENDENT AUDITOR’S REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2011 | 101 |
| DIRECTORY | 102 |

STATEMENT CONCERNING THE 2011 ANNUAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.

The Annual Report of Türk Ekonomi Bankası A.Ş. has been prepared in accordance with the “Regulation on Principles and Standards for the Preparation and Publication of Annual Reports by Banks” published in the Official Journal numbered 26333, dated 1 November 2006.

**Yavuz
CANEVİ**
Chairman of the Board of
Directors

**Jean Milan
GIVADINOVITCH**
Board Member and
Chairman of the
Audit Committee

**Dr. Akın
AKBAYGİL**
Vice Chairman of the Board
of Directors and Vice
Chairman of the Audit
Committee

Varol CİVİ
General Manager

M. Aşkın DOLAŞTIR
Assistant General Manager
in Charge of Financial Reporting

Gökhan KAZCILAR
Director in Charge of Financial Reporting

SECTION 1 - INTRODUCTION

CORPORATE PROFILE

Based in Istanbul, TEB is one of the leading private sector commercial banks in Turkey.

According to end-of-year 2011 figures, TEB's shareholders' equity had reached TRY 4.2 billion, with total assets of TRY 38 billion, a loan book of TRY 26 billion and TRY 23 billion in deposits.

Employing a total of 9,356 staff, TEB offers its 3.8 million customers a wide array of services, including

- **Corporate**
- **SME**
- **Personal and private banking**
- **Treasury and capital markets**

which it provides through

- **507 branches,**
- **881 TEB Expresses,**
- **The Internet branch at www.teb.com.tr**
- **The 444 0 666 Call Center**

and by employing the latest technologies.

With its subsidiaries in Turkey and other countries, TEB provides its customers with integrated financial services in banking, factoring investment and asset management. In doing so, TEB relies on the strength of its partner, BNP Paribas, and the support of the BNP Paribas organizations in 84 countries.

TEB is a bank that

- **is committed to its customers and providing excellence in service;**
- **is passionately devoted to its business;**
- **carefully monitors and manages risks;**
- **has a disciplined, information- and analysis-based fair lending policy;**
- **has a service-oriented staff engaged in continuous professional development;**
- **deploys technological infrastructure that exceeds world standards; and**
- **focuses on sustainable and profitable growth.**

SHAREHOLDING STRUCTURE OF TEB

| Shareholder's Name / Title | TRY 2,204,390,000.00 Share in Capital | Percentage (%) |
|--|--|-------------------|
| TEB Holding A.Ş. | 1,212,414,499.99 | 55.00 |
| BNP Paribas Yatırımlar Holding A.Ş. | 514,615,804.52 | 23.34 |
| BNP Paribas Fortis Yatırımlar Holding A.Ş. | 376,583,806.60 | 17.08 |
| Publicly Traded | 99,555,987.05 | 4.52 |
| Other | 1,219,901.84 | 0.06 |
| Total | 2,204,390,000.00 | 100.00 |

Shares of the Chairman and Members of the Bank's Board of Directors, General Manager and Assistant General Managers

| | |
|--|--------------|
| Yavuz Canevi (Chairman) | 28.83 TRY |
| Dr. Akın Akbaygil (Deputy Chairman of the Board and Deputy Chairman of the Audit Committee Denetim Komitesi Başkan Vekili) | 46.36 TRY |
| Varol Civil (Board Member and CEO) | 28.83 TRY |
| Ayşe Aşardağ (Board Member) | 38.05 TRY |
| Nuri Tuncalı (Assistant General Manager) | 8,889.61 TRY |
| Saniye Telci (Assistant General Manager) | 4,759.08 TRY |

(as of 31.12.2011)

TEB SHARE

TEB's share certificates were offered to the public for the first time in February 2000.

Simultaneously, a public offering was realized through the American and Global depository receipt program (144A and Reg-S) in international markets. Following these public offerings, TEB's share certificates are quoted to the Istanbul Stock Exchange (ISE) and London Stock Exchange. As of 2012, a total of 4.52% of the Bank's shares are publicly held.

TEB share certificates are traded under the "TEBNK" ticker on the ISE in the national market. Depository Receipts, each of which is equivalent to one share, are traded in the International Order Book, the international share certificate market of the London Stock Exchange.

| | |
|--------------------------|-------------------------|
| Ticker on the ISE | <TEBNK.IS> |
| Symbol on GDR | TKKKYP(144A) |
| Reuters Code | < TURAq.L> |
| Bloomberg Code | <TURA LI> |

The following table summarizes the dividend distributions, as well as rights issues and free float issues since 2005.

| Cash Dividend | | | | | | | | |
|--|-------------|-------------|---------------|---------------|-------------|-------------|-------------|---------------|
| (TRY thousand) | | | | | | | | |
| Year | 2005 | 2006 | Haz.07 | Kas.07 | 2008 | 2009 | 2010 | 2011** |
| Cash Dividend (Thousand TRY)(*) | 9.415 | 18.743 | | | | | 207.017 | |
| % | 16,28% | 32,42% | | | | | 18,81% | |
| Free Issue from Internal Sources (Thousand TRY) | - | - | 23.500 | 445.000 | - | - | - | |
| % | - | - | 30,71% | 445% | - | - | - | |
| Cash Provision of Capital Share Issuance (Thousand TRY) | - | 18.700 | - | 210.000 | 345.000 | - | - | |
| % | - | 32,35% | - | 210% | 45,69% | - | - | |
| Previous Paid-In Capital (Thousand TRY) | 57.800 | 57.800 | 76.500 | 100.000 | 755.000 | 1,100,000 | 1,100,000 | 1,100,000 |
| Previous Paid-In Capital (Thousand TRY) | 57.800 | 76.500 | 100.000 | 755.000 | 1,100,000 | 1,100,000 | 1,100,000 | 2,204,390.00 |

* Based on the year when the dividend payment was started.

** There has been a capital increase due to the merger with Fortis Turkey. Shares representing the capital increase were issued to Fortis shareholders at the ratio of 1.0518 new shares for each existing one already held.

FROM PAST TO PRESENT: TEB

TEB (the “Bank”) was initially founded under the title of Kocaeli Halk Bankası T.A.Ş. in 1927. The Bank was acquired by the Çolakoğlu Group in 1982 and renamed “Türk Ekonomi Bankası A.Ş.”

Celebrating its 84th year of service in 2011, TEB has played a key role in the development of private banking and the introduction of its standards in Turkey.

TEB has pioneered operations in the field of private banking in Turkey since the early 1990s. The respected and distinguished position that the Bank has enjoyed in the sector was further enhanced by subsidiaries active in investment, leasing, factoring and asset management as well as by an expanded branch network and diversified banking products and services.

TEB’s first public offering took place in 2000 and the Bank’s shares began trading on the ISE.

4.52% of TEB’s shares started trading on the Istanbul Stock Exchange from December 31st, 2011 under the TEBNK ticker. TEB shares are also listed on the London Stock Exchange's depository receipt market. Up-to-date information concerning TEB’s shareholding structure can be found on the 3rd page of this report and information about TEB shares can be found on the Bank’s web site at www.teb.com.tr.

The BNP Paribas partnership - a milestone in TEB's corporate history

On February 10th, 2005, control of a 50% stake in TEB Mali Yatırımlar A.Ş. (TEB Holding A.Ş.), TEB's principal shareholder, was transferred to BNP Paribas, a major international bank and one of the leading financial institutions in the European Union. As a result of this transaction, BNP Paribas acquired 42.125% indirect stake in TEB.

As the BNP Paribas Group acquired a 75% stake in Fortis Bank Belgium in 2009 and, later in the year, a 66% stake in Fortis Bank Luxemburg, the Group became the principal shareholder of Fortis Bank Turkey.

BNP Paribas and the Çolakoğlu Group, the indirect majority shareholders in TEB, entered a memorandum of understanding (the “MoU”), according to which TEB and Fortis Bank were to be merged. Following the receipt of necessary approvals of the regulatory authorities, the two banks were legally merged on February 14th, 2011.

There was no change in TEB’s management following the merger. TEB Holding remained the majority shareholder in TEB with a 55% share, while BNP Paribas Group and the Çolakoğlu Group will each continue to hold 50% of TEB Holding. Following the legal merger, the operational merger was completed in July 2011, some 3 months ahead of the planned date, and the Bank continued to grow.

CHAIRMAN'S MESSAGE

Esteemed Shareholders,

Marking an important watershed in the history of the world's economy, we are about to complete the third year of the global financial crisis, while the decoupling in growth and inflation rates between developed and developing countries continues to widen.

In this period, a time reaching predictions for the future is wrought with difficulty, there are a plethora of projections with respect to the direction of the global economy in the short- and medium term.

The global financial crisis reached a new dimension in 2011 in terms of its scope and impacts. The public sector, which had been in a position to support the troubled financial and real sectors in the last quarter of 2008 when the crisis first struck, became the main player of the crisis by the end of 2011; concepts such as "public debt" and "country risk" assumed critical importance.

The risks that spread from the Euro Zone to the whole world stood out as the most significant and plausible threats to global financial stability. Concerns regarding the sustainability of the debt of Greece, a relatively small economy, spread to larger economies in the Euro Zone in the last quarter of 2011.

The instability inflicted damage on the working mechanism of the capital markets and sharp falls were observed in prices of risky assets. Given the integrated structure of financial markets, global risk appetite faltered and central banks of a number of developed economies began to apply non-traditional monetary policies.

The mounting doubts that governments in Europe could survive with their high public debts were unfortunately not limited to the Euro Zone. As the process of temporarily raising the debt ceiling of the USA was strung out, unease in markets elevated. Meanwhile, the long-term credit rating of USA was lowered from AAA to AA+ in August,

with medium-term financial threats and political risks concerning deficit-reducing policies cited as the most important reasons behind the downgrade.

Emerging markets began to be affected by the slowing growth rates in developed countries during 2011 through channels such as finance, expectations and trade. Apart from declining global risk appetite, the high public debts of developed countries combined with their surging money volumes in circulation were key factors leading to more frequent volatility in capital flows to emerging markets.

Towards the end of 2011, in a historical decision, the European Central Bank revised its policies and provided a medium term support loan worth about € 500 billion to a total of 523 banks in the Euro Zone, instead of direct bond purchases. This played a role in slightly easing concerns, offering some glimmers of hope for 2012. Likewise, data related to the US economy in the last quarter indicated that the economic outlook in the country began to improve, albeit at a slow pace.

Having managed to emerge from the first phase of the global financial crisis relatively unscathed compared to other emerging markets, our country survived the crisis-recession cycle by demonstrating a strong performance, and maintained its steady growth in 2011.

The most important factors behind this success were the decisive approaches and practices adopted by the CBT and other regulatory authorities to protect price and market stability, as well as the durable structure of our banking sector and the private sector's experience garnered from economic crises in Turkey's recent past.

Capital inflows, that continued in the first half of 2011, as well as Turkey's robust macroeconomic foundations and viable market conditions were behind Turkey's strong growth performance. However, measures taken in the second half of 2011 aimed at cooling down the growth in credit paved the way for a reduced rate of growth, but

at the same time set the stage for some balancing between domestic and foreign demand.

Strong audit and monitoring mechanisms, high capital adequacy and advanced risk and liquidity management practices all played a major role in maintaining the strong position of the Turkish banking sector in the global financial crisis.

The banking sector was affected by rising interest rates, increasing costs and the maturity mismatches between liabilities and assets in 2011; as a result, the sector's net interest margins narrowed. On the other hand, rising personnel costs, as well as increasing non-interest expenses and provisions were other factors which compromised the sector's profitability in 2011.

The most important development in the banking sector's asset structure in recent years has been the expansion of its loan volume. According to BRSA figures, the loans/total assets ratio, which was 44.9% in 2006, rose to 56.1% by the end of 2011.

Another eye-catching trend in our sector in 2011 was the increasing volumes of FX swaps, syndication loans and bond-bill issuances. While the increasing tendency towards non-deposit instruments decreased the proportion of deposits among liabilities, the increase in the proportion of loans among assets raised the loans/deposits ratio.

Another development in our sector has been the decline of the capital adequacy ratio. There are two basic reasons for this: firstly, the growth in loan volumes has not slowed as much as necessary, despite the limiting precautions taken by the authority. The second reason is that falling profitability has limited shareholders' equity.

2011 was a year marked by increased demand for credit, while the Central Bank's decisions on interest rates, the government's fiscal discipline and the BRSA's regulations to limit credit conditions did help to slow down the growth in credit, but not to the desired extent.

The Turkish banking industry felt the impact of the global crisis relatively mildly when compared to

Europe, thanks to its robust capital structure and asset quality. In this context, credit volumes are expected to grow in 2012 at a rate equal to that in 2011.

Tensions and lack of confidence in financial markets, as well as negative expectations with respect to the future of developed countries will continue to put pressure on the global economy in 2012.

In its recent update published in January, the IMF forecasts that the global economy will grow by about 3.25% in 2012. In 2012, while Europe will focus on resolving its problems in a period of moderate recession, emerging markets are expected to provide the largest contribution to the world economy.

For the Turkish economy which is built on robust macroeconomic foundations, the problems in the Euro Zone - Turkey's primary export market - as well as the gaping current account deficit will need to be watched very closely and managed carefully in 2012.

Under the challenging circumstances facing the world, Turkey and the industry, TEB will press forward with firm steps in its sustainable growth and will continue to provide services, without sacrificing its energy. TEB will be supported by its own know-how, competence, experience and innovation, as well as the support it receives from the knowledge and expertise of BNP Paribas one of its primary shareholders that is operative in 80 countries

Celebrating its 85th anniversary in 2012, TEB not only demonstrated a strong financial and operational performance in 2011, but also succeeded in completing the merger transaction, which marks a significant milestone in the industry.

On behalf of our Board of Directors, I would like to take this opportunity to extend my thanks to our valuable management staff and all TEB employees, who have played such a major role in the completion of operational dimension of the merger transaction ahead of schedule with their

dedicated efforts and professional approach throughout the process.

TEB today is the author of valuable activities to ensure the growth and the development of the private sector, as well as its strong integration into global trade. With our rich, unique and innovative products and services, we are the primary supporter of a number of economic actors ranging from SMEs to large corporate clients

We supply funds to our customers within the framework of the most fundamental function of banking and provide them with our information-based services and international expertise.

While executing our business, we attach tremendous priority to risk management, as well as corporate management, transparency and accountability. I believe that TEB will become a more efficient, productive and customer-oriented service provider and continue to offer its products, service and solutions to a growing and diversifying customer mass in 2012 and beyond by means of the most comprehensive projects that it implemented after the merger.

It goes without saying that the global uncertainty and fluctuations will continue for some time to come. Once the global financial crisis, which has been accompanied by an intensification of new financial structuring efforts in the international arena, comes to an end, strong and deeply rooted service providers like TEB will distinguish themselves from the competition with their sustainable growth and increase the added value that they offer to their stakeholders.

I would like to present TEB's annual reports and financial statements of 2011 to your valuable consideration and extend our gratitude to our shareholders for their encouragement and continuous support.

Yours sincerely,

Yavuz Canevi
Chairman of Board of Directors

CEO'S EVALUATIONS

TEB's esteemed shareholders,

2011 marked a milestone in TEB's corporate history. The merger of TEB and Fortis Bank Turkey under the TEB brand was of great importance in terms of our corporate scale. Following the merger, our Bank now stands as the 6th largest private sector bank in Turkey.

The year 2011 also saw TEB broke new ground in terms of its range of products and services, its number of customers and its innovation, efficiency and service network structure.

With its sound prediction capabilities and effective change management, as well as strategies shaped within a framework of attentive and painstaking planning, TEB succeeded in providing a higher number of products and services to more customers in a year which was marked by some exceptional market conditions.

An important milestone in TEB's history

TEB and Fortis Bank Turkey were merged under the roof of TEB on February 14th, 2011. Following the completion of legal procedures related to the merger, a comprehensive process was launched which aimed to integrate both banks under the TEB brand; within this framework, a number of quite critical projects were completed ahead of schedule.

The TEB-Fortis merger left its mark in the Turkish banking history as a successful example in terms of two different cultures coming together around common future targets and shared values and to work up to. The most fundamental priority of the merger process was to provide both banks' products and services to their customers in an uninterrupted manner through the branches and alternative delivery channels and to move forward with the merger process by placing customer satisfaction on top of everything.

The operational merger was completed about 3 months ahead of schedule, in turn allowing us to maintain a strong focus on competition and growth by shifting our attention back to our

primary business as swiftly as possible. TEB's organic growth strategy did not change after the merger. However, the merger opened a window of opportunity for TEB to improve its branch efficiency, which is vitally important; as the first step of this approach, 102 of our branches which were in close proximity to each other were combined or moved to new locations in 2011. These efforts rapidly enhanced the effectiveness and efficiency of our branch network, while positive developments were recorded in TEB's deposit and loan volumes per branch. Our mid-term target is to increase the total number of our branches to 650 and to place our branches as the driving force of our sustainable growth.

Our performance

In order to compare the financial results of TEB, which demonstrated a steady, healthy and sustainable growth performance in 2011, with the results of the previous year, it is possible to conduct an analysis by simply adding TEB's and Fortis Bank Turkey's financial results as of December 31st, 2010. When considered from this perspective, the Bank's total assets recorded a 22% increase to reach TRY 38 billion by the end of the year.

In 2011, our Bank recorded a rate of growth in its loan volume which was close to the sector average, while it raised its deposits at a rate exceeding the sector average. While its loan volumes grew by an average of 29% when compared to the end of 2010, TEB's placements expanded at a rate close to the sector average. TEB's deposits grew by 25%, almost double the sector average rate of growth of 13%. Accordingly, TEB's total loan and deposit volume were realized TRY 25.7 billion and TRY 22.9 billion respectively in 2011.

Our net profit in 2011 amounted to TRY 207 million, despite ongoing expenses throughout the merger process. I am delighted to proclaim that TEB raised its profit, despite the additional burdens imposed on the banking sector in 2011, as well as intensive competitive conditions and expenses incurred by the merger process. The progress we achieved in 2011 is more apparent

when previous year's profit breakdown is examined. Our profit in 2010 included income generated from the sale of TEB Leasing and insurance contracts. When these exceptional income items and merger costs are excluded, it is seen that TEB's profit increased by 86% in 2011.

In 2011, TEB's shareholders' equity amounted to TRY 4.2 billion, while its capital adequacy ratio was calculated as 14.23%, which was higher than the threshold determined by the regulatory authorities. Meanwhile, the bank's non-performing loans ratio, of 2.8% at the end of 2011, stands as a clear indication that our loan portfolio is balanced and healthy while proving our Bank's success in the fields of marketing and risk management.

Our performance in 2011 was also important in terms of reflecting the first positive results of the merger. Our target is to maximize TEB's new growth potential in 2012 and beyond.

TEB maintained its steady growth by demonstrating a strong performance in all business lines.

TEB obtained good results in all business lines in 2011 while continuing to diversify its portfolio and improve customer satisfaction. Within this framework, I would like to share some of my opinions about our business lines and products for 2011 as follows:

The first thing that I would like to touch on is TEB's prestigious position among SMEs and its strong presence in this business line. TEB carries out exemplary practices in SME banking and is the preferred choice among more and more small and mid-scaled enterprises as a service provider with each passing year. Loans provided by TEB in the SME business line grew by 36% in 2011 and the share of SME loans to the total loans provided by TEB rose to 43%. This increase took TEB's market share up to 5.39% in 2011.

We aim to be not only the bank but also an advisor of SMEs. In line with this target, our Bank has held a total of 53 SME Academy meetings in a total of 33 cities since 2005; about 11,300 business men and women participated in these meetings and attended the training programs.

Moreover, we have organized search meetings in 13 cities and in Turkish Republic of Northern Cyprus and for 4 sectors since 2006 in order to produce future strategies on the basis of cities and sectors. In these search meetings, we came together with a number of entrepreneurs, which allowed us to create a platform of ideas.

From now on, TEB will continue to implement the best practices of SME banking in the sector and to offer its customers products, services and solutions with high added value.

Another important topic of the year is our successful performance in gold banking. With a market share of over 31% in gold loans, TEB continued to be the sector leader in gold banking in 2011. This achievement is the result of our efforts to offer gold banking products to our customers throughout Turkey by means of our wide branch network. On the other hand, gold banking products, which are developed to complete the service cycle and offered to investors, help to differentiate us in the sector.

Foreign trade finance is a field in which TEB is very strong for many years. Providing agency and financial services for all kinds of foreign trade transactions of its customers through its worldwide correspondent network, our Bank developed the concept, "foreign trade customer", in 2011 and further strengthened its competitive edge by offering a brand new point of view towards the topic. Our Foreign Trade Center have recently focused on our active and potential customers, who have a great need for foreign trade transactions and trade finance. Our specialized employees, who are all experts in their own fields, provided services that best fit customer needs within the framework of creative foreign trade finance models.

Another important development in 2011 was in the private banking business line. Private banking services were provided 22 years ago in Turkey for the first time by TEB, which has now added new points of view to this business line in 2011 for a special future. This new approach allows us to grow with new customers by enhancing our private consultancy services.

Another issue that I would like to touch on is the integration of the Corporate Investment Banking business line into our organization in 2011. As a result of this development, TEB expanded its product diversity and cross-sales activities, significantly boosting in-house synergy. The volatile state of the markets in the second half of the year provided us with an opportunity to increasingly focus on fixed-income products, which are popular with companies seeking to provide protection against possible risks.

In cash management, in 2011 TEB opted for investments which would make a difference in the sector; the Bank added a new service to its existing portfolio of e-banking services for companies by combining its expertise and experience in this area with developments in mobile technology: Mobile Banking Services. Meanwhile, we have further enriched our product portfolio of collection and payment systems which we offer to our customers, with the 'MobilTEB' practice, a world first. TEB is the only service provider in Turkey to offer cash management services in the mobile environment and will continue to implement new practices that will make tremendous impact in this area.

TEB continued to make a difference with its new products, services and campaigns.

In 2011, our Bank continued its efforts to leverage the added value, which it offers to its customers, by means of new products, services, practices and campaigns, and performed works that made a difference in the sector.

Another important development of 2011 was the launch of Marifetli Hesap (Skillful Account), our new individual savings product, which was offered to our customers with the mission of changing the saving habits of the Turkish people. Offering quite flexible opportunities, this product ensures that your savings grow day by day in overnight deposits with special interest rates.

In addition, our new products, including Damla Altın Hesabı (Drop of Gold Account), Yıldız-Pro (Star-Pro), Pratik Kredi (Handy Loan) and our new insurance products, raise our competitive strength and contribute to our market visibility. Moreover, we received a total of 15 awards from

national and international contests with our websites and TEB Handy Internet Branch, where we aim perfect user experience.

Our Bank will continue to be the pioneer of innovation with its array of products, services, practices and solutions that it offers in various business lines through its subsidiaries.

The TEB brand indicates strong added value for our subsidiaries.

One of the first three companies in its sector, TEB Factoring continued to increase its business volume and generated 120% of its profit target in 2011. Having achieved a 24% expansion in its turnover in 2011, TEB Factoring is one of the most efficient service providers in its sector. Another achievement of TEB Factoring which I would like to touch upon is that it was chosen as the "Best Export Factoring Company" in 2011. With this result, TEB Factoring brought this award to Turkey for three years in a row. In addition to the award, Mr. Çağatay Baydar – the CEO of TEB Factoring – was elected as the Chairman of FCI.

TEB Asset Management, another subsidiary of TEB, was prominent in various categories with strong market shares in 2011. By offering innovative capital guarantee funds with TEB throughout the year, TEB Asset Management offered various alternatives to investors. On the other hand, TEB Asset Management entered strategic collaborations with a number of international corporations and expanded its client base.

Differentiating itself by offering effective services to its individual and corporate customers, TEB Investment succeeded in ranking 4th in the ISE market as of November 2011.

As a service provider for our Group and one specialized in the finance of international trade and commodities, Economy Bank N.V. continued to pursue its activities as one of the most effective and service-oriented participants of markets. It maintains its operations without being affected by the global financial crisis, thanks to its efforts to structure its assets in a systematic way, as well as its effective risk management policies.

Moving forward with full awareness of our responsibilities

TEB knows what the assets under its management mean for the national economy, as well as for its stakeholders and shareholders, and is well aware of its responsibilities. Our Bank will aim to achieve the best for its customers and employees in the coming periods and continue to achieve strong results in this direction.

With its competitive position in the market, our Bank will steadily make use of the high growth potential offered by financial markets and reflect this to its own performance and is determined to be a service provider which responsibly applies the best practices.

With its foundations laid down in 1927, TEB enters 2012, a year in which it will celebrate its 85th anniversary, backed by its rich diversity of products and services, and armed with its market knowledge and expertise that date back many years, and as always supported by its capable human resources and robust financial structure. These basic pillars of strength will also uninterruptedly provide the power that TEB will require during its sustainable growth.

I would like to take this opportunity to extend my gratitude to TEB's precious customers who have chosen us, and all of my colleagues for their painstaking and self-devoted efforts and our correspondents for the strong business relations that date back many years.

We have focused on building the "TEB of the Future"... I sincerely believe that with the synergy generated from our cooperation and the support of our stakeholders, we can realize this today and in the future as we did in the past.

Yours sincerely,

Varol Civil
CEO

ECONOMIC AND SECTORAL OVERVIEW FOR 2011

Concerns related to the debt crisis in the Euro Zone took their toll on global markets.

The debt problem in the Euro Zone, the disagreements regarding raising the debt ceiling in USA, the earthquake in Japan and the shocking increase in oil prices all negatively affected global markets in the first half of the year. In the second half, while US and Japanese economies recovered, economic activity in Europe weakened in parallel with the negative impacts of the debt crisis. On the other hand, the FED announced that it could keep the policy interest rate at the current levels until at least the end of 2014, while the ECB lowered the policy interest rate in November. In parallel with the negative effects of the debt crisis in Europe, the global growth rate fell to 3.9% in 2011 from 5.1% in 2010.

Turkey's GDP growth rate is expected to exceed 8%

Turkey's double digit rate of GDP growth in the first half of 2011 – supported partially by the base effect – slowed to 8% in response to the measures taken by the Central Bank and the BRSA in the second half of the year which were aimed at slowing the growth of credit volume and in response to the weakening in global economic activity. Within this framework, Turkey's GDP is expected to have grown by around 8% in 2011. A strong growth performance and revenues generated in the tax amnesty positively affected public finance and the budget deficit/GDP ratio was realized at 1.4% in 2011.

Inflation ended 2011 at 10.45% - about twice the Central Bank's inflation target

The Central Bank of Turkey cut the policy interest rate from 6.50% at the end of 2010 to 6.25% in January 2011, and to 5.75% in August in response to the public debt problem in EU countries and mounting concerns with respect to global growth. During this period, the CBT lowered the interest rates in money markets in a bid to curb the current account deficit; as a result, the TRY – in contrast with the currencies of other emerging economies - began to lose value.

As the debt problems in the Euro Zone deepened in the subsequent period, TRY devalued more

rapidly and as a result, inflation began to creep up more noticeably. As such, the US\$/TRY exchange rate, which had stood at 1.54 at the end of 2010, reached a level as high as 1.89 at the end of 2011 amid concerns surrounding the difficulties affecting Euro Zone countries in the second half of the year.

The CBT reacted to the rising inflation rate with a policy of strong fiscal tightening. The CBT reduced TRY funding, raised the overnight lending interest rate to 12.5% and began to apply the strategy known as "wide interest rate corridor". In this strategy, CBT is able to raise the average funding cost to 12% when needed. As a result of this policy, the benchmark bond's interest rate rose from 7.1% at the end of 2010 to 11% by the end of 2011.

Because of the accumulated effects of fluctuating exchange rates, increases in managed/directed prices and the negative developments in unprocessed food prices, the inflation rate is expected to remain in double digit levels in the first months of 2012. Although the slowdown in core and service price inflation rates in recent months is a positive development for the inflation outlook, the headline inflation rate, which is still at double digit levels, and the currently high core inflation rate can be deemed risky with respect to inflation expectations and pricing behavior. However, the inflation rate is expected to decline back to 6.7% by the end of 2012 – still higher than the Central Bank's target rate of 5%.

Capital inflows were strong thanks to the ongoing liquidity provided by the central banks of developed countries. Hence, a total of US\$11.4bn of foreign investment entered the Turkish bond market in 2011.

Liquidity provided by the central banks of developed countries and the supply shocks affected global commodity prices.

The average oil price rose from US\$80/bbl in 2010 to US\$110/bbl in 2011. In addition, as strong economic growth stimulated demand for imported goods, the current account deficit/GDP ratio continued to rise. The current account

deficit/GDP ratio is estimated from 6.4% at the end of 2010 to 9.5% by the end of 2011. The current account deficit/GDP ratio is expected to recover slightly and dip to 8.7% in 2012 due to the normalization in the rate of economic growth.

The Turkish banking system maintains its strong structure

The sector's capital adequacy ratio, which had stood at 19% at the end of 2010, slipped to 16.46% by the end of 2011 – although this level can still be considered comfortably high. According to these results, the banking sector succeeded in expanding its asset base by 20%, its loan volume by 29% and its deposits by 13% by the end of 2011, when compared to its 2010 levels. Since the public sector's borrowing needs have been reduced, the banks' securities portfolio almost remained steady.

| Banking Sector Data | | |
|---------------------------------|-----------------|------------------|
| | 2010 December | 2011 December |
| Total Assets | 1 TRY trillion | 1.2 TRY trillion |
| Credit Volume | 529 TRY billion | 683 TRY billion |
| Marketable Securities Portfolio | 288 TRY billion | 287 TRY billion |
| Deposit Volume | 617 TRY billion | 696 TRY billion |

TÜRK EKONOMİ BANKASI IN 2011

GENERAL OVERVIEW

TEB successfully closed the 2011 operating year with a pre-tax profit of TRY 283.3 million and a net tax profit of TRY 206.7 million.

As the legal entity of Fortis Bank AŞ was terminated on February 14th, 2011 within the framework of the merger procedure, all rights, receivables, payables and liabilities of Fortis Bank AŞ were universally transferred to TEB and the merger of the two banks was thus completed. The two banks' balance sheet sizes in 2010 were taken as a basis to evaluate and compare the balance sheet sizes of both banks. Similarly, TEB's growth rate in 2011 was calculated based on the total sizes of both banks in 2010.

In the evaluation which we conducted based on our Bank's performance in 2011 and the sum of both banks' performances in 2010, our Bank's net profit is found to have grown by 86% year-on-year when the following are excluded: restructuring costs incurred by the merger in 2010 and 2011, profits generated from activities which ceased in 2010 and income generated from the exclusivity contract signed with Cardif Hayat Sigorta AŞ.

At the end of 2011, TEB chalked up 29% year-on-year growth in its credit portfolio, in parallel with the credit volume growth of the deposit banks in the sector.

In expanding its credit portfolio, TEB always attaches priority to the portfolio quality. The non-performing loans ratio, which had stood at 3.68% at the end of 2010, fell to 2.78% by the end of 2011.

Customer deposits, which are the primary funding source of our Bank, grew by 31.0% in 2011 – considerably higher than the average 12.7% deposits growth rate among other deposit banks in the industry. This stands as testament to the importance that our Bank attaches to its deposit base.

TEB'S POSITION IN THE SECTOR

TEB's financial highlights, its market shares and the indicators regarding the developments in these market shares as of December 31st, 2011 and December 31st, 2010 are given below.

| (TRY million) | 31.12.2011 | | | 31.12.2010 | | |
|------------------------|------------|-----------|-----------------|------------|-----------|-----------------|
| | TEB | Sector | TEB's Share (%) | TEB | Sector | TEB's Share (%) |
| Total Assets * | 38,092 | 1,217,620 | 3.13 | 19,031 | 1,006,667 | 1.89 |
| Total Loans * | 25,652 | 686,821 | 3.73 | 11,753 | 529,012 | 2.22 |
| Total Deposits * | 22,887 | 695,501 | 3.29 | 11,999 | 617,037 | 1.94 |
| Number of Branches ** | 507 | 9,834 | 5.16 | 335 | 9,465 | 3.54 |
| Number of Personnel ** | 9,356 | 181,443 | 5.16 | 5,646 | 178,504 | 3.16 |

* Source (sectoral figures): December 2011 Monthly Bulletin, Banking Regulation and Supervision Agency

** Source (sectoral figures): Banks Association of Turkey

Similarly, the composition of TEB's balance sheet and the banking sector's overall balance sheet composition are compared as follows:

| % of Balance Sheet Total | 31.12.2011 | | 31.12.2010 | |
|--------------------------|------------|---------|------------|---------|
| | TEB | Sector* | TEB | Sector* |
| Liquid Assets | 12.8 | 13.7 | 14.3 | 11.6 |
| Marketable Securities | 14.7 | 23.4 | 19.6 | 28.7 |
| Loans | 67.3 | 56.4 | 61.8 | 52.7 |
| Fixed Assets | 1.8 | 2.3 | 1.3 | 2.5 |
| Other | 3.4 | 4.2 | 3.0 | 4.5 |
| Total Assets | 100.0 | 100.0 | 100.0 | 100.0 |
| Deposits | 60.1 | 57.1 | 63.1 | 61.3 |
| Money Markets | 2.9 | 8.4 | 0.4 | 5.8 |
| Borrowings | 17.9 | 15.3 | 18.9 | 13.1 |
| Subordinated Debt | 1.9 | 0.7 | 2.5 | 0.6 |
| Other | 6.1 | 6.6 | 5.6 | 5.8 |
| Shareholders' Equity | 11.1 | 11.9 | 9.5 | 13.4 |
| Total Liabilities | 100.0 | 100.0 | 100.0 | 100.0 |

* Source: Banking Regulation and Supervision Agency <http://ebulten.bddk.org.tr/AylikBulten/Basit.aspx>

In an evaluation conducted in 2011 based on the two merged banks' balance sheet sizes in 2010,

- TEB's total assets grew by 22.2% in 2011.
- TEB's shareholders' equity reached TRY 4.213 billion.
- The share of total deposits in the balance sheet reached 60.1%
- The Bank expanded its credit portfolio by 29% year-on-year, while its loans/total deposits ratio rose from 64.1% to 67.3%.
- The Bank's non-performing loans ratio ended the year at 2.8%, a result of the bank's strong loan policies and cautious risk approach.
- The Bank's loans/deposits ratio stood at 112.1% at the end of 2011 with a capital adequacy ratio of 14.2% and return on equity of 5.36%.

In 2011, a total of TRY 67.8 million in merger costs were reflected to the financial statements at the highest level.

In this period, TEB's performance results, summarized above, indicate that the bank completed 2011 with notable success.

AWARDS

TEB was deemed worthy of an impressive array of awards both in Turkey and abroad in 2011.

- The “Parvest Turkey” mutual fund, which TEB Asset Management provides investment consultancy services to, received the **“Best Stock Fund in Turkey”** award among European funds in 2010 by Lipper, a mutual fund rating institute.
- TEB received the winning award under the “One to Watch” category at the **“Adam Smith Awards”** competition held by “Treasury Today” in recognition of its “Mobil-ink” product which was designed in cooperation with Adidas Spor Malzemeleri.
- At the **Stevie Awards**, one of the most prestigious award ceremonies of the business world, TEB received the **“Winning Award”** and the **“Honorable Mention Award”** under the **“Best New Services of the Year”** category in recognition of its “TEB SME Consultants” and “TEB SME Club” projects.
- TEB Factoring was chosen as **“The Best Export Factoring Company in 2010”** by Factors Chain International (FCI), the world’s largest and most prestigious factoring organization.
- Launched in December 2009, the “Green Trumpet”, which is TEB’s credit promotion platform, received the **“The Best Customer Satisfaction Award”** by BNP Paribas.
- Within the scope of **Financial World Innovation Awards**, the TEB SME Academy was deemed worthy of the award of excellence under the SME Customer Services category.
- In a world first, TEB’s “Screen Bank Card” received the **“Innovative Card Award”** in the 2010 Publi-News Innovative Card Awards.
- The TEB SME Consultants project won an award under the social responsibility category at the **Active Academy 8th International Finance Summit**, an organization which keeps a close view of the finance and banking sectors.

6 Awards from Web Awards to TEB

With its 5 internet branches, TEB was deemed worthy of an award by the Web Marketing Association in 6 different categories at the 15th of Web Awards, which is one of the most prestigious awards of the internet world:

- The Financial Services Excellence Standard and Banking Excellence Standard Awards for the Bank’s corporate website, www.teb.com.tr;
- The Financial Services Excellence Standard Award to TEB Bonus Card’s website at www.tebbonus.com, the TEB Yıldız (Star) Banking website at www.tebyildiz.com and its University Banking website at www.universiteb.com.tr; and
- The Distinct Website Award to www.aztuslupiyano.com, the website of Az Tuşlu Piyano, the advergence of TEB’s Handy Internet Branch.

Other web awards

- Designed to offer customers a unique internet banking experience, TEB's Handy Internet Branch was selected as the 3rd Best Website in the Internet Banking category at the 9th Golden Spider Web Awards, but ranked in 1st place in the public vote.
- At the 2011 Interactive Media Awards, an organization which awards websites deemed to be of a high standard in terms of design and application, TEB received a total of 4 awards in total: two "Best in its Class" awards for its corporate website at www.teb.com.tr and the TEB Yıldız (Star) Banking website at www.tebyildiz.com; and two "Excellence" Awards in recognition of TEB'S Private Banking website at www.tebozel.com and University Banking website at www.universiteb.com.tr.
- At the 2011 Davey Awards, the TEB Bonus Card website at www.tebbonus.com received 2 Silver Awards in Financial Services and Microsite categories. Meanwhile, the TEB Handy Internet Branch's advergaming at www.aztuslupiyano.com was granted the Selective Website Award in the Internet Advertising Competition.
- With the **practical banking solution for pensioners**, TEB was deemed worthy of an award by BNP Paribas under the "**Product and Service**" category within the framework of 2010 Group Innovation Awards.
- BNP Paribas handed TEB the "**Process Optimization Award**" in recognition of its **Blackberry service**, a banking solution offered in the field of technology.
- At the **Golden Spider Web Awards**, TEB's corporate website at www.teb.com.tr was chosen as the "People's Favorite" under the "Financial Services (Banking and Finance)" category; TEB SME TV's website at tebkobitv.com was selected as "People's Favorite" under the "NGOs/Social Responsibility" category; and Az Tuşlu Piyano's (which is prepared as a continuation of the commercial related to the TEB Handy Internet Branch) website at aztuslupiyano.com was pointed out as "People's Favorite" under the "Advergaming" category.

CORPORATE BANKING GROUP

INTERNATIONAL BUSINESS AND TRADE FINANCE

Aiming to provide its customers with the most effective and flawless service in the fastest manner, TEB increased its contributions to our country's foreign trade through the presence of BNP Paribas - the world's 3rd largest bank and Europe's largest bank - in more than 80 countries, as well as with the support of BNP Paribas' network of Trade Centers that operate in 100 locations in 64 countries.

TEB took steps to allow its customers to reach markets in Asia, the Middle East and Africa, where Turkey has recently developed commercial relations with; and was able to offer high quality and rapid services even in troubled regions.

Operational solutions like the Foreign Trade Legislations Consultancy Line and Letter of Credit Preparation Services were offered to customers.

TEB, in cooperation with more than 2,000 correspondent banks, develops new relations in line with its customers' needs. In 2011 TEB raised its market shares in various areas and strengthened its collaboration with international institutions. With its customer-oriented approach, the Bank continued to produce different solutions for various needs in international trade.

In 2011 TEB succeeded in providing viable solutions for a number of exporters.

TEB is today able to confirm the letters of credit of more than 100 banks in 13 countries in Middle East and a total of 164 banks in 44 countries in Africa, including some of the world's riskiest countries. The Bank also provides letters of guarantee against counter guarantees, discounts export receivables and offers factoring services.

According to the analysis conducted by the Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T SCRL), TEB holds a 9.04% market share in the number of letters of credit issued to Turkish companies and an 8.30% market share in the number of counter guarantees and Stand-By L/Cs given to Turkish companies (on the basis of the number of transactions).

In 2011 TEB continued to be one of the leading banks in terms of providing long-term resources required by the Turkish business world, thanks to the relations it has built with international banks and financial institutions.

Despite a sharp contraction in the volume of funding facilities abroad, TEB has continued to finance its customers' long-term investments at competitive costs, thanks to its close and long established relations with banks, as well as its cooperation with BNP Paribas.

TEB commands a significant market share in foreign trade with its high-quality services.

According to the data provided by the Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T SCRL), TEB holds a 16% market share in the number of letters of credit issued by Turkish companies and an 11% market share in the number of letters of guarantee and Stand-By L/Cs given by Turkish companies, on the basis of the number of transactions.

In 2011 TEB maintained its position among the top banks operating internationally with its flawless transfer rate.

Thanks to the 'Intraturkey' agreements that TEB entered into with its Euro and US\$ correspondents, special prices are applied to FX transfers within Turkey. As such, the transactions of TEB customers transferring money in € or US\$ terms within Turkey, are completed on the same day as the value date and in a cost-efficient way.

Transferring money to more than 180 countries, TEB produces solutions in line with its customers' various needs.

In order to meet its customers' money transfer needs in local currency because in connection with their investments in different countries, TEB offers the opportunity to send money to foreign countries in 135 different currencies through its correspondent banks.

TEB was the first bank in Turkey to perform financial transactions with the Chinese Yuan.

Following the agreement reached by high level authorities with respect to the execution of trade relations with China through Turkish Lira and Yuan (Renminbi) , TEB signed an agreement with Bank of China (Hong Kong) Limited and became the first bank in Turkey to perform financial transactions with the Chinese Yuan. With this agreement, TEB offered its customers the opportunity to send and receive money from China through their Yuan accounts and carry out foreign trade transactions in Yuan terms.

According to data provided by the Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T SCRL), TEB holds a 9.28% market share in the number of money transfers from Turkey and a 4.24% market share in the number of money transfers to Turkey in terms of the number of transactions,.

The instability of global financial markets which flared up in 2008, and which still extends its negative impacts, caused borrowing levels to fall. In response to these developments, TEB renewed the syndication loan, which matured in 2011. Using this loan to support exporters, TEB this time received a syndication loan twice as large as the previous loan but at a lower interest cost. The renewal of the syndication loan at such favorable conditions once again reaffirmed market trust in the Bank.

In 2011, TEB issued bonds to international markets through BNP Paribas in order to raise its capital adequacy ratio. Totaling € 175 million, these bonds have a 12-year maturity and TEB has an early repayment option at the end of a 7 year period.

TEB Trade Centers

TEB Trade Centers are located in Istanbul, Izmir, Adana, Ankara and Bursa, which account for almost 70% of Turkish foreign trade volume, and serve nearby cities from these central locations.

The Trade Centers in Istanbul are located in the Bank's Relations Department and Commodity Finance Department at the Head Office. Coordination and cooperation are provided

between the related departments regarding foreign trade and commodity finance, depending on the customer.

With the new structuring, TEB introduced the concept of the key trade client. Within the framework of this concept, specialized directors of TEB Trade Centers regularly visit their active and potential clients, who are in constant need of funds for foreign trade and trade finance transactions. Creative foreign trade finance models to best fit customers' needs are developed through the expertise and wide correspondent network of TEB and BNPP in the field of foreign trade finance.

In addition to the protocol signed with Türk Eximbank, short-term export receivables, as well as mid- and long-term export receivables are provided as loans and discounted within the framework of the Eximbank insurance.

Thanks to receivables finance, supply finance and stock solutions, which are the Supply Chain Finance products developed by BNP Paribas, customizable models are developed in line with the operating capital and balance sheet management needs of those customers with a high trade volume.

In addition to providing finance to hazel nut and tobacco producers, an area where the Bank is traditionally strong, solutions aimed at financing commodities such as grain, vegetable oil, synthetic rubber, plastic raw material, concentrated fruit and chrome ore are being developed.

Through its Foreign Trade Training programs, TEB provides its foreign trade customers with the basic foreign trade information required by these customers in executing their business reliably, as well as information on primary risks and technical data. These programs are organized in a customer-centric manner or with the participation of a number of customers.

CORPORATE BANKING

Following the merger between TEB and Fortis in 2011, information pertaining to more than 8,000 corporate banking clients was transferred in a trouble-free manner, and innovations to increase the effectiveness of TEB's corporate segment were carried out.

TEB serves those of its customers with annual turnover equal to or exceeding TRY 30 million through a total of 20 Corporate Centers, 10 of which are located in Istanbul. TEB also offers its customers use of TEB's and BNP Paribas' products and services at the highest level.

Since 2008, when the economic crisis broke out, markets have become risk-sensitive. For this reason, TEB has focused on products that protect its customers against these risks. The Bank determined commodity, FX and interest derivatives as its primary products, in parallel with the risk perception that flared up in markets in 2011.

CASH MANAGEMENT

Founded in 1997 to provide products and services that assist the Bank's corporate customers in making their payments and collections, the Cash Management Unit was repeatedly commended in international contests with the innovative products that it continually develops.

Having received an array of awards in various organizations in recognition of its products such as Quick Import Transfer Supplier Finance, Online DBS, Mobile DBS, MobiliteB and Mobil-Ink, the Cash Management Unit expanded its customer portfolio and further raised its capabilities with projects such as DBS and Tkart, which were added to the unit's product range this year.

In parallel with developments in the mobile world, MobiliteB - a world first - was added to the product range of collection and payment systems offered to TEB customers.

Developed with TEB's expertise and experience in cash management, MobiliteB was deemed worthy of the high honor award at the Florin Transaction Services Innovation Awards' award ceremony held in Amsterdam in April 2011. As the only bank in Turkey to offer cash management services on a mobile platform, TEB aims to maintain its leadership in innovative mobile products. Having built its leadership in this area, initially with Mobile DBS and MobiliteB, TEB is preparing to offer CEPPOS and Mobile Corporate Banking in 2012.

2012 is expected to be a year in which risks are kept under control and opportunities utilized with a proactive approach. The Cash Management Unit aims to raise its service quality through solution-oriented and innovative products that will be developed for domestic and multinational companies.

TEB SME BANKING GROUP

TEB SME Banking Group responds to its customers' various expectations and needs by offering them products and services of high added value and rendering services such as "consultant bank". Following the merger between TEB and Fortis Bank in 2011, the Group began to serve its portfolio of customers through a larger organizational structure.

Believing that offering the right combination of products and services to the right customers is a fundamental principle of ensuring customer satisfaction, the TEB SME Banking Group renewed its customer segmentation accordingly and began to serve companies with an annual turnover of up to TRY 30 million. Through a range of products and services that facilitate customers' payments and collections, operational procedures were simplified and cash flows coordinated in an effective manner. In 2011, customer satisfaction was made sustainable through continuous improvements in collection and payment systems. Cross selling activities were conducted through projects developed within the framework of the Direct Debit System.

The rising penetration in the SME segment positively affected the Bank's market shares. According to end-2011 data published by the end of BRSA, the Bank commands a 5.39% market share in cash loans and a 5.63% market share in non-cash loans.

In POS, which is an important product in terms of the management of cash flows of SMEs and enterprises, 2011 was a successful year both in terms of volume and the number of member workplaces. According to the figures for December 2011 released by the Interbank Card Center, TEB boasted a 6.11% market share to rank 5th among all banks in terms of transaction volume.

Offering the opportunity for comprehensive cooperation as a bank that has adopted the principle of meeting all of the insurance-related needs of its customers, TEB offers the following insurance products and services to its SME Banking customers:

- Elementary insurance policies through Zurich Sigorta AŞ,
- Life insurance policies and private pension plans through BNP Paribas Cardif Emeklilik AŞ, and
- Receivable insurance through Coface Sigorta AŞ.

Within the framework of the protocol signed between the Undersecretariat of Treasury and the Bank, SMEs may receive, through TEB, some of the interest paid by the Undersecretariat of the Treasury for loans that they obtain in accordance with the conditions of the Investment Incentive Certificate. Loans were extended within this framework in 2011, allowing customers to benefit from this practice through interest payments.

Having become involved in all KOSGEB (Presidency of Development and Support of Small and Medium-Sized Enterprises Administration) programs to provide interest payment support since 2008, TEB SME Banking Group began to extend loans within the framework of these loan programs that were launched in 2010, and continued to do so in 2011.

This successful cooperation with KOSGEB continues with the "Emergency Support Loan 2011", the "Emergency Support Loan for the Province of Van" and the "Operating Capital Support Loan for the Province of Loan" programs. Launched by KOSGEB to provide financial support under viable conditions to enterprises which have been affected by situations such as natural disaster, war, general strikes, fire, civil commotions, terrorism, where these situations have been documented and certified by official authorities, and which are registered in KOSGEB's Database. The Emergency Support Loan was expanded with 2 loan interest payment support programs specific to the province of Van in the aftermath of the earthquake to affect the region.

The Credit Guarantee Fund (CGF), which TEB is a shareholder of, provides a guarantee to SMEs, paving the way for enterprises to take out more bank loans and allow them to benefit from long-term loans. As such, the TEB SME Banking Group encourages entrepreneurship and contributes to

economic growth and development by creating an additional opportunity on behalf of SMEs. Having also mediated in CGF projects during 2011, the TEB SME Banking Group became involved in the project entitled “Micro Loans to Micro SMEs”, which was implemented by CGF this year. Within the framework of this project, which aims to narrow the developmental inequalities between the poorest 43 cities by gross domestic product and the remaining cities, TEB customers were offered CGF-supported loans.

The rollout of these services, designed for SMEs, as well as TEB’s special approach towards SMEs, has been considered a success story by the International Finance Corporation (IFC). In a worldwide case study initiated by the IFC with respect to “Offering of Non-Financial Services to SMEs”, TEB was the only Turkish bank to be cited for its success. Additionally, a new project was launched with the TEB SME Banking Group. Within this framework, a plan was drawn up to analyze the best practices and share them with the public.

In another groundbreaking development in the Turkish banking sector, TEB SME Banking Group created “TEB is Wherever SME’s are” accounts in social platforms like Facebook, Twitter and FriendFeed and thus established more effective contact with thousands of SMEs in order to keep its SME segment up-to-date and to respond to the questions of SMEs as quickly as possible.

Having adopted facilitating “information” access channels as the only way to differentiate itself from its rivals in the fiercely competitive SME segment, TEB SME Banking continued to improve its existing service channels, while demonstrating a socially sensitive approach by developing products and services in areas that are of primary importance for the national economy.

Helping SMEs rise the forefront in domestic and international competition through the power of information, TEB SME Academy continued to organize training programs in 2011 and held special seminars in large cities like Istanbul, Ankara, Bursa and Adana in daily topics such as “Combine Law” Combine Law and the “New

Turkish Trade Code”. While TEB SME TV’s expert , Prof. Şükrü Kızılot provided comprehensive information on the scope and effects of the “Bag Law”, Asst. Prof. Korkut Özkorkut focused on the possible effects of the amended Turkish Trade Code on SMEs. Mardin was added as the 32nd city to host TEB SME Academy Corporate Development Training sessions, and more than 11,000 SMEs participated in classroom education programs.

Helping those who are instrumental in their sectors to shape the future of their own sectors, in 2011 the Future Strategy Conferences focused on the tourism sector, which is of great importance to the Turkish economy. In conferences held in Antalya on April 5th, 2011, the tourism sector’s 2- and 5-year development plans and targets were identified with the precious contributions of the members of public and private sectors, as well as NGOs.

The first internet TV in the sector to serve SMEs, TEB SME TV reached broader masses in 2011 and became a significant brand in the sector more than 4.5 million visitors, over 100,000 members and an archive of around 5,000 videos.

Also keeping a close view of technological developments, TEB SME TV stood at the forefront of mobile communications by offering its applications on the iPhone and iPad. Having repeated the success of previous years in 2011 with the Golden Spider Contest, TEB SME TV maintained its title as the “People’s Favorite” and ranked 3rd in the “best portal” category.

One of the services offering the most concrete contribution to TEB’s target to be a consultant bank is TEB SME Consultant, which once again won the approval of its customers this year. The number of SME Consultants reached 300 in 2011.

The scope of information support provided to SMEs was expanded in 2011 by adding the Agricultural Banking Information Line and Corporate Social Responsibility Information Line to TEB’s SME Support Line (4440666), one of the most convenient methods of providing information to SMEs in an easy manner and at the requested time.

In 2011, Bilginet and Bizfonik were added to the group of business partners of the TEB SME Club, which brings SMEs together under a single roof and combines their strengths in order to reduce their costs. Offering TEB's corporate clients discounts of up to 50% in their purchases, the TEB SME Club addresses more than 15,000 members and thus continues to play a significant role in SMEs' purchase decisions.

Applying its approach to social responsibility in all of the services it offers, TEB SME Banking launched the "TEB SME Employment Package" in 2011, demonstrating that the private sector – and not just public institutions or NGOs – can produce solutions to the unemployment problem. This package offers those SMEs seeking to hire new personnel a 1.5-point deduction in the interest rates of loans provided from TEB, as well as free-of-charge VIP membership of the TEB SME Club for one year. Moreover, various collaborations were established with non-bank corporations, paving the way for special advantages to be offered by Secret CV and Zurich Insurance to those customers making use of this package.

The "TEB Zero Interest Technology Loan" was developed for SMEs looking to undertake technological investments. Within the framework of this product, those of Arena Bilgisayar's dealers and SMEs who conduct purchases from these dealers are offered flexible maturity options of up to 12 months and the advantage of interest-free purchases of the products included in the campaign.

TEB SME Banking has responded to the elementary insurance demands of its customers in the SME segment through a single policy, with the SME Insurance Package, in addition to the SME Responsibility, My Office and Fire insurance policies. POS devices installed in TEB's member workplaces were assured with the POS Insurance against risks such as breakage, flood, theft and malfunction, etc. Other products include the Hotel Package Insurance policy, Engineering Insurance policies, Transportation Insurance policies and Executive Responsibility Insurance policies.

In 2012 TEB SME Banking aims to

- deepen relations with the existing customers of the merged bank and keep growing profitably by acquiring new customers;
- support investments, whose target is to improve the social life and future of Turkey, by means of social responsibility and energy efficiency projects as in the past;
- diversify the funding facilities it offers to SMEs by means of global collaborations like the one with the French Development Agency (AFD) and local collaborations like the ones with CGF and KOSGEB; and
- raise its market share consistently.

TEB SMALL BUSINESS BANKING

TEB Small Business Banking, with its wide product range, aims to produce solutions from a single location for all financial needs of its customers and to be the first bank remembered by its customers in the field of small business banking.

TEB possesses a specific scale, a delivery network and a high technological infrastructure, which allow the Bank to offer its products and services to customers at the right time and the right manner. During the merger in 2011, TEB continued to offer solution-oriented products and services rapidly and with an approach that makes its customers feel that TEB always stands by them.

Having further improved its product range in 2011, TEB Small Business Banking added new products to its product portfolio of Overdraft Accounts (OA) and offered Super Accounts to those customers, who need short-term high cash finance. In addition to Super Account, new products like Source Account, POS Source and Check Source were developed, thus covering the short-term cash needs of enterprises and giving them the option to choose the most suitable overdraft account from a wide spectrum.

TEB Small Business Banking offered especially unique opportunities in commercial installment loans, both in Eid and the Festival of the Sacrifices in order to improve the holiday prolificacy of traders. TEB Small Banking continued to sign protocols with chambers of traders In 2011 and

mediate KOSGEB loans, ordering a wide variety of financial solutions to assist small enterprises in gaining a consistent income model.

TEB Small Business Banking continued to develop special products in 2011 to cover the insurance needs of customers in the small business segment; in addition to its existing products, TEB Small Business Banking began to provide insurance for the workplaces, goods and fixtures of small enterprises through its product entitled "My Workplace Is Secure", with special price advantages.

Breaking further ground in the sector in 2011, TEB Small Business Banking began to provide its small business customers with a service similar to "SME Consultants", a service offered only to SME customers. Within the framework of the project, "TEB Small Business Experts", which aim to more closely understand the fundamental dynamics of small enterprises and produce solutions for their problems, an intensive 1-year training program was provided for Customer Relations Directors serving small businesses at TEB branches. This program aims to ensure that Customer Relations Directors are better able to analyze the fundamental functions and needs of the Bank customers.

In 2012 TEB Small Business Banking aims to:

- deepen its relations with its existing customers and expand its client base with professional staff;
- support future-oriented investments through social responsibility projects like techno-enterprise;
- support and strengthen information access and the planned growth of small enterprises via "TEB Small Business Experts Project";
- diversify funding facilities through both global and local collaborations; and
- generate solutions in line with local and sectoral action plans.

TEB AGRICULTURAL BANKING

Offering one of the most comprehensive ranges of agricultural loan products among private banks, TEB achieved a 135% expansion in its cash loan portfolio in December 2011, when

compared to December 2010, according to BRSA figures. According to this result, the Bank's market share, which had stood at 1.08% at the beginning of 2011, rose to 3.25% by the end of the year.

TEB Agricultural Banking aims to support manufacturers through a range of agricultural banking products that cover the needs of the sector and manufacturers, which are based on the conditions and dynamics of agricultural production. TEB Agricultural Banking carries out its activities with an understanding that pays attention to sectoral dynamics and with right products, right prices and right procedures, and sets up long-term relations with its customers by offering special forms of finance depending on the types of sub-production. TEB Agricultural Banking's competitive edge is driven by its specialized personnel, including agricultural engineers, and its information-based strategic approach.

The number of TEB Harman Kart users rose by 371% in 2011 when compared to 2010, addressing a broader group of consumers.

The TEB Harman Kart comprehensively meets all of the needs of agricultural manufacturers, in purchases ranging from seed to fertilizers and diesel fuel to feed, enabling manufacturers to meet their needs under viable conditions and complete their payments from harvest to harvest. Whenever they need cash for invoices, tax or insurance premium payments, manufacturers may apply for Agricultural Overdraft Accounts.

The option to repay the loan after the harvest...

The individual needs of manufacturers such as housing or vehicle needs are met through the Housing and Vehicle Loan for Farmers, a product developed by taking farmers' cash flows into account. Manufacturers are thus able to buy their desired home or vehicle when they want and under viable conditions, while completing their payments after the harvest.

Discounts of up to 40% in agricultural loans

Within the framework of the campaign, "Çiftçiye Çifte Bayram" (A double Holiday for Farmers), launched in 2011 to celebrate World Farmers' Day, all agricultural loans were discounted by up to 40%, aiming to ease the interest burden on

farmers. Within the scope of the collaborations entered into with agricultural unions and cooperatives, members of the chambers of trade and industry were offered an array of advantageous products ranging from loans to insurance services. In addition to the existing products, customers were also offered State-Funded Agriculture and Livestock Insurance policies.

Activities that steer the sector...

Organized by TEB, the Sectoral Future Strategy Conferences that aim to identify sectors' strategic targets continued in 2011 with the "Agricultural Sector". In the workshop attended by leading representatives of the sector, sectoral targets were determined and a wide information platform was set up. In addition, we continued to organize "Çaylar TEB'den" (It's on TEB), a series of events that we carry out by visiting villages, aiming to show that we stand by manufacturers, listen to them and produce solutions for their problems.

TEB Agricultural Banking will focus on products and services of high added value in 2012.

The agricultural sector is undergoing a period of rapid restructuring, consolidation and modernization. In line with this transformation, TEB has continuously updated its agricultural business models and expanded its organizational structure. By taking the entire agricultural value chain (production-industry-trade) into account, TEB Agricultural Banking will focus on products which cover all needs of agricultural enterprises and sectors that bring a high contribution to the national economy. As an important bank in the field of agricultural banking, TEB aims to be the sector's leading bank based on its sales targets that are defined in parallel with its strategies.

TEB GOLD BANKING

According to data released by the BRSA in September 2011, TEB held a 31.73% market share in gold loans, again being the sector leader in 2011.

One of TEB's most important characteristics that has differentiated the Bank from its rivals is that it is able to offer its Gold Banking products to its

customers throughout Turkey via its widespread branch network. TEB Gold Banking continued to provide financial support to the Turkish jewelry sector, which is the 2nd largest exporter of gold jewelry in the world, through products such as the "Gold Loan" and "Gold Installment Loan". With "Gold Collection System" solutions developed for the sector which offer convenient payment terms and guarantees for receivables, TEB Gold Banking maintained its vision-determining position in 2011.

The target mass of the Gold Installment Loan, which has offered from April 2011, is jewelry retailers and small jewelry manufacturers.

The Gold Loan with a maturity of up to 1 year, which can be extended on a gram-per-gram basis with a minimum of 250 grams, offers jewelers the opportunity to strengthen their operating capital. In a single policy, the Jeweler Package Insurance covers all the risks of wholesalers, retailers or sellers in the jewelry sector, such as risks related to their products or workplaces.

Gold banking products for investors

With the TEB Gold Checking Account, investors can open a gold checking account on a gram-per-gram basis through TEB branches and the TEB Internet Branch; gold can be traded in terms of 0.01 grams and multiples thereof. With the Gold Deposit Account, investors are even able to earn interest yields on a minimum of 1 gram of gold with a maximum maturity of 12 months. In addition, investors may place their savings in the TEB AŞ Type B Gold Fund and expect a steady income in the medium- and long-term.

Having released the Final Report of the Future Strategies of the Turkish Gold and Jewelry Sector to the sector in February, TEB was also the primary sponsor of the 32nd Istanbul International Jewelry, Watch & Equipment Fair held at the CNR Expo Center between March 17th-19th.

Believing that information is the most important commodity, TEB offered the "SME Support Line 444 0 667" to answer all kinds of questions asked by customers concerning gold, and thus continued to provide information support.

TEB PUBLIC BANKING

Attaching priority to municipalities in the field of Public Banking, TEB Public Banking differentiates itself in the sector by introducing a different and innovative point of view to both credit supply and collection methods within the framework of its strategies in this area.

TEB Public Banking predominantly mediates the funding of the municipal projects and the collection of taxes for municipalities. TEB's alternative innovative and technological solutions help municipalities be supplied with loans that are financially structured.

Maintaining sector leadership and a pioneering position in Public Banking in 2011

By extending financially structured credit products to municipalities, TEB allows projects to be implemented more easily by accepting, during credit supply, the current cash flows of municipalities as a guarantee rather than the collateral they present. For the collection of taxes, on the other hand, the products allow taxes to be collected online and in real-time by ensuring integration with the software systems that are currently used by municipalities. This way, all taxes and dues that are paid to municipalities, such as water, property and sanitation taxes, as well as advertising and billboard dues, can be collected via TEB branches throughout Turkey, saving a significant amount of time and labor for municipalities. Furthermore, within the framework of the Provincial Bank correspondent agreement that entered effect at the end of 2010, TEB began to mediate the collection of municipalities' legal shares and the repayment of the Provincial Bank loans received by municipalities.

In 2012 TEB Public Banking aims to double its market share in the areas of finance and collections of municipalities in line with its vision of becoming the primary bank of local administrations with the expectation that the pace of public investment will continue unabated.

TEB RETAIL AND PRIVATE BANKING GROUP

TEB PRIVATE BANKING

TEB Private Banking compliments more than 20 years of experience and a deeply rooted service quality meeting international standards with new and appropriate products in parallel with the development of the Turkish and global markets.

Special approaches for the future

The new approach developed by TEB in 2011 aims to understand the future potential needs of customers and their family members and provide consultancy in required areas, in addition to offering them the products and services that are necessary for the present. Specialized in their own fields, TEB Portfolio Managers conduct one-to-one meetings with customers and offer them detailed resolutions after conducting a special study.

Within this framework, TEB now offers customized consultancy services in the following areas, which had formerly been provided by BNP Paribas Wealth Management, to private banking customers worldwide: Art Consultancy, upper segment real estate consultancy as required in many European cities, philanthropy, viticulture and agricultural investments in France.

Moreover, with the advantage of BNP Paribas' global experience, TEB provides its customers with reports on the global economy and up-to-date information on the markets.

Offering Commercial Real Estate Consultancy services, a first in Turkey, TEB offers its customers complimentary access to the knowledge and experience of Jones Lang LaSalle, one of the world's leading real estate consultancy firms with respect to commercial real estate, an important area of investment.

With its Commercial Real Estate Loan Package , TEB Private Banking offers a solution package in the event that its customers require loans during their investments. Hence, TEB was the only bank in 2011 to consult its customers the luxurious on real estate investments.

The first private banking application on iPad: "TEB Özel" (TEB Private)

In 2011 TEB Private Banking launched the first private banking application on iPad for TEB Private Banking customers.

This application allows customers of the Bank to read special articles and comments on the markets from their mobile devices and to instantly access the headlines of daily developments in the world and in Turkey.

TEB plans to offer the private banking products and services, developed with the global expertise and experience of BNP Paribas, to the private banking world in coming years as well through various approaches, most of which will be firsts in Turkey.

TEB RETAIL BANKING

2011 was a year in which TEB made significant achievements in the area of retail banking.

Having further strengthened after the merger, TEB will continue to build on its achievements in retail banking in 2012 with its customer-oriented approach, ability to take action rapidly in response to varying dynamics and needs, its innovative range of products and services, continuously improving technological infrastructure and a highly qualified and good humored team of human resources, all specialized in their own fields.

TEB possesses just the right scale, delivery network and high-tech infrastructure to allow the Bank to offer its products and services to customers at the right time and in the right manner. Proper, planned and effective use of its retail banking capabilities have strengthened TEB's ambition and market share in the area of retail banking.

Having also maintained its significance in 2011 as well, the salary payment service is an important channel when gaining new customers and in becoming the primary bank for customers.

Within the framework of the salary payment service program that includes special privileges and exceptions for those customers who receive their salaries through TEB, special continuous campaigns were extended to customers, who were contacted on a regular basis every month throughout the service lifecycle.

In 2011 TEB began to provide special service to physicians and dentists by adding them as a new segment to its portfolio of retail customers.

Within the framework of the efforts aimed at easing both banking transactions and the daily lives of physicians and dentists, the TEB Physicians Package and TEB Dentists Package, which is unique in Turkey, was offered to customers of the Bank in 2011. Meeting the needs of physicians and dentists in Turkey with BNP Paribas' expertise in the international healthcare sector, from 2012 TEB aims to be the bank of choice for physicians and dentists. With this package, TEB provides a

privileged service with its specially trained Customer Relations Directors, both through its branches and from its Physician Service Line at 444 90 50.

Through the TEB Physician Package and TEB Dentists Package, the following products were offered to physicians and dentists: MEDILEASE, a product originally developed by BNP Paribas Finansal Kiralama (Financial Leasing) AŞ; the Turkish Dental Association Group Pension Plan, a product originally developed by BNP Paribas Cardif Emeklilik AŞ; and Compulsory Financial Responsibility Insurance for Medical Maltreatment, a product originally developed by Zurich Sigorta AŞ.

TEB has a competent segment that offers an array of products and services to Bank customers aged 18-25 and university students.

TEB offers credit card services to the respective customer mass through the ÜniversiTEB Bonus Card and the TEB 18+ Worldcard. Working to a principle of standing by young people, TEB provides special advantages in banking transactions and private products and services to its customers using ÜniversiTEB.

Star Banking

TEB Star Banking continued to provide its customers with primary and privileged services In 2011 through its experienced portfolio representatives, a diversified internet branch and a call center.

Star Pro

Designed in 2011 especially for TEB Star customers, "Star Pro" - a unique service in Turkey, offered product diversity to its customers by issuing the TEB Bond and 15 Capital-Guaranteed Funds.

Star Banking, which will be renewed in 2012, will continue to offer new products and services that designed with a customer-oriented approach and maintain a privileged service approach with competitive pricing support.

Product Development and Management

Having become a more important player in personal loans after the merger, TEB offers special payment plans to its customers and has thus gained prominence in the sector by implementing the flexible payment plans system in 2011.

Continued collaboration with real estate agencies and construction firms

Having activated the online dealer system in order to accept the applications from estate agents, the Bank has continued to stand by its customers whenever they need help. The “TEB Home Support Package”, launched in 2011, represented the first time a bank in Turkey offered a combination of an assistance package and a support package for official procedures to customers taking out housing loans. Under this package, TEB customers taking out housing loans assigned a firm to offer assistance, free-of-charge, to perform the official procedures that must be completed when purchasing a new home.

Payment plans and attractive campaigns prepared in line with customers’ demand for consumer loans increased the number of TEB customers throughout 2011, becoming one of the most important ways for the Bank to acquire new customers interested in consumer loans.

With the TEB Handy Consumer Loan launched in September 2011, TEB began to instantly respond to its customers’ applications for consumer loans with nothing other than their national identity card number through SMS text message, the internet branch, the web, IVR, Call Centers or ATMs.

The Western Union service offered to TEB customers in all our “Hybrid Banking” branches was integrated into TEB’s banking system in 2011. In 2011 TEB actively conducted field marketing work for Western Union throughout Turkey and TEB was handed the “Western Union “Yes” Campaign “Use of The Best Alternative Channel” Award.

Boasting one of the largest product portfolios in the market in deposit and investment products,

TEB launched the groundbreaking Skillful Saving Account in December 2011.

Designed to promote saving, the Skillful Account pays interest to Bank customers on a daily basis, offering them the flexibility to draw or deposit money without closing their time deposit accounts. Moreover, customers who used the Skillful Accounts for 6 months and maintained a specific average amount of money in these accounts were paid additional interest, a first in Turkey. TEB will continue to offer diverse products and services in 2012 in order to encourage its customers to save.

Multichannel customer relations management

TEB not only meets the needs of its customers in all of the segments that it operates in; it also conducts work supported by advanced analytical modeling and tendency analysis in order to offer customers the best customer experience. TEB aims to offer its customers the right product and service at the right time and through the communication channels preferred by the Bank.

Supported by the foundations laid down in early 2011, the “Campaign Desk” allowed TEB to effectively manage its relations with its customers and from a single point and to provide the right message to its customers.

During this period, such channels as branches, call center, internet banking, SMS and e-mail were integrated, while the Bank plans to complete the integration of ATM and IVR in 2012.

In order to ensure that our customers are informed about our products and services and able to effectively use them, TEB launched its efforts to specify a detailed communication strategy, which is planned to be fully implemented in 2012.

Card Payment Systems

2011 was a year in which the achievements of TEB Card Payment Systems were crowned with important awards. The website, Tebbonus.com, received the “Award of Excellence Standard in Financial Services” at the Web Awards in 2011,

while the TEB Screen Card won the BNP Paribas 2011 Award for Innovation.

After the merger, TEB began to manage two card programs – TEB Bonus and TEB World – in 2011. Besides Bonus and World campaigns, TEB also intensively undertook campaigns specific to TEB.

A total of 190,000 Total Cards were offered to customers under the cooperation with Total Oil AŞ, rendering it as one of Turkey’s most successful co-branded card programs.

Debit cards were opened to e-commerce transactions in April 2011. The Bank achieved a 31% expansion in its debit card shopping volume during 2011.

TEB also continued to strengthen its position in member workplace activities in 2011 and the total number of terminals reached 131,000.

By improving its POS performance, the Bank was able to provide a faster and better service to both card users and member workplaces. As such, the number of banks with which TEB carries out joint POS work rose to five. In 2011, the practice known as “messaging between workplaces through POS”, a first in the sector, was implemented. Notifications were made to workplaces through POS devices.

Alternative Delivery Channels

TEB positions its alternative delivery channels as a branch-complementing channel that provides an opportunity to establish contact with customers.

The Bank hereby aims to raise its cross-sales and net commission incomes and reduce its operating costs.

Serving with the motto, “A Bank That Makes Life Easier”, the Bank employs the latest technology, providing its customers with innovative and high-quality services through all channels.

TEB’s alternative delivery channels are as follows:

- TEB Internet Branch
- CEPTETEB Wap Banking
- TEB ATMs

These are the primary non-branch channels through which TEB serves various customer categories with comprehensive transaction options.

The Bank is focused on interactivity, which will shape the future and evolution of internet banking, designing its internet branch functions under this point of view. The “Online Help” practice, which works on a web chat basis in order to ensure that customers instantly receive support, was integrated into the TEB Corporate Internet Branch, allowing customers to receive assistance from customer representatives whenever they need help in any topic while using the internet branch.

In 2012, the Bank integrated its “Online Help” practice into a video chat infrastructure, aiming to ensure that TEB customers submit their banking requests to the Bank through audio and video communication. This was part of the “Personal Finance Management” practice, which will assist customers in their financial decisions while offering mobile banking applications for widely used mobile platforms.

TEB announced its priority in ATM Banking for 2011 in a bid to raise customer satisfaction and the utilization rate of this channel, by investing in these areas.

At the end of 2011, TEB began to offer customers the money deposit function at its ATMs in all of its branches. This rollout involved the replacement of ATMs at about 200 branches. Moreover, ATMs were installed in nearly 170 non-branch locations to meet customers’ needs and expectations.

Considered an important channel in communication with customers, TEB made intensive use of ATMs in 2011 for one-to-one campaign management. Accordingly, ATMs were used for customer-specific campaigns for many of the Bank’s products. These campaigns produced successful results.

TEB ranked 2nd among all the banks in terms of the volume of ATM utilization by foreign card users.

By taking advantage of its partnership with BNP Paribas, the Bank meets the banking

requirements of not only its customers in Turkey, but also foreign card users. Under the DCC (Dynamic Currency Conversion) practice launched in late 2011, the Bank aims to increase its revenues in this area.

The most important three targets for the ATM channel in 2012 are:

- To reduce crowding at ATM machines and increase the efficiency of the ATM channel by installing ATMs with an instant money deposit function at all branches;
- To utilize the potential of the ATM channel in generating revenue by increasing the number of such practices; and
- To develop procedural practices that improve user experience.

Insurance

TEB Bancassurance

TEB offers life-elementary insurance policies and private pension plans to its customers through its branches and call center, as well as the insurance companies that it works with.

TEB offers its customers

- Life, debt protection and unemployment insurance policies and private pension plans through BNP Paribas Cardif Emeklilik AŞ; and
- Personal accident and elementary (non-life) insurance products through Zurich Sigorta AŞ.

The Bank has been working with these two companies over the fully integrated bancassurance model since the beginning of 2011. In 2011, the TEB Bancassurance produced innovative products that will make a difference to its customers' lives. TEB will continue to expand the guarantees and scope of these products in 2012, while offering new products to its customers.

TEB offers life and non-life insurance products that provide collateral against risks which could be encountered by Bank customers, while also developing the right products for the right customers by customizing long-term savings products and private pension plans according to the segment and needs of its customers.

Understanding that different customers may require different products, TEB offers innovative insurance products that make a difference. The Bank keeps a close view of developments as well as new products and services both at home and abroad, seeking to put the best innovations into practice in Turkey, while supporting them with the experience of strong global insurance companies.

Alternative Sale Channels

In 2011 TEB increased the number of its personnel commissioned in its Call Center and Mobile Direct Sales teams, in order to provide a better service to its customers and promote the Bank products and services to its customers on a face-to-face basis.

Under this approach, the Bank contributed to employment and took concrete step towards raising young and dynamic bankers for the sector.

In order to better serve its customers in 2012, TEB will undertake efforts to

- increase the number of services provided through Interactive Voice Response and by customer representatives through the web chat infrastructure;
- ensure the Interactive Voice Response is more customer-oriented;
- continue to invest in technology, thus ensuring that Bank customers feel that TEB is always supporting them; and
- promote products and services offered by TEB through Direct Sales Teams which are on duty in all regions of Turkey.

TEB ASSET LIABILITY MANAGEMENT AND TREASURY GROUP

One of the most important issues in the global banking sector is the effectiveness of asset liability management and how the sustainability of a bank's general liquidity can be protected.

What sets TEB apart in the sector is that it has restructured the Asset Liability and Treasury Department as the backbone of its balance sheet management, thus rendering it as one of the most effective departments.

In order to better serve its customers, the Bank gathered conventional customer transactions under the Financial Markets Department, leaving the remaining balance sheet responsibility to the Asset Liability and Treasury Department.

Asset Liability and Treasury Department's primary goal is to manage the Bank's interest, country, structural FX and liquidity risks in its balance sheet in an optimal manner within the framework of the Bank's growth strategies and the limits defined by the Board of Directors and legal authorities, in order to maximize the Bank's risk-free capital.

During 2011, a year which marked a relative worsening in the global risk environment, the bank's Asset, Liability and Treasury Management succeeded in helping the Bank become more liquid, while ensuring that this liquidity was managed in a more profitable way for investors and shareholders by:

- managing the interest risks in the Bank's balance sheet, in the most effective manner,
- raising the interest rate differential between assets and liabilities despite the conditions introduced by the merger, and
- significantly improving the loans/deposits ratio, which is the leading liquidity indicator of the Bank.

By keeping a close view of the monetary policy being applied by the Central Bank of Turkey, the Asset Liability and Treasury Department models account for various balance sheet items under the financial engineering approach. In order to minimize all risks and maximize the Bank's revenues, the department undertakes a variety of financial transactions in foreign and domestic markets ranging from repurchase-reverse repurchase transactions to complex derivatives transactions in accordance with appropriate legislation and regulations, and by taking into account the Bank's utmost care to its traditional risk approach.

The Asset Liability and Treasury Department broke new ground by issuing the Bank's first bond, differentiated itself by offering customers various deposit products and maintained its position as the market leader in gold banking and effective management.

CORPORATE INVESTMENT BANKING

TEB offers its Turkish customers a wide array of products in corporate investment banking.

The Corporate Investment Banking Department, which combines TEB's ability to accurately analyze the domestic market with the expertise and experience of BNP Paribas in international markets, can completely cover any needs of a corporation in the field of investment banking. TEB Corporate Investment Banking offers innovative products in the following segments:

- FX and Interest Markets
- Stocks & Commodity Derivatives
- Restructured Finance
- Corporate Finance

International and domestic financial markets underwent serious volatility in 2011, which set the stage for a fall in the Turkish Lira. TEB Fixed Income Securities groups provided their corporate and individual customers with solutions which produced high added value in order to minimize the risks associated with these fluctuations. Moreover, TEB and BNP Paribas provide analysis and consultancy services to a variety of infrastructure and energy projects that will contribute invaluable to Turkey's development.

Companies are able to increase their competitive strengths in the global arena, thanks to the corporate investment finance services jointly provided by TEB and BNP Paribas.

In October 2011, TEB became the primary sponsor of the Bonds and Loans Conference, attended by Turkey's largest companies and financial institutions. The conference represented the clearest proof of the tremendous potential promised by the Turkish capital markets and the degree of investor interest in Turkey.

TEB will continue to contribute to the Turkish economy in 2012, by preserving its leading position in the domestic markets in the field of corporate investment banking.

TEB SECURITIES SERVICES

The TEB Securities Services Department entered service in 2007 as TEB became responsible for the settlement and custody services, which had been provided by BNP Paribas in Turkey since 1990s.

The department serves its customers with a specialized team at the head office and with the support of BNP Paribas Securities Services, which is Europe's largest custody bank.

In addition to the settlement and custody services provided to foreign and domestic corporate investors, the department also develops capital market and banking solutions for financial institutions, corporate investors and exporters to cover their needs arising after their investment and funding decisions.

TEB Securities Services Department offers:

- short-selling transactions,
- brokerage house "outsourcing" services,
- safekeeping services,
- borrowing instrument issuance and payment services, and
- services for access to the Central Registry Agency (CRS) for exporters.

TEB Securities Services Department added new global brands to its customer portfolio in 2011.

In 2011, the department added leading global brands to its customer portfolio in securities settlement and customer services were provided to international financial institutions. The department achieved significant success in the services that it provides together with TEB Investment to foreign investment banks who are especially eager to access the Turkish Derivatives Exchange.

New products were added to the portfolio of products offered directly or through BNP Securities Services to asset management companies founded in Turkey, as well as the main shareholders of domestic and foreign companies or similar asset holders and stock- or bond-issuing companies.

Its high-quality services and customer-oriented approach placed TEB as a preferred solution partner in the Turkish market.

TEB was deemed as “Top Rated” in 2011 by the Global Custodian Magazine, the sector’s leading media organ, in a survey which evaluates those banks that provide custody services in emerging markets on the basis of customer reviews.

In 2011 TEB became the sector leader in access to the Turkish Derivatives Exchange, thanks to its creative solutions.

In 2011, TEB raised its market share in stock and/or treasury bond/bill custody services offered to foreign investors abroad and pioneered the sector with respect to accessing the derivatives exchange through creative solutions.

TEB INFORMATION TECHNOLOGIES

By using its own resources, TEB Information Technologies develops revenue-enhancing or cost and/or risk-reducing projects required by the Bank in line with its tactical and strategic targets.

Applications are offered to the Bank and its customers on with uninterrupted, 24/7 services. By keeping a close view of technological developments, TEB Information Technologies plays a key role in the development of new products and services to be offered to customers and in the improvement of the Bank's processes.

The basis of the efforts of the TEB Information Technologies Group in 2011 was the integration of the TEB-Fortis system.

In order to ensure system integration, a variety of projects were conducted in the legal and brand merging of the two banks. While the legal merger had been completed by February 2011, the system merger was completed, with great success, in July 2011 in a rapid, well-planned manner at an intensive work pace, having predicted the advantages to be introduced by the rising synergy.

During the merger, TEB Information Technologies focused not only on ensuring a technically seamless system migration, but also on the management of customer experiences in all delivery channels in the best possible way. The system merger was gradually realized group by group (by groups of branches), while the effective completion of all preparations was coordinated and the integrated operation of both systems was ensured until the whole merger was completed.

Under the Business Processes Management, improvement work on critical business processes were performed in line with the Bank's "Practical Banking" vision and by employing the Lean Six Sigma methodology, which is also used by BNP Paribas.

Within the framework of business continuity, the new emergency center was established and entered operation as a professional service in a manner that meets the needs of the merged bank.

TEB HUMAN RESOURCES GROUP

Human Resources Policy

The underlying objectives in TEB's human resources activities are to be one of the best examples of excellence in human resources practices in the financial services sector, to manage all human resources related processes actively so as to provide itself with a competitive edge and to support the Bank's human resources performance through coordination of the overall effort.

TEB's Human Resources group strives to

- ensure that the TEB Group is always prepared for change, while maintaining its organizational structure dynamic in line with the Group's strategic plans and targets,
- ensure that the TEB Group, within the framework of TEB's Talent Pool, recruits individuals of the highest level of education with entrepreneurial talent and potential to develop themselves and their jobs, and who are well trained, innovative and like change, who are energetic, dynamic, adaptable to teamwork and able to adopt and lay claim to TEB's corporate values,
- support the personal and professional development of TEB employees through development programs determined in accordance with their career roadmaps in order to ensure the use of the Bank's human resources in the most effective and efficient manner, in line with TEB's targets and strategies,
- contribute to the development of Bank employees in line with TEB Group's targets and strategies within the framework of the approach entitled "continuous learning and development with the TEB Formation Academy", which considers training and development as an investment in human resources,
- raise Bank executives from within TEB and preferentially evaluate in-house applications for new positions,
- focus on various systems of awarding with the Performance Evaluation System by improving individual and team performance through processes and systems that increase quality at all times, and

- offer equal opportunities and facilities to everyone in line with their career roadmaps.

With these practices, TEB Human Resources provides swift and effective support to all employees in all human resources related matters, while playing a key role in further raising the efficiency and performance of TEB branches.

In striving to achieve its strategic targets, TEB's most important asset is its human resources.

At the end of 2011, the Bank had 9,356 employees on its payroll and a total of 507 branches. Of TEB's employees, 61.2% are university graduates, 5.4% hold a master's degree and 0.1% have a doctorate.

An average of 40 hours of training was provided per employee in 2011.

We have combined our strengths

Following the TEB-Fortis merger in 2011, human resources practices and processes were reviewed so as to provide maximum benefit to employees. New HR principles and policies that are objective and comply with business legislation were determined by listening to the opinions of people and institutions that are experts in their own areas. The new HR regulation was shared with all employees. Employees were supported with training on the new system and practices, while close contact was established with employees to create the new TEB spirit.

A list of measures was set out to prevent any problems for customers of the Bank that might have arisen in adapting to the new organizational structure. Within this framework, all work related to titles, duties, authorizations and signatures were successfully completed.

The "Mobility Center" entered operation, matching the positions required by the new organization with employees' capabilities and expectations from a single point and in an effective manner.

Thanks to the E-jobs application, open positions in BNPP and TEB were shared with employees and new career opportunities were offered.

Information related to all employees within the new organization was fully gathered in a single database.

Competence Management and TEB Competency Model in 2010

In 2011, the follow-on development of employees who had demonstrated high potential and performance within the framework of Competence Management processes was specially conducted through Competence Management, in conjunction with the employee's manager and TEB's Training & Development unit.

Individual training plans contributed significantly to the development of TEB employees which were prepared in accordance with employees' needs. These plans were complemented with mentoring work and other developmental instruments.

TEB Competence Model

With the purpose of sustaining a high level of performance, TEB continued to apply its TEB Competence Model in 2011, which plays a key role in the development of employees in accordance with TEB's vision, mission and corporate values. The TEB Competency model has four main headings and 12 Competencies, which can be measured on a staff position basis.

| | |
|---------------------------|--|
| Leadership | Vision & Change Leadership |
| | Influencing & Leading |
| | Innovation & Creativity |
| Think the Business | Entrepreneurship and Business Acumen |
| | Performing with Excellence / Customer Orientation |
| | Generating Strategic Business Relations / Create Synergy |
| | Commitment |
| Drive Results | Problem Solving & Decision Making |
| | Planning & Organizing |
| Maximize Yourself | Continuous Learning |
| | Self Confidence / Flexibility / Strength |
| | Professional Expertise |

Competence evaluation is performed annually at TEB through "Competence and Development Report Cards". The impact of employees'

individual and professional development on their performances was objectively measured by ensuring system integration between "Competence and Development Report Cards" and "Performance Report Cards".

Celebrated every year, this year's Traditional Talent Day was celebrated on April 13th, 2011.

On the Talent Day, those employees with high potential who have demonstrated a high performance were brought together and the Bank's vision and common targets were shared with them. In the meeting held on the Talent Day, new ideas were created and group work was carried out through the method, "Excellence in Customer Experience". The meeting was attended by the senior management of TEB and senior executives of BNP Paribas. Following speeches by senior managers concerning the Bank's vision and targets, some of our talented employees provided presentations to the senior management with respect to their projects on various issues related to the banking sector.

The Bank continued to assist talented individuals seeking to work abroad in line with their career targets.

Projects undertaken by the Human Resources Group in 2011

Innovation in TEB

Winning the admiration of the Gartner Group in 2009 thanks to its efforts in innovation, TEB continued to foster a culture of innovation in 2011 by encouraging its employees to create innovative and creative ideas through internal initiatives, and offering innovative and creative products to its customers.

TEB began to provide consultancy services in the establishment of an innovation model in Poland, which is a pilot country for the "E.M Innovation Excellence Center" project. The Bank plans to support other countries following in Poland's footsteps.

The 5th TEB Smart Ideas Competition, a reflection of TEB's efforts in innovation, was held in 2011.

Facilitating its customers' lives with innovative and creative services offered to them,

TEB deems innovation as one of the most important instruments in its strategy of making a difference. The competition also includes social targets such as

- cooperation with universities,
- increasing innovation-related information and competencies of university students and young people,
- the recruitment of talented young people by TEB and
- ensuring that products and services offered to customers are shaped by them personally.

Ideas that won the competition in 2011 were, as in previous years, presented to customers as products and services; five of the finalists were recruited by TEB. TEB Dwelling Support Services and Sticker Promotions on Receipts are some of the ideas from the contest which were implemented in 2011.

TEB continues to evaluate its employees' ideas for innovative products and services through the In-House Kivılcım Portal.

Recently hired bank employees were provided with training on the kivılcım portal, innovation and techniques on how to produce ideas within the framework of the Change Management Project, which was carried out after the merger.

Held in 2010 for the first time, in-house innovation contests which aim to raise employees' awareness encouraged them to generate ideas with employees from other departments, creating an enjoyable competitive environment where innovative projects compete. Two of the projects, which ranked highly at the "Rifat Taranto Banking Contest", the first in-house innovation contest, held in memory of Mr. Rifat Taranto – a board member– were implemented in 2011 by SME Banking: "Gold Installment Loan" and "House and Vehicle Loan for Farmers".

In the contest with the theme, "Excellence in Customer Experience and Practical Banking", the project entitled "Hattan Düştünüz Biz Sizi Tutarız" ("The Line Dropped, We Will Hold You") ranked 1st and was put into practice.

"TEB Smart Ideas Conferences" – Innovation Summit

"TEB Smart Ideas Conferences", which are organized every year with the participation of 1,500 employees and 500 customers, again brought international lecturers, TEB customers and employees together in 2011.

In this traditional event whose theme in 2011 was "Excellence in Customer Experience", international lecturers expanded participants' vision with their presentations on "Innovation in Customer Experience"; awards were handed out to the most creative employees who submitted their ideas to the Kivılcım Portal, as well as customers, university students and new graduates who had ranked highly in the "Smart Ideas Competition".

2011 BNP Paribas Innovation Competition Award Ceremony

TEB's journey of innovation, which all started with the idea of creating a working environment in which innovation and creativity are encouraged, was again crowned with various accolades and awards in 2011. TEB repeated the success of the last 4 years in the 5th year of the "BNP Paribas Innovation Awards" held by BNP Paribas every year. During the Innovation Awards participated by projects from all countries where BNP Paribas operates, the "TEB Screen Debit Card" was deemed worthy of an award in the "Products and Services" category.

In the same contest, TEB Cetelem received an award in the "Processes" category with the project entitled "5 Saniyede Taşıt Kredisi Onayı" (Vehicle Loan Approval in 5 Seconds).

Customer Experience at TEB

In May 2011, TEB launched its project entitled "Excellence in Customer Experience", which aims to bring high-standard services to perfection.

Aware that success in Customer Experience Management comes only with the participation of all TEB employees, the Bank provided all managers and employees with training on Excellence in Customer Experience. The current situation analyses were made on customer

experience after the activities, which were performed to raise awareness of all employees – from security personnel to the senior management – on “Customer Experience”. A number of projects deemed to have a bearing on the customer experience were identified and implemented after performing various studies to ensure that all functioning parts the Bank act synchronously and with a customer-oriented approach. TEB will continue to implement these projects intensively in 2012.

Quality at TEB

Having received the ISO 9001:2008 Quality Management System certification in 2009, the Human Resources Group continued to pursue its quality-related activities in 2011 in order to unstintingly raise its service quality. Within this framework, training programs on quality were provided to TEB employees.

Customer Communication at TEB

The Customer Communication Department is a unit, which conducts its operations under the title, “TEB –, Customer First Line”, and was founded to

- receive and evaluate customers’ complaints, recommendations and acknowledgements,
- inform the respective department / branch of unresolved complaints and
- resolve problems and inform customers of the results.

All messages with respect to TEB, its products/services or processes submitted by customers through any communication channel are recorded in the “TEB –Customer First Line” system through the menu no: TEBIS 7700. Through reports regularly received from the system, guiding statistical information such as repeated questions, customer satisfaction, source of the problems are obtained, helping our Bank in its task to continuously improve its products and services. TEB also takes corrective measures to improve the processes related to ongoing problems and develops preventive methods in coordination with respective units or departments.

Moreover, customers may forward all kinds of messages to TEB branches or any unit within the head office.

Customers may also submit their feedback to websites other than TEB, media-press organs or official bodies or institutions. Although feedback submitted to web sites and the press is not directly received by TEB, the “TEB –Customer First, Line” checks such feedback on a daily basis and returns to customers if necessary.

University Activities – Smart Ideas Campus

In 2011, the TEB Human Resources Group continued to organize university campus activities aimed at identifying young, talented individuals and introduce them to TEB.

The Smart Ideas Campus, which was launched in 2008, was held twice in 2011: the first event was for club presidents, while 69 applications were accepted to the second organization.

Training at TEB

Knowing that the most important difference-making element of the financial services sector is “qualified and well-trained human resources”, the TEB Human Resources Group – Division of Training and Personal Development aims to support the personal and professional development of TEB Group employees and thus play a fundamental role in ensuring the Bank reached its strategic targets. Some of the key responsibilities for this division include the training programs, which were organized with this aim of meeting the personal needs of our employees, projects for development and change which are conducted with in-house or external resources and the “determination of the service standards of training centers for domestic customers”.

As an institution that attaches importance to continuous learning and development and prioritizes investment in its employees, TEB continued to provide comprehensive training during 2011, in parallel with its principle of offering everyone equal opportunities and facilities.

63% of the training programs comprised of screen-product-process training sessions thanks to integration. Beside documents, instruction manuals and e-learning kits were prepared to support these training programs.

The TEB Performance Evaluation System was a kind of guidance for training and development activities, thanks to its structure aimed at measuring and improving individual and team performance. Within the framework of the system, evaluation results from the competency evaluation process were analyzed; competence development programs were prepared in parallel with employees' needs, and the participation of employees in these programs was ensured.

TEB's Talent Management program continued in 2011. "Individual development plans" were prepared for Bank employees who offered high potential and superior performance; also, special training programs were designed in line with their needs.

In accordance with the Bank's developing and changing needs, "Excellence in Customer Experience" training programs led by TEB Human Resources Group were organized, teaching our employees the strategies, methods and tools they need to establish long and profitable relations with our customers. All departments of the Bank designed and began to implement their own customer experience projects.

Efforts aimed at raising Bank managers from within the Company continued in 2011. In addition, various studies were conducted by the Evaluation Center to measure the managerial capabilities of TEB employees and to determine their areas of development.

As a key priority, the Division of Training and Personnel at the Human Resources Group worked to ensure that all Bank employees - each as a strategic partner of the Bank - would maintain an "uninterrupted and standard" quality in the services they offered their customers during TEB's transformation in 2011. Acting upon the fact that change essentially takes place in every moment of life, a "Change Management" program was designed specific to TEB. About 1,000 executives participated in the first program.

The project adapting the CIB Academy, Management Academy and Risk Academy – BNPP's subunits – to TEB was initiated. It is

targeted that in 2012, all TEB employees will effectively benefit from the Training and Development programs conducted by these Academies.

In order to serve customers in the best possible way during the integration process, a practice entitled "**Sister Branch**" was implemented to create a common language among all of the employees of the new Bank. Within the framework of this project, a sister branch was assigned for each branch, allowing branch employees to support each other with respect to the implementation of learned information by transferring information concerning processes and system applications among the Bank branches.

In October 2011, English training programs were launched for 190 TEB employees, who must be able to speak English as per their duties. In addition to classroom trainings, employees were supported with the "Global English" online training system.

2012 will be a year in which TEB employees support their personal and professional development with Group-specific actions, while TEB establishes stronger communication with the field and its business lines and aims to ensure its employees have a "perfect customer experience".

Mentorship activities at TEB

The TEB Mentor program contributes to the self-development of TEB employees and employees of other Group companies by benefiting from the professional knowledge and experience of mentors, who are more advanced in their careers at TEB and other Group companies.

A first in the Bank, the TEB Mentor program evaluated the requests of 250 employees and completed mentorship training by increasing the total number of mentors from 270 to 400. Requests from Bank employees seeking to benefit from the TEB Mentor program, but whose needs could be met through channels other than mentorship, were covered through different methods (training, rotation, career interview, etc).

Communication

Raising Awareness of the “We” (Corporate Culture)

Efforts to create corporate culture awareness were carried out by making use of change management tools in line with TEB’s vision and strategies.

HR Breakfasts

In order to inform all groups of our Change Management process in detail, we organized HR Breakfasts that bring HR managers and group managers together.

Leaders Are Teaching

We conducted various events in which senior managers shared their experiences in their business and private lives with Bank employees in a relaxed, fun-packed environment .

TEB Club

Sports, hobbies, art and entertainment as well as attractive discounts were offered to employees within the framework of the TEB Club. Events organized in 2011 included culture tours, charity runs, corporate basketball league, the TEB Bowling tournament, a windsurfing tour and regional football tournaments.

TEB’liyim Gönüllüyüm (I am from TEB, I am a volunteer)

Both in-house and external volunteering activities were conducted by employees, who benefit from being a member of a Big Family.

Breakfast Conversations with the Senior Management

Breakfasts were organized to ensure that employees become acquainted with and establish closer contact with the senior management.

BNPP Communication Tools

BNPP’s internal magazine, Ambition, and the internet TV channel, Starlight, which serve about 200,000 BNPP employees in 80 countries, were presented to TEB employees in Turkish for the first time in 2011. Turkish became one of the 6 broadcast languages throughout BNPP.

League of the Extraordinary and Extra Miles

A new platform was set up to honor and award those employees who best represent sound principles of governance and demonstrate extraordinarily high performance.

Avita Employee Support Program

A program was set up where employees can receive medical and psychological support and financial and legal consultancy on a 24/7 basis.

“HR is with you” Meetings

The “HR is with you” program, which was implemented with the belief that the way to support employee satisfaction and loyalty is to be closer to employees and to listen to their concerns, once again brought branch and headquarters employees together in 2011.

In “HR is with you” meetings held for the employees of the Bank and other Group companies, one-to-one interviews were held with all employees who wished to take part, in addition to interactively organized general informing sessions.

CORPORATE SOCIAL RESPONSIBILITY

As a good corporate citizen that is fully aware of its social responsibilities, TEB strives to be a Bank that upholds the core values and the heritage of the society in which it operates.

To achieve this goal, TEB implements corporate social responsibility projects that contribute to the creation of a sustainable community and environment as it invests in future generations.

Planning its corporate social responsibility program in parallel with its business activities, TEB continues to encourage the active, voluntary participation of its employees in these projects.

Contributing to Education

Always placing great priority on supporting the community and offering a helping hand to resolving social problems, TEB and the Mother Child Education Foundation (AÇEV) jointly carry out a corporate social responsibility project for the education of children before they start school.

The project entitled “Ben de ben de” (me too, me too) aims to raise awareness of early childhood education and ensure that all children in Turkey benefit from a high-quality preschool education service. The project comprises of two parts: The first part of the project, “Ev Okulum” (my home school) , conducted with the support of the Ministry of National Education, primarily aims to bring children who are unable to get preschool education, due to physical or environmental circumstances, into the system and to support the development of these children through their mothers, by offering a model that is an alternative to institutional education and to help them become ready for school. The second part of the project, “Güzel Sınıfım” (my beautiful classroom) , aims to ensure that the nursery classes of needy state schools are fully equipped, since high-quality preschool education requires “learning by experience”.

This project, which was launched in the 2009-2010 academic year in districts of Istanbul with a high population of urban migrants, had reached a total of 4,000 mothers and 4,000 children by the end of the two year period. The project, “Ben de

ben de”, will be continued during the 2011-2012 academic year in order to provide equality of opportunity in poor regions.

As one of the defenders of the principle, “Education is everyone’s right”, TEB supports 4 students within the framework of Koç University’s Anatolian Scholarship Program. Under the program, Koç University - one of Turkey’s leading universities, in which most students receive paid education, offer scholarships to a select number of students in underdeveloped areas in a bid to address socioeconomic inequalities, while accepting the most successful among them. As such, these students graduate from university as global citizens with superior capabilities. By providing support to this program developed by the Koç University, TEB provides a way forward for Turkey’s brightest young people to receive the best possible education. Thanks to this program that can reach needy students throughout Turkey, superior students are able to benefit from the privileges offered by Koç University, while the university provides a contribution to science with Turkey’s bright young people. Within this cooperation, that began in the 2011-2012 academic year, all education costs of 4 students will be met by TEB for a period of 5 years.

Contributing to the Environment

As a pioneer aware of its responsibility to contribute to a sustainable environment, TEB developed and deployed an effective and systematic management approach to minimize the environmental impacts of its activities.

As the first deposit bank entitled to receive the ISO 14001 Environmental Management Standard Certification, TEB sustained its efforts to become more environmentally friendly in 2012. In the first 15 months of the Environmental Management System, TEB saved a total of 3.7 million kWh of power, 16,261 tons of water and saved paper that is equivalent to saving 3,726 trees.

Contributing to the Community

Striving to contribute to the community where it has a presence, TEB was one of the organizers of the WTA Championships held in Turkey. One of the world's most important tennis tournaments, the WTA Championships were held in Istanbul on October 25th-30th with the initiative of the Republic of Turkey's Ministry of Youth and Sports and the Turkish Tennis Federation and with the support of TEB. TEB provided a great contribution to Turkey's promotion with this event, which was viewed by about 800 million people around the world on TV and 70,000 people at the tennis court. As one of the organizers of this prestigious sports event which won the approval of tennis authorities and tennis fans alike, TEB was handed the Billie Jean King Award by the WTA. The tournament, which will be held again in Turkey in 2012 and 2013, aims to raise Turkish people's interest in tennis and be a significant source of motivation for professional tennis players.

Aiming to raise its employees' awareness of their social responsibility, TEB continues to increase the number of volunteering projects every year. In this context, 70 TEB employees ran in the International Eurasia Marathon, collecting donations for the Spinal Cord Paralytics Association of Turkey. Also reading books for the Technology and Education Laboratory for the Visually Disabled (GETEM), a division under the Bosphorus University, TEB Volunteers have recently collected toys for the toy libraries opened in Anatolia by the Foundation for the Support of Women's Work (FSWW).

TEB FINANCIAL SERVICES GROUP

TEB FACTORING

As one of the 3 biggest companies in the sector, TEB Factoring continued to serve corporate and commercial firms and SMEs and increased its business volume in 2011 through a range of various export, import and domestic factoring products. The Company exceeded its annual profit target by 120%.

The most profitable factoring company in the sector

TEB Factoring recorded a 24% year-on-year increase in its turnover in TRY terms in 2011, while chalking up a return on equity of 45.48% and a return on assets of 1.11%. The Company closed 2011 with TRY 6 million in turnover. TEB Factoring boasts one of the highest productivity yields in the factoring sector.

TEB Factoring expanded its total client base to 11,000 in 2011, including companies in the SME and sub-SME segments, which it has been seeking to attract since 2007. The Company ended the year 2011 with 2,676 active customers, 8 branches and 97 employees.

TEB Factoring was awarded the “Best Export Factoring Company” in 2011 by the members (a total of 260 members from 69 countries) of Factors Chain International (FCI), the world’s largest and the most important factoring organization. TEB Factoring has won this prestigious award for 3 years in a row, while Mr. Çağatay Baydar, the Company’s CEO, was elected as the FCI Chairman.

In the coming years, it is expected that check-bond circulation will drop in parallel with developments in the trade world; instead, people’s interest in products such as irrevocable factoring, supplier finance and dealer finance will grow. In line with these developments, TEB Factoring has developed both its supplier finance and dealer finance products as special and boutique products, tailored to meet its corporate clients’ own dynamics. TEB Factoring aims to represent Turkey, placing Turkey one of the world’s leading countries in the factoring sector.

TEB ASSET MANAGEMENT

TEB Asset Management’s fundamental objective is to determine the investment vehicle compositions of investment portfolios based on the risk profiles of their individual and corporate clients and to manage those portfolios accordingly with optimum benefit.

TEB Asset Management is an asset management company with a wide external delivery channel. As of 2011 the company commanded a

- 4.9% market share in the overall mutual fund industry,
- 6% market share in actively managed mutual funds,
- 10% market share in Capital Guaranteed mutual funds,
- 7.6% market share in Private Asset Management,
- 3.9% market share and a volume of TRY 250 million in Corporate Asset Management Services,
- 3.2% market share and a volume of TRY 436 million in Pension Funds, and
- 15% market share and a volume of € 152 million in international mutual funds.

TEB Asset Management has been providing asset management services since June 2004. The Company also began to offer ‘Corporate Asset Management Services’ from the end of 2005. Founded to manage the assets of foundations, associations, corporations and legal entities, Corporate Asset Management Services are provided through TRY and foreign currency based models under 3 different categories; bonds, absolute income and stocks.

Having entered a mutually advantageous collaboration with its partner, BNP Paribas Asset Management - a leading name in the asset management business in the Eurozone - TEB Asset Management has steadfastly moved towards its goal of becoming a global player. Having already begun to see the benefits of this collaboration, TEB Asset Management had already succeeded in

establishing strategic cooperation with a number of international corporations.

TEB Asset Management attaches great importance to the design and production of new products.

Products offered by TEB in 2011 include Star Pro TI Asset Management products especially designed for Star Banking customers, Private Asset Management services designed for private banking customers and Strategic Mutual Funds with Absolute Income, designed for both Star and Private Banking customers.

In addition, as a leader of innovation in the asset management industry, TEB Asset Management established various versions of Capital Guarantee funds, hedge funds and foreign securities funds such as the BRIC fund, which includes various stocks traded on the stock exchanges of Brazil, Russia, India and China. Moreover, TEB Asset Management and TEB issued innovative Capital Guarantee Funds in 2011, offering an array of alternatives to investors. The Company realized the public offering of a total of 15 new capital guarantee funds in 2011 under the management of TEB Asset Management.

For the first time in Turkey, BNP IP carried out the public offering of the Capital Guarantee Fund based on the money index, which was set up for its assets in Turkey.

Another important development for TEB Asset Management in 2011 was the merger of TEB Asset Management and Fortis Asset Management under TEB Asset Management.

This merger further strengthened the synergy created with BNPP Asset Management, while TEB Asset Management has taken over the management of the BNPP L1 Turkey Equity Fund, an international fund investing in Turkish equities, and the SOMPO JAPAN - Turkish Equities Mother Fund. In addition to taking over the management, TEB Asset Management played an active role most especially in the distribution of the BNPP L1 Fund at international platforms.

TEB Asset Management also took over the management of the pension funds at the Cardiff Pension Company, expanding its activities in this area as well.

2012 will be a year of continued expansion for TEB Asset Management with new products and new strategies. With products jointly developed with the Bank such as Mevdufon and Fund Baskets, TEB Asset Management will be able to respond to investors' various investment preferences with distinct products.

TEB INVESTMENT

Established in 1996, TEB Investment's primary field of activity is to engage in capital market operations in accordance with the provisions set forth in the Capital Markets Law no. 2499 and respective legislation.

TEB Investment Securities Inc. offers the following services:

- mediating in the trade of capital market instruments which are previously issued,
- mediating in the issue of capital market instruments and their sale via public offering,
- the trade of capital market instruments with repurchase-resale guarantee,
- investment consultancy,
- management of clients' assets,
- credit purchase, short-selling, borrowing and lending of capital market instruments, and
- mediating the trade of derivative instruments in Turkey and abroad and custody services.

TEB Investment ranked 4th with a 4.32% market share of ISE equity trading volume as of December 2011, accounting for a total trading volume of TRY 60,085 million. As of the same date, the Company was ranked 17th on the Turkish Derivatives Exchange in terms of trading volume, where it commanded a market share of 1.96% with its total trading volume of TRY 17,211 million.

TEB Investment differentiates itself in the sector with its

- experienced human resources team, which provides effective services to individual and corporate customers,
- skilled research teams composed of specialists in their own fields, and the high quality services they offer, and
- local know-how in conjunction with the global partner's support and experience.

THE ECONOMY BANK N.V.

The Economy Bank NV (TEB NV) was founded in 1998 in the Netherlands. TEB NV's mission is to be one of the most active and service-focused players in the Turkish and European financial markets as the TEB Group's specialized service provider in the international trade & commodity finance business line.

In 2005, TEB NV became a member of the BNP Paribas Group, which is one of the biggest financial institutions in the world. This development brought a significant contribution to TEB NV's operations and TEB NV began to offer services in 84 countries worldwide. Benefiting from BNP Paribas' credit-risk analysis systems, the Bank is focused on maintaining its growth trend with an effective business model, in which trade and commodity finance products are held separately.

TEB NV has gained prominence in the sector with its

- experienced human resources,
- small and transparent organization structure,
- strong economic structure which has emerged with risk-monitoring approaches and practices, and
- solution-orientated and tailored solutions

TEB NV's performance in 2011

TEB NV raised its pretax profit to € 22.8 million in 2011. Among the most important factors behind this success were the systematic structuring of assets and the Bank's effective risk management policies.

TEB NV attached great importance to risk management throughout the year and adopted credit lending approaches that take risks into account. The Bank's net interest revenues increased to € 31.1 million in 2011, while its net commission and fee revenues reached to € 6.8 million. The Bank's loan provisions had reached € 2.99 million by the end of 2011. TEB NV's net profit after tax was realized as € 8.5 million, with a return on equity of 8.74%.

TEB NV increased its total trade transaction volume from € 1.7 million in 2010 to € 1.9 million in 2011. Meanwhile, its cost/return ratio slipped by 2.52 percentage points from 42.4% in 2010 to 39.88% in 2011.

Differentiating itself in its sector with its experienced managers and robust performance, TEB NV will keep offering its customers various trade finance solutions by strictly holding on to its prudent approach and effective risk management policies.

SECTION II-MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

BOARD OF DIRECTORS AND AUDIT COMMITTEE

| Name | Position |
|--|--------------------------------------|
| Yavuz Canevi | Chairman |
| Dr. Akın Akbaygil | Deputy Chairman |
| Varol Civil | Deputy Chairman |
| Jean-Paul Sabet | Executive Member and General Manager |
| Musa Erden | Member |
| Yves Paul Henri Martrenchar | Member |
| Jean-Milan Charles Dominique Givadinovitch | Member |
| Ayşe Aşardağ | Member |
| Jean-Yves Fillion | Member |
| Alain Georges Auguste Fonteneau | Member |

| Yavuz Canevi, Chairman | |
|-------------------------------------|--|
| 1996 – present | TEB A.Ş. Chairman of the Board of Directors |
| 2001 – present | TEB Holding A.Ş. Board Member |
| 1998 – 2011 | TEB N.V. Hollanda Yönetim Kurulu Başkanı |
| 1993 – 2005 | Istanbul Stock Exchange, Deputy Chairman and Board Member |
| 1989 – 2005 | Euro Turk Bank, Chairman of the Executive Council |
| 1987 – 1989 | Türk Eximbank, Chairman |
| 1986 – 1989 | Undersecretary of Treasury and Foreign Trade, Prime Minister’s Office |
| 1984 – 1986 | Central Bank of Turkey, Governor |
| 1980 – 1984 | Central Bank of Turkey, Vice Governor |
| 1979 – 1980 | T. Garanti Bankası, Assistant General Manager in Charge of International Relations |
| 1976 – 1979 | Central Bank of Turkey, Director General of Foreign Exchange |
| 1974 – 1975 | Ministry of Finance, Tax Inspector Georgia State University, USA, Faculty Member; University of Southern California (USC), USA; Ankara University, Faculty of Political Science, Department of Public Finance and Economics |
| Additional Professional Occupations | |
| 2004 – 2010 | NETAŞ Member of the Board |
| 2001 – present | DEİK Holland Member of the Board |
| 2001 – 2010 | Hedef Alliance A.Ş. Member of the Board |
| 1996 – present | IKV Member of the Board |
| 1993 – present | TSKB Member of the Board |
| 1989 – present | FNSS Savunma Sistemleri A.Ş. Chairman of the Board |
| 1989 – present | TUSİAD Member of High Advisory Council |

| Dr. Akın Akbaygil, Deputy Chairman | |
|---|--|
| 2003 – present | TEB A.Ş. Deputy Chairman |
| 2011 – present | TEB N.V. Chairman |
| 2011 – present | TEB Investment A.Ş. Chairman |
| 2003 - present | TEB Financial Investments A.Ş., General Manager |
| 2008 - present | TEB A.Ş. Audit Committee Deputy Chairman |
| 2005 - present | TEB Factoring, Chairman; TEB Financial Investments A.Ş., Board Member |
| 1999 - present | Ekonomi Bank IBU Ltd, Deputy Chairman |
| 2011 - 2011 | Fortis Investment A.Ş. Board Member |
| 2005- 2010 | TEB A.Ş. Leasing Chairman |
| 2004 - 2007 | TEB A.Ş. Asset Management, Chairman |
| 2003 - 2005 | TEB Financial Investments A.Ş, Deputy Chairman |
| 2001 - 2002 | Banks Association of Turkey, Deputy Chairman |
| 1998 - 2011 | TEB NV, Deputy Chairman |
| 1997 - 2005 | TEB Insurance, Chairman; TEB Factoring, Board Member |
| 1996 - 2005 | TEB Leasing, Board Member |
| 1994 - 2001 | Banks Association of Turkey, Board Member |
| 1987 - 2003 | TEB A.Ş, Deputy Chairman, Executive Member and General Manager |
| 1982 - 1987 | TEB A.Ş., Executive Member |
| 1965 - 1982 | Akbank, Director of Foreign Affairs Istanbul University, Faculty of Economics, BA and PhD |

| Varol Civil, Executive Member and General Manager | |
|--|---|
| 2003 - present | TEB A.Ş.A.Ş. Executive Board Member and CEO |
| 2003 - present | TEB A.Ş.NV, Board Member |
| 2006 - present | Banks Association of Turkey, Deputy Chairman of the Board of Directors |
| 2007 – 2011 | TEB Asset Management; TEB Investment, Chairman |
| 2005 – 2011 | TEB Factoring, Deputy Chairman |
| 2005 - 2010 | TEB Leasing Deputy Chairman |
| 2005 - 2006 | TEB Insurance, Chairman |
| 2003 - 2004 | TEB Insurance, Deputy Chairman |
| 1999 - 2007 | TEB Asset Management, Board Member |
| 1999 – 2005 | TEB Leasing, Board Member |
| 1998 – 2005 | TEB Factoring, Board Member |
| 1998 – 2003 | TEB Financial Investments, General Manager; TEB, Board Member and Deputy General Manager |
| 1995 - 1997 | Bank Kapital, Board Member and General Manager |
| 1992 - 1995 | Arap Türk Bankası, Assistant General Manager |
| 1985 - 1992 | Undersecretariat of Treasury and Foreign Trade, Certified Bank Auditor |
| 1983 - 1984 | TEB, Expert in Loan and Insurance Department |
| 1983 - 1984 | Istanbul University; Faculty of Social Sciences, Department of Money and Banking |
| 1992 - 1993 | Marmara Üniversitesi, Contemporary Business Management Program |
| 1978 - 1982 | Istanbul University, Faculty of Economics, Economics and Business Administration Department |

| Jean-Paul Sabet, Deputy Chairman | |
|---|--|
| 2011 - present | BNP Paribas Investment Holding A.Ş., Chairman BNP Paribas Fortis Investment Holding A.Ş., Board Member |
| 2010 - present | TEB A.Ş. Deputy Chairman TEB Holding A.Ş. Board Member BNP Paribas Retail Banking Turkey BNL Banca Nazionale del Lavoro, Italy Board Member |
| 1997- present | Citrus Lands of Louisiana INC, USA Board Member Citrus Lands of Louisiana, LLC, USA Board Member Citrus Lands Coal Terminal LLC, USA Board Member Citrus Lands Services LLC, USA Board Member |
| 1988 – present | LDC Trustee Committee |
| 2010 – 2011 | Fortis Bank A.Ş. Board Member |
| 2006 - 2009 | BNL/BNP Paribas Italya, C.O.O |
| 2004 - 2006 | BNP Paribas Retail Banking Board Member - Head of BNP Paribas Finance and Strategy Department |
| 1998 - 2003 | KLEPIERRE Fransa, Board Member |
| 1976 - 1998 | BNP Paribas, Deputy Chairman |
| 1976 | H.E.C Ecole des Hautes Etudes Commerciales |

| Musa Erden, Member | |
|---------------------------|--|
| 2011 – present | TEB Factoring A.Ş. Deputy Chairman |
| 2010 - present | TEB Sh.A Chairman, TEB Leasing Board Member |
| 2008 - present | Türk Ekonomi Bankası A.Ş., Board Member |
| 2006 - 2008 | Türk Ekonomi Bankası A.Ş., Consultant |
| 2006 - 2008 | The Ottoman Fund Ltd Board Member |
| 2006 - 2008 | Osmanlı Yapı 1 İnş. Tur. San. Tic. A.Ş. Chairman |
| 2006 - 2008 | Osmanlı Yapı 2 İnş. Tur. San. Tic. A.Ş. Chairman |
| 2006 - 2008 | Osmanlı Yapı 3 İnş. Tur. San. Tic. A.Ş. Chairman |
| 2006 - 2008 | Osmanlı Yapı 4 İnş. Tur. San. Tic. A.Ş. Chairman |
| 2005 - 2008 | TEB Financial Investments, Auditor |
| 2005 - 2006 | TEB A.Ş. Auditor |
| 2003 - 2003 | MNG Bank, Board Member |
| 2002 - 2003 | Turkish Banking Association, Arbitration Committee Member |
| 1996 - 2001 | Osmanlı Bankası A.Ş., Assistant General Manager |
| 1993 - 1996 | Osmanlı Bankası A.Ş., Deputy General Manager /BD |
| 1991 -1993 | Osmanlı Bankası A.Ş., Deputy General Manager /CM |
| 1988 - 1991 | Osmanlı Bankası A.Ş., Deputy General Manager /CM |
| 1986 - 1988 | Osmanlı Bankası A.Ş. Coordinator |
| 1985 - 1986 | Osmanlı Bankası A.Ş. Şişli Branch Manager |
| 1983 - 1985 | Osmanlı Bankası A.Ş. Main Branch 2nd Manager |
| 1979 - 1983 | Osmanlı Bankası A.Ş. Personnel 2nd Manager |
| 1976 - 1979 | Osmanlı Bankası A.Ş. Inspector |
| 1973 - 1976 | Osmanlı Bankası A.Ş. Assistant Inspector |
| 1972 - 1973 | Yapı ve Kredi Bankası A.Ş. Officer |
| 1966 -1970 | Ankara University, Faculty of Economics and Commerce, Banking Division |

| Yves Paul Henri, Member | |
|--------------------------------|--|
| 2010 – present | BNP Paribas Retail Banking |
| 2009 - present | TEB A.Ş. Board Member Bank of the West USA, Board Member BancWest Corporation USA, Board Member; TEB, Board Member Findomestic, Board Member BNP Paribas Retail Banking, Head of Distribution, Markets and solutions |
| 2007 - present | BNP Paribas Assurance, Board Member BNP Paribas Personal Finance, Board Member |
| 2006 - present | BNP Paribas Asset Management, Board Member BNP Paribas Immobilier, Board Member; Partecis, Board Member Partecis, Board Member |
| 2005 - present | Crédit Logement, Chairman |
| 2004 - present | Parvest Luxembourg, Board Member |
| 2003 – present | Cortal Consors, Board Member BNP Paribas permanent Representative |
| 2003 | Head of BDDF Retail (Retail part of FRB) |
| 2000 - 2003 | BNP Paribas Luxembourg, Execution General Manager |
| 2000 | Head of "Distribution, Products and Markets" Department of French Retail Banking (FRB) |
| 1996 | Head of Products and Markets |
| 1993 | BNP Paribas Domestic Banking, Retail Customers |
| 1991 - 1993 | Group Head of LILLE Group Branches |
| 1989 – 1991 | Deputy Manager of the Nord Pas-de-Calais Network |
| 1987 - 1989 | Head of BNP SAVOIE Group |
| 1980 – present | Banque Nationale de Paris |
| 1980 | Ecome Polytechnique |

| Jean-Milan Charles Dominique Givadinovitch, Member | |
|---|--|
| 2011 – present | TEB Investment A.Ş., Board Member |
| 2010 - present | TEB A.Ş., Board Member and Head of Audit Committee TEB Factoring Board Member TEB Asset Management A.Ş. Board Member The Economy Bank N.V. Board Member |
| 2011 - 2011 | Fortis Investment A.Ş., Deputy Chairman |
| 2010 – 2011 | TEB Investment A.Ş., Deputy Chairman |
| 2009-2010 | TEB A.Ş., Head of Group Risk Management |
| 2002-2008 | Bancwest; General Auditor Bank of West, Director of Audit and Inspection |
| 1998-2002 | BNP Paribas; Deputy Head of Inspection |
| 1997-1998 | BNP Paribas; Head of Eastern Asia Pacific Region |
| 1992-1997 | BNP Plc, London Deputy Manager, Head of Corporate Banking |
| 1989-1992 | BNP Paribas; Big Corporates Division; Relationship Manager |
| 1985-1989 | BNP Paribas; Inspector |
| 1983-1985 | BNP Paribas; Relationship Manager for Corporate Clients |
| 1981-1983 | BNP Paribas; Corporate Finance Executive |
| 1997-1998 | Institut des Techniques de Marche |
| 1975-1979 | Institut d'etudes Politiques de Paris; Social Science Master |
| 1975-1978 | Ecole Des Hautes Etudes Commerciales Paris, Trade Diploma |

| Ayşe Aşardağ, Member | |
|-----------------------------|---|
| 2011 – present | TEB Factoring A.Ş. Board Member TEB Asset Management A.Ş. Board Member The Economy Bank N.V. Board Member |
| 2010 – present | TEB A.Ş. Board Member |
| 2009 - present | TEB JSC (Kosovo); Board Member |
| 2003 - present | Ekonomi Bank Offshore Ltd., Board Member |
| 2001 - present | TEB Financial Investments, Budget and Financial Control Coordinator |
| 2010 - 2011 | Fortis Bank A.Ş. Board Member |
| 2009- 2010 | TEB Arval Araç Filo Kiralama A.Ş. Board Member |
| 2008 - 2009 | TEB ARVAL Araç Filo Kiralama A.Ş. Deputy Chairman, Etkin Temizlik Hizmetleri A.Ş. Chairman; |
| 2008-2010 | TEB Consumer Financing; Deputy Chairman |
| 2007-2009 | TEB JSC (Kosovo) Deputy Chairman |
| 2007-2008 | TEB Insurance; TEB Communication and Publishing Services; Etkin Temizlik Hizmetleri A.Ş. and Etkin Personel Taşıma Hizmetleri A.Ş., Chairman; TEB Consumer Financing, TEB ARVAL Araç Filo Kiralama A.Ş., Board Member |
| 2007-2010 | TEB UCB Real Estate Counseling, Chairman |
| 2004-2010 | Ege Turizm ve İnşaat A.Ş., Deputy Chairman |
| 2001-2009 | TEB Leasing; TEB Factoring; TEB Investment, Auditor |
| 2001-2010 | TEB Auditor |
| 2001-2007 | TEB Insurance, Board Member; TEB Asset Management, Auditor |
| 1995-2000 | TEB, Budget and Financial Control Unit |
| 1994-1995 | University of Glamorgan, Lecturer in Accounting |
| 1987-1994 | Price Waterhouse, Istanbul, London, Audit Unit |
| 1992 | Institute of Chartered Accountants in England and Wales, ACA |
| 1987 | Boğaziçi University, Faculty of Administrative Sciences, Business Administration Department, BS |

| Jean-Yves Fillion, Member | |
|----------------------------------|--|
| 2011 - present | TEB A.Ş. Board Member COO, Head of Corporate & Investment Banking BNPP Fortis |
| 2005 - 2010 | BNPP, Head of US Corporate Investment Banking |
| 2002 - 2005 | BNPP, New York, USA Head of Acquisition Finance & Loans Structuring Group |
| 2000 – 2002 | BNPP, New York, USA Co-Head of Media Telecom Finance Group |
| 1999 - 2000 | BNPP, Los Angeles Branch/Media & Telecommunications Finance Group |
| 1997 - 1999 | BNPP Nantes, French Western Region |
| 1995 – 1997 | BNPP, Los Angeles, Branch / Media & Telecommunications Group |
| 1993 – 1995 | BNPP Los Angeles Branch / Film Financing Group |
| 1992 - 1993 | BNPP Paris, Corporate Banking Department / North American Zone |
| 1989 – 1990 | BNPP Paris Corporate Banking Department / French Division |
| 1989 | BNPP Paris, Project leader |
| 1987 - 1989 | BNPP Paris, Special Affairs Division |
| 1984 – 1987 | BNPP Paris, Account Officer |
| 2011 - present | TEB A.Ş. Board Member COO, Head of Corporate & Investment Banking BNPP Fortis |

| Alain Georges Auguste Fonteneau , Member | |
|---|--|
| 2011 – present | TEB A.Ş Board Member |
| 2009 - present | Chief Financial Officer of Retail Banking- Emerging Markets |
| 1998 – 2008 | Responsible for Asset &Liability Management of BNP Paribas Group |
| 1995 – 1999 | Deputy Manager of Asset-Liability Manager of BNP Group |
| 1988 - 1995 | Manager of Balance Sheet Department & Financial Engineering's Department at the BRED-Banque Populaires |
| 1982 – 1988 | Deputy Manager of Establishing Financial Models & Forecasts' Department at the OFCE (French Observatory of the Overall Economic Situation), organization of Economic forecast subordinated to the Political Studies Institute in Paris |
| 1977 - 1982 | Responsible for researches at the National Centre for Scientific Research (C.N.R.S.) |
| 1980 - 1990 | Lecturer in Micro and Macro Economy at the ENA and the IEP of Paris |
| Additional Professional Occupations | |
| April 2009 - present | Member of the Supervisory Board of BMCI, Morocco |
| May 2009 - present | Member of the Board of Directors of SAE, BNP Paribas Egypt |
| Octobr 2009 - present | Member of the Supervisory Board of UKRSIBBANK, Ukraine |

Audit Committee

| Name | Position |
|--|--------------------------------|
| Jean-Milan Charles Dominique Givadinovitch | Head of Audit Committee |
| Dr. Akin Akbaygil | Deputy Head of Audit Committee |

| Jean-Milan Charles Dominique Givadinovitch, Head of Audit Committee | |
|---|--|
| 2011 – present | TEB Investment A.Ş., Board Member |
| 2010 - present | TEB A.Ş., Board Member and Head of Audit Committee TEB Factoring Board Member TEB Asset Management A.Ş. Board Member The Economy Bank N.V. Board Member |
| 2011 - 2011 | Fortis Investment A.Ş., Deputy Chairman |
| 2010 – 2011 | TEB Investment A.Ş., Deputy Chairman |
| 2009-2010 | TEB A.Ş., Head of Group Risk Management |
| 2002-2008 | Bancwest; General Auditor Bank of West, Director of Audit and Inspection |
| 1998-2002 | BNP Paribas; Deputy Head of Inspection |
| 1997-1998 | BNP Paribas; Head of Eastern Asia Pacific Region |
| 1992-1997 | BNP Plc, London Deputy Manager, Head of Corporate Banking |
| 1989-1992 | BNP Paribas; Big Corporates Division; Relationship Manager |
| 1985-1989 | BNP Paribas; Inspector |
| 1983-1985 | BNP Paribas; Relationship Manager for Corporate Clients |
| 1981-1983 | BNP Paribas; Corporate Finance Executive |
| 1997-1998 | Institut des Techniques de Marche |
| 1975-1979 | Institut d'etudes Politiques de Paris; Social Science Master |
| 1975-1978 | Ecole Des Hautes Etudes Commerciales Paris, Trade Diploma |

| Dr. Akin Akbaygil, Deputy Head of Audit Committee | |
|---|--|
| 2003 – present | TEB A.Ş. Deputy Chairman |
| 2011 – present | TEB N.V. Chairman |
| 2011 – present | TEB Investment A.Ş. Chairman |
| 2003 - present | TEB Financial Investments A.Ş., General Manager |
| 2008 - present | TEB A.Ş. Audit Committee Deputy Chairman |
| 2005 - present | TEB Factoring, Chairman; TEB Financial Investments A.Ş., Board Member |
| 1999 - present | Ekonomi Bank IBU Ltd, Deputy Chairman |
| 2011 - 2011 | Fortis Investment A.Ş. Board Member |
| 2005- 2010 | TEB A.Ş. Leasing Chairman |
| 2004 - 2007 | TEB A.Ş. Asset Management, Chairman |
| 2003 - 2005 | TEB Financial Investments A.Ş, Deputy Chairman |
| 2001 - 2002 | Banks Association of Turkey, Deputy Chairman |
| 1998 - 2011 | TEB NV, Deputy Chairman |
| 1997 - 2005 | TEB Insurance, Chairman; TEB Factoring, Board Member |
| 1996 - 2005 | TEB Leasing, Board Member |
| 1994 - 2001 | Banks Association of Turkey, Board Member |
| 1987 - 2003 | TEB A.Ş, Deputy Chairman, Executive Member and General Manager |
| 1982 - 1987 | TEB A.Ş., Executive Member |
| 1965 - 1982 | Akbank, Director of Foreign Affairs Istanbul University, Faculty of Economics, BA and PhD |

EXECUTIVE MANAGEMENT

General Manager, Assistant General Managers and Their Responsibilities in the Bank

| | | |
|------------------------|---|--|
| Varol Civil | Executive Member and General Manager | |
| Nilsen Altıntaş | Assistant General Manager | Human Resources Group |
| Melis Coşan Baban | Assistant General Manager | Legal Affairs |
| Turgut Boz | Assistant General Manager | Commercial Banking Group |
| Mehmet Ali Cer | Assistant General Manager | Information Technologies Group |
| Levent Çelebioğlu | Assistant General Manager | Corporate Banking Group |
| Mustafa Aşkın Dolaştır | Assistant General Manager | Financial Control Group |
| Osman Durmuş | Assistant General Manager | Retail and Small Business Credit Group |
| Ümit Leblebici | Assistant General Manager | ALM and Treasury Group |
| Gökhan Mendi | Assistant General Manager | Retail and Private Banking Group |
| Başar Ordukaya | Assistant General Manager | Large Corporate Customer Group |
| Akil Özçay | Assistant General Manager | Fixed Income |
| Gökhan Özdil, | Assistant General Manager | Corporate Credits Group |
| Saniye Telci | Assistant General Manager | Banking Operations Group |
| Arnaud Denis Tellier | Assistant General Manager | Corporate Investment Banking Group |
| Nuri Tuncalı | Assistant General Manager | Credit Allocation and Financial |
| Ayşe Korkmaz | Head of Compliance Group and Internal Control Group | |
| Hakan Tıraşın | Internal Audit Group - IG Hub Turkey | |
| Didier Van Hecke | Chief Risk Officer | |

Varol Civil, Executive Member and General Manager

| | |
|----------------|---|
| 2003 - present | TEB A.Ş.A.Ş. Executive Board Member and CEO |
| 2003 - present | TEB A.Ş.NV, Board Member |
| 2006 - present | Banks Association of Turkey, Deputy Chairman of the Board of Directors |
| 2007 – 2011 | TEB Asset Management; TEB Investment, Chairman |
| 2005 – 2011 | TEB Factoring, Deputy Chairman |
| 2005 - 2010 | TEB Leasing Deputy Chairman |
| 2005 - 2006 | TEB Insurance, Chairman |
| 2003 - 2004 | TEB Insurance, Deputy Chairman |
| 1999 - 2007 | TEB Asset Management, Board Member |
| 1999 – 2005 | TEB Leasing, Board Member |
| 1998 – 2005 | TEB Factoring, Board Member |
| 1998 – 2003 | TEB Financial Investments, General Manager; TEB, Board Member and Deputy General Manager |
| 1995 - 1997 | Bank Kapital, Board Member and General Manager |
| 1992 - 1995 | Arap Türk Bankası, Assistant General Manager |
| 1985 - 1992 | Undersecretariat of Treasury and Foreign Trade, Certified Bank Auditor |
| 1983 - 1984 | TEB, Expert in Loan and Insurance Department |
| 1983 - 1984 | Istanbul University; Faculty of Social Sciences, Department of Money and Banking |
| 1992 - 1993 | Marmara Üniversitesi, Contemporary Business Management Program |
| 1978 - 1982 | Istanbul University, Faculty of Economics, Economics and Business Administration Department |

| Nilsen Altıntaş, Assistant General Manager - Human Resources Group | |
|---|---|
| 2005-present | TEB, Assistant General Manager, Human Resources Group |
| 2002-2005 | İnovasyon Bilişim Danışmanlık ve Eğitim Hizmetleri (Innovative-HR) Founder, Management and Human Resources Consultant |
| 2000-2002 | Eczacıbaşı Holding A.Ş., Human Resources and Corporate Communications |
| 1995-2000 | Eczacıbaşı Holding A.Ş., Human Resources Director, Manager and later Coordinator |
| 1990-1995 | STFA Holding A.Ş., Organization and Human Resources Coordinator |
| 1987-1990 | STFA Holding A.Ş., Investments and Economic Analysis Manager |
| 1979-1987 | TÜBİTAK- Marmara Scientific and Technical Research Institute, Chemical Technologies Group, Research Specialist |
| 1987 | Boğaziçi University, Associate Professor |
| 1983 | Istanbul Technical University, PhD in Industrial Chemical Engineering |
| 1979 | Boğaziçi University, MS in Chemical (Process) Engineering |
| 1977 | Boğaziçi University, BS in Chemical Engineering |

| Melis Coşan Baban, Assistant General Manager, Legal Affairs | |
|--|--|
| 2008-present | TEB, Assistant General Manager, Legal Affairs |
| 2005-present | TEB, Chief Legal Advisor, Board General Secretary |
| 2000-2005 | Pekin & Pekin Law Firm, Partner |
| 1998-2000 | Pekin & Pekin Law Firm, Senior Lawyer |
| 1993-1998 | Postacioglu Law Firm, Lawyer |
| 1997 | Columbia University, New York, USA, Master of Law (LL.M.) |
| 1995 | Istanbul University Law School, Law Degree |
| 1989 | Istanbul American Robert College |

| Turgut Boz, TEB A.Ş., Assistant General Manager, SME Banking Group | |
|---|---|
| 2003-present | TEB A.Ş., Assistant General Manager, SME Banking Group |
| 2004-present | TEB Factoring, Board Member |
| 2004 -2010 | TEB Leasing Board Member |
| 2000-2003 | Garanti Bankası, Commercial Marketing Unit Head |
| 2000-2000 | Osmanlı Bankası, Commercial Banking Coordinator |
| 1995-2000 | Finansbank Denizli and Ankara Branch Manager |
| 1994-1995 | Ata Invest, Denizli Branch Manager |
| 1989-1994 | Egebank, Bornova and Denizli Branch Manager |
| 1986-1989 | Pamukbank, Karabağlar Branch Manager |
| 1981-1986 | Pamukbank, Audit Department, Internal Auditor |
| 1976-1980 | Ankara University, Academy of Economic and Administrative Sciences, Banking and Insurance |

| Levent Çelebioğlu, Assistant General Manager, Corporate Banking Group | |
|--|--|
| 2008-present | Türk Ekonomi Bankası, Assistant General Manager, Corporate Banking Group |
| 2011 – 2011 | TEB Factoring A.Ş., Board Member |
| 2009 – 2011 | The Economy Bank N.V. Board Member |
| 2008 -2010 | TEB Leasing A.Ş. Board Member |
| 2004-2008 | TEB A.Ş. Assistant General Manager, Financial Institutions Group |
| 1999-2004 | TEB A.Ş. Director; Structured Finance and Investor Relations Departments |
| 1992-1999 | TEB A.Ş. Treasury Manager |
| 1988-1992 | TEB A.Ş. Correspondent Banking Department, Assistant Manager |
| 1987-1988 | Yaşarbank Correspondent Banking Department, Assistant Manager |
| 1979-1983 | 9 Eylül Faculty of Economics, Monetary Economics and Banking Division |

| Mustafa Aşkın Dolaştır, Assistant General Manager, Financial Control | |
|---|--|
| 2008-present | TEB A.Ş.; Assistant General Manager, Financial Control |
| 2007 - 2007 | TEB/Arval/Factoring/Leasing; Chief Financial Officer |
| 1998-2007 | The Economy Bank N.V., Amsterdam; Deputy Managing Director |
| 1994-1998 | Finansbank (Holland) N.V.; Assistant General Manager |
| 1992-1994 | Commercial Union Hayat Sigorta A.Ş.; Assistant General Manager, Financial Control and Administration |
| 1990-1992 | Finansbank A.Ş. Istanbul; Group Head, Participations |
| 1986-1989 | Arthur Anderson & Co.; Istanbul, Lisbon, London and Cambridge Offices, Senior Auditor |
| 1985-1986 | The Central Bank of Turkey; Specialist |
| 1984-1985 | Istanbul Technical University; Operations Research Department |
| 1983-1986 | Istanbul Technical University Master Degree in Management Engineering |
| 1979-1983 | Istanbul Technical University Management Engineering |

| Osman Durmuş, Assistant General Manager, Retail and Small Business Credit Group | |
|--|--|
| 2008-present | TEB A.Ş., Assistant General Manager, Retail and Small Business Credit Group |
| 1998-2008 | HSBC/Demirbank A.Ş., Head of Retail and Small Business Credit and Risk Group |
| 1997-1998 | Yapı Kredi Kart Hizmetleri A.Ş., Head of Credit Cards and Risk |
| 1986-1996 | Yapı Kredi Bankası A.Ş., Clerk, Chief Assistant, Specialist, Retail Banking Accounting Department Unit Manager |
| 1982-1986 | Marmara University, Faculty of Press and Media, Journalism and Public Relations Department |

| Ümit Leblebici, Assistant General Manager, ALM & Treasury Group | |
|--|--|
| 2001-present | TEB, Assistant General Manager, ALM & Treasury Group |
| 2011 – present | TEB Asset Management A.Ş. Board Member |
| 1999-2001 | TEB A.Ş., Director, Treasury Group |
| 1997-1999 | Osmanlı Bankası; Treasury Manager |
| 1997-1997 | Ulusal Bank; Treasury Manager |
| 1991-1997 | Midland Bank; Treasury Manager |
| 1988-1994 | İstanbul University MBA at Finance Major |
| 1984-1988 | İstanbul University Faculty of Business Administration |

| Saniye Telci, Genel Müdür Yardımcısı - Assistant General Manager, Banking Operations Group | |
|---|--|
| 2005-present | TEB A.Ş. Assistant General Manager, Banking Operations Group |
| 1999-2005 | TEB, Operations Manager, Branch and Headquarter Operations & Treasury Operations |
| 1997-1999 | T. Garanti Bankası A.Ş., Operation Centre, Operations Manager |
| 1994-1997 | T. Garanti Bankası A.Ş., Istanbul 1st Region Operations and Kozyatağı Corporate Branch, Operations Manager; Istanbul 2nd Region Operations and Istanbul Corporate Branch, Operations Manager |
| 1991-1994 | T. Garanti Bankası A.Ş., Istanbul 3rd Region Operations, Assistant Manager |
| 1987-1991 | T. Garanti Bankası A.Ş., Foreign Transactions Department, Assistant Supervisor and Assistant Manager |
| 1984-1987 | Anadolu Bank T.A.Ş., Foreign Transactions Department, Foreign Exchange Assistant Expert |
| 1977-1982 | Istanbul University, Faculty of Economics |

| Nuri Tuncalı, Assistant General Manager, SME Credits Group | |
|---|---|
| 2008-present | TEB A.Ş. Assistant General Manager, SME Credits Group |
| 2001-2008 | TEB A.Ş. Assistant General Manager, Credit Allocation and Financial Analysis |
| 1999-2001 | TEB, Loan Allocation Department, Director |
| 1996-1999 | TEB, Loan Allocation Department, Manager |
| 1988-1996 | TEB, Loan Control, Gayrettepe Branch, Loan Allocation, Assistant Manager |
| 1986-1988 | TEB A.Ş. Board of Inspectors, Inspector |
| 1984-1986 | Akbank, Audit Department, Auditor |
| 1978-1982 | Boğaziçi University, Faculty of Administrative Sciences, Business Administration Department |

| Arnaud Denis Tellier, Assistant General Manager, Corporate Investment Banking Group | |
|--|---|
| 2011- present | Türk Ekonomi Bankası, Assistant General Manager, Corporate Investment Banking Group TEB Investment A.Ş. Board Member The Economy Bank N.V. Board Member |
| 2010 – 2011 | Türk Ekonomi Bankası, Head of Corporate Investment Banking Group |
| 2006 - 2010 | BNP Paribas, Athens, CEO |
| 2002 - 2006 | BNP Paribas, Paris, Regional Head of Central Europe and Scandinavian Countries |
| 1997 - 2002 | Banque Nationale de Paris, Madrid, Head of Treasury and Capital Markets for Spain and Portugal |
| 1995 – 1997 | Banque Nationale de Paris, Paris, Head of Derivatives Trading Desk |
| 1992 - 1995 | Banque Nationale de Paris, Londra, Head of Debt Capital Markets for Scandinavian Countries |
| 1988 - 1989 | Banque Nationale de Paris, Credit Analyst |
| 1988 | Ecole Supérieure De Commerce Et D'administration Des Entreprises De Tours, France |
| 1982 | Académie De Versailles, France |
| 2011- present | Türk Ekonomi Bankası, Assistant General Manager, Corporate Investment Banking Group TEB Investment A.Ş. Board Member The Economy Bank N.V. Board Member |

| Mehmet Ali Cer, Assistant General Manager, Banking Operations Group | |
|--|--|
| 2011- present | TEB A.Ş. Assistant General Manager, Banking Operations Group |
| 2011 – 2011 | TEB, Infrastructure Management, Group Director |
| 2010 – 2011 | Fortis, Information Technologies, Director |
| 2000 – 2010 | TEB, Infrastructure Management, Director |
| 1997 – 2000 | Demirbank, Software Development, Manager |
| 1995 – 1997 | Metters Industries, Senior Software Engineer |
| 1993 – 1995 | Southern Illinois University, Graduate AssistantAssistant Expert |
| 1990 - 1992 | Türkiye Kalkınma Bankası, System Analyst |
| 1993 - 1996 | Southern Illinois University, Computer Engineering (MS degree) |
| 1985 - 1990 | Hacettepe University, Computer Sciences & Engineering |

| Akil Özçay, Assistant General Manager, Fixed Income | |
|--|---|
| 2011- present | TEB A.Ş., Assistant General Manager, Fixed Income |
| 2011- present | TEB A.Ş. Asset Management, Chairman |
| 2011- present | TEB A.Ş. Investment, Deputy Chairman |
| 2009- present | TEB Kosovo, Board Member |
| 2008 – 2011 | Türk Ekonomi Bankası, Chief Advisor to CEO |
| 2007 - 2008 | CBRT Internal Audit, Chief Audit Executive |
| 2007 | Rutgers, The State University of New Jersey |
| 2004 - 2007 | CBRT New York Representative Office, Chief Representative |
| 2001 - 2004 | CBRT Markets Department, General Director |
| 1998 – 2001 | CBRT Markets Department, Assistant General Director |
| 1998 – 2005 | TEB Factoring, Board Member |
| 1996 – 1998 | CBRT Markets Department, Open Markets Operations, Manager |
| 1995 - 1996 | CBRT Banking Department, Banking Supervision, Manager |
| 1994 - 1995 | CBRT Markets Department, Foreign Exchange Transactions, Manager |

| Gökhan Mendi, Assistant General Manager, Retail and Private Banking | |
|--|---|
| 2011- present | TEB A.Ş., Assistant General Manager, Retail and Private Banking |
| 2011 – present | TEB Investment A.Ş., Board Member TEB Asset Management A.Ş., Board Member TEB Consumer Financing A.Ş., Board Member |
| 2007 – 2011 | Fortis A.Ş., Retail CEO, Head of Retail Banking&Insurance Manager |
| 2003 – 2007 | Finansbank A.Ş., Assistant General Manager, Board Member of Pension&Life Company, Board Member of Portfolio Management & Invest Company |
| 2001- 2003 | Finansbank, Holland, Executive Deputy President, Consumer Banking |
| 1991 – 2001 | Citibank London, Head of Business Development |
| 1998 - 1999 | Citibank, Credit Cards Marketing Director |
| 1996 - 1997 | Citibank, Credit Cards Sales & Marketing Manager |
| 1996 – 1996 | Beiersdorf Chemical, Sales & Marketing Manager |
| 1992 - 1996 | British Petroleum, Marketing Serdeputys & Product Manager |
| 1991 – 1992 | British Petroleum, Marketing Serdeputys Manager |
| 1990 - 1991 | British Petroleum, Assistant of Engineering Manager |
| 2000 – 2002 | London Business School, Executive MBA |
| 1987 - 1998 | Istanbul University, Business Administration Master |
| 1983 - 1987 | Istanbul Technical University Civil Engineering |

| Başar Ordukaya, Assistant General Manager, Large Corporate Clients | |
|---|--|
| 2011- present | TEB A.Ş., Assistant General Manager, Large Corporate Clients |
| 2010 – 2011 | Fortis Turkey, Assistant General Manager, Corporate and Commercial Banking |
| 2005 – 2010 | Fortis Turkey, Assistant General Manager, Corporate Banking |
| 2002- 2005 | Dışbank, Assistant General Manager, Financial Institutions |
| 1999 – 2002 | Dışbank, Managing Director, Financial Institutions |
| 1998 - 1999 | Garanti Bankası, Deputy President, Financial Institutions |
| 1997 - 1998 | İktisat Bankası Moscow, Director, Corporate Banking&FI |
| 1995 – 1997 | İktisat Bankası, Area Manager, Financial Institutions |
| 1994 - 1995 | İktisat Bankası, Account Manager, Corporate Banking |
| 1991 – 1993 | State University of West Georgia, MBA |
| 1985 - 1990 | Middle East Technical University, Faculty of Economics |

| Gökhan Özdil, Assistant General Manager – Corporate Credits Group | |
|--|--|
| 2011 – present | TEB A.Ş. Corporate Credits Group |
| 2008- 2011 | Fortis Bank A.Ş., Executive Deputy President, Merchant Banking Credits |
| 2007 – 2008 | Fortis Bank A.Ş., Executive Deputy President, Retail Banking Credits |
| 2005 – 2007 | Fortis Bank A.Ş., Executive Deputy President, Credits Group |
| 2004- 2005 | Türk Dış Ticaret Bankası A.Ş.,Executive Deputy President,Credits Group |
| 1996 – 2004 | Türk Dış Ticaret Bankası A.Ş.,Branch Manager |
| 1992 - 1996 | Türk Dış Ticaret Bankası A.Ş., Assistant Branch Manager |
| 1989 - 1992 | Türk Dış Ticaret Bankası A.Ş., Internal Audit Group, Inspector |
| 1987 – 1989 | Türk Dış Ticaret Bankası A.Ş., Assistant Branch Manager |
| 1981 - 1986 | Middle East Technical University, Economics |

| Didier Van Hecke, Chief Risk Officer | |
|---|---|
| 2011 - Present | TEB A.Ş., Chief Risk Officer |
| 2011 – present | TEB Sh.A, Board Member |
| 2008 – 2011 | Fortis A.Ş., Chief Risk Officer |
| 2005 – 2008 | Fortis Asia., Chief Credit Risk Officer |
| 2003 – 2004 | Fortis Bank, Head of Trading Derivatives |
| 2000 - 2003 | Fortis Bank, Trader Credit Derivatives |
| 1999 - 2000 | Fortis Bank,Assistant Head of Credit Analysis Central Credit Department |
| 1996 - 1999 | Generale Bank, Head of Credit AnalysisCorporateCredits |
| 1993 - 1996 | Generale Bank, Credit Analyst Corporate Credits Brussels |
| 1992 - 1993 | Generale Bank, Management Trainee Program |
| 1987 -1991 | Katholieke University, Business Engineer |

Managers of Internal Systems

| Ayşe Korkmaz, SHA Board Member | |
|---------------------------------------|---|
| 2011 – present | TEB SHA Board Member |
| 2010 - present | TEB A.Ş. Head of Compliance Group and Internal Control Group |
| 2008-2010 | TEB A.Ş. Head of Risk Management and Compliance Group |
| 2006-2008 | TEB A.Ş. Chairman of Group Compliance, Internal Control and Operational Risk |
| 2003-2005 | TEB Financial Investments, Audit Coordinator |
| 2000-2003 | Banking Regulation and Supervision Agency, Certified Bank Auditor |
| 1995-2000 | Undersecretariat of the Treasury, Certified Bank Auditor |
| 1991-1995 | Ankara University, Faculty of Political Sciences, Department of Business Administration |

| Hakan Tıraşın, Head of Internal Audit | |
|--|---|
| 2006 - present | TEB A.Ş. Head of Internal Audit |
| 2004-2005 | TEB, Assistant General Manager, Organization, Banknote Markets and Support Services and Secretary General |
| 1992-2004 | TEB, Secretary General |
| 1989-1992 | TEB, Internal Auditor |
| 1973-1989 | Akbank, Branch Manager and Internal Auditor |
| 1972-1977 | Istanbul Academy of Economics and Business Administration |

Statutory Auditors, Terms of Office and Professional Backgrounds

| Cihat Madanoğlu, Auditor | |
|---------------------------------|--|
| 2006 - present | TEB A.Ş., Auditor |
| 2011 - present | TEB Arval Araç Kiralama A.Ş., Auditor |
| 2009 – present | TEB Investment, Auditor |
| 2007 – present | TEB Leasing Board Member TEB Factoring, Auditor |
| 2005 – present | Ekonomi Bank IBU Ltd, Board Member |
| 2004 – present | Ege Turizm ve İnşaat A.Ş. Board Member |
| 2001 – present | TEB Financial Investments, Coordinator |
| | |
| 2010 -2011 | TEB UCB Real Estate Counseling, Chairman |
| 2009 - 2011 | TEB ARVAL Araç Filo Kiralama A.Ş. Board Member |
| 2009-2010 | TEB UCB Real Estate Counseling, Board Member |
| 2008 - 2009 | TEB ARVAL Araç Filo Kiralama A.Ş. Auditor Tasfiye Halinde Etkin Temizlik Hiz. A.Ş. Deputy Chairman |
| 2007-2010 | TEB Consumer Financing, Board Member |
| 2007 - 2009 | TEB Asset Management, Auditor |
| 2007 - 2008 | TEB Insurance A.Ş., TEB Communication and Publishing Services A.Ş., Etkin Personel Taşımacılık Hizmetleri A.Ş., Etkin Temizlik Hizmetleri A.Ş. Deputy Chairman, TEB UCB Real Estate Counseling A.Ş. ve TEB ARVAL Araç Filo Kiralama A.Ş., Board Member |
| 2006 - 2007 | TEB Insurance Board Member |
| 2005 - 2006 | TEB Insurance, Auditor |
| 2005 - 2006 | TEB Factoring Board Member |
| 2004 – 2006 | TEB Leasing Board Member |
| 2002 – 2006 | TEB Investment Auditor |
| 2000 - 2004 | TEB Leasing, Auditor |
| 1999 - 2001 | TEB Investment, Auditor |
| 1997 - 2005 | TEB Insurance, Board Member |
| 1997 – 2005 | TEB, Board Member |
| 1997 – 2004 | TEB Factoring, Auditor |
| 1997 – 2000 | TEB Leasing, Board Member |
| 1997 – 1999 | TEB Investment, Board Member |
| 1996 – 2001 | TEB, Assistant General Manager |
| 1992 – 1996 | Housing Development Administration of Turkey, Director of Administration and Finance |

| Esra Peri Aydoğan, Auditor | |
|-----------------------------------|--|
| 2010 - present | TEB A.Ş., Auditor |
| 2011 – present | TEB UCB Real Estate Counseling, chairman |
| 2010- present | TEB ARVAL Araç Filo Kiralama A.Ş. Board Member |
| 2009- present | TEB Factoring Auditor |
| 2005 – present | TEB Financial Investments, Consultant |
| 2009-2010 | TEB Leasing Auditor |
| 2002 - 2004 | Ernst & Young (After Andersen integration), Independent Auditing and Consultancy Services, Partner |
| 1989-2002 | Andersen, Bağımsız Independent Auditing and Consultancy Services, Auditor, Audit Manager and Partner |
| 1989 | Boğaziçi University Faculty of Administrative Sciences, Business Administration Department, BS |

COMMITTEES OF TÜRK EKONOMİ BANKASI A.Ş.

CREDIT COMMITTEE

The Credit Committee is responsible to evaluate and approve loans within its authorization limits in accordance with the rules of the Banking Regulation and Supervision Agency and within the powers and limits specified by the Board of Directors.

Chairman: Dr. Akın Akbaygil

Member:

Dr. Akın Akbaygil

Jean Milan Charles Dominique Givadinovitch

Jean Paul Sabet

Musa Erden

Varol Civil

Committee meets once a week

AUDIT COMMITTEE

In accordance with the provisions of the Banking Law No: 5411, the Bank has established an "Audit Committee" reporting to the Board of Directors through two non-executive board members exclusively appointed for this task.

The Board of Directors has set up the Audit Committee for the following purposes:

- To make decisions to realize Bank's strategic goals and plans
- To Discuss and evaluate bank's strategic plans related to performance
- To provide an independent work environment for external auditors
- To confirm Internal Control System, Inspection and Risk Management are performing in an independent and unbiased manner
- To monitor internal control regulations and internal audit policies
- To review consolidated financial reports
- To identify discrepancies between applications and their implementations

Chairman: Jean-Milan Charles Dominique Givadinovitch

Vice Chairman: Dr. Akın Akbaygil

Committee meets once in two month

HUMAN RESOURCES PRACTICES

In line with its targets and strategies, it is TEB's policy to recruit highly qualified employees, preferably university graduates who are able to represent the bank, think analytically and get along well with their co-workers.

Appropriately designed selection and assessment systems and tools are employed to ensure that high-potential, promising, creative and innovative people join the Group.

Successful employees who have a high potential are promoted both within TEB and within the TEB Financial Services Group following performance assessment.

Performance of the employees is evaluated on 3 criteria, banking performance, department performance, and personal/individual performance.

Based on their performance evaluation employees who reached their annual targets are rewarded with performance and bonus payments. While these payments cannot be guaranteed in advance, bonus payment criteria are defined for every position and announced to employees every year. Bonus payments are made in cash and Turkish Lira.

In 2011, yearly average bonus payment is 1.5 times the monthly average personnel salary.

INFORMATION ON TRANSACTIONS CONDUCTED WITH RELATED PARTIES

The Bank is involved in various transactions with the risk group to which TEB is included (related-parties) and these are carried out for commercial purposes and at market prices. Loan transactions with related-parties and their share in the Bank's total credit risk as of 31 December 2010 and 31 December 2011 were as follows:

Detailed information about the risk group to which TEB is included has been prepared in accordance with the "Communiqué on Financial Statements and Related Explanations and Footnotes Announced to the Public by Banks" and published in Section 4, Paragraph b of the "Annual Report" and was also included in the financial statements as of 31 December 2011 and Section VII, Articles 1 and 2 of the Independent Audit Report.

| (%) | 31.12.2011 | 31.12.2010 |
|--|------------|------------|
| Share in total cash loans | 0.74 | 1.40 |
| Share in total non-cash loans | 2.92 | 3.84 |
| Share in total cash and non-cash loans | 1.26 | 2.03 |

OUTSOURCED SERVICES AND OUTSOURCING COMPANIES

Because there is no activity requiring formal approval from BRSA within the context of The Regulation on Outsourcing Activities; TEB did not apply for a written permission to BRSA in 2011.

BRSA released a new regulation and redefined outsourcing and its procedures on November 5 2011. Rearrangement of existing services and companies (In line with the new regulation) is in progress.

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING ON MARCH 31, 2011

- 1- Opening and formation of the Presidential Board, composed of a Chairman, two vote collectors and two secretaries,
- 2- Granting authorization to the Presidential Board for signing the meeting minutes,
- 3- Passing resolution on approval of the appointment of a member made pursuant to Article 315 of the Turkish Commercial Code in lieu of the member who resigned from the Board of Directors,
- 4- Reading, discussion and approval of the Auditor's Report and the Board of Directors' Activity Report for the year 2011 prepared in accordance with the laws and regulations,
- 5- Reading, discussion and approval of the 2011 balance sheet and profit and loss statement, and passing resolution on approval or approval with amendment or rejection of the Board of Directors' proposal regarding the distribution of profit, discussion of proposals related to the same,
- 6- Reading of the summary of the annual audit report prepared by the Independent Audit Firm, and passing resolution on the approval of the Independent Audit Firm appointed by the Board of Directors for the approval and auditing of the financial statements of the year 2012,
- 7- Providing information to the General Assembly on the donations made by the Bank in the year 2011,
- 8- Release of the members of the Board of Directors and Auditors from their transactions in 2011,
- 9- Determination of term of office of the members of the Board of Directors and Auditors and election of the same,
- 10- Determination of remuneration to be paid to the Board of Directors, members of the Credit Committee and Auditors,
- 11- Passing resolution on granting authorization to the members of the Board of Directors to carry out the commercial transactions set forth in articles 334-335 of the Turkish Commercial Code."

SUMMARY OF BOARD DIRECTORS' REPORT PRESENTED TO THE GENERAL ASSEMBLY

Dear Shareholders,

Reports of the Board of Directors, Independent Auditors and the Profit-and-Loss Statement for 2011 have been presented for your evaluation and approval.

Marking an important watershed in the history of the world's economy, we are about to complete the third year of the global financial crisis, while the decoupling in growth and inflation rates between developed and developing countries continues to widen.

Having managed emerge from the first phase of the global financial crisis relatively unscathed compared to other emerging markets, our country survived the crisis-recession cycle by demonstrating a strong performance, and maintained its steady growth in 2011.

The most important factors behind this success were the decisive approaches and practices adopted by the CBT and other regulatory authorities to protect price and market stability, as well as the durable structure of our banking sector and the private sector's experience garnered from economic crises in Turkey's recent past.

Strong audit and monitoring mechanisms, high capital adequacy and advanced risk and liquidity management practices all played a major role in maintaining the strong position of the Turkish banking sector in the global financial crisis.

Under the challenging circumstances facing the world, Turkey and the industry, TEB will press forward with firm steps in its sustainable growth and service, without sacrificing its energy which is supported by its knowledge, competence, experience and innovation.

Celebrating its 85th anniversary in 2012, TEB not only demonstrated a strong financial and operational performance in 2011, but also succeeded in completing the merger transaction, which marks a significant milestone in the industry.

On behalf of our Board of Directors, I would like to take this opportunity to extend my thanks to our valuable management staff and all TEB employees, who have played such a major role in the completion of operational dimension of the merger transaction ahead of schedule with their self-devoted efforts and professional approach throughout the process

We would like to present TEB's annual reports and financial statements of 2011 to your valuable consideration and extend our gratitude to our shareholders for their encouragement and continuous support.

Regards,

Board of Directors

PROPOSAL FOR DISTRIBUTION OF PROFIT

| TÜRK EKONOMİ BANKASI A.Ş. 2011 DISTRIBUTION OF PROFIT CHART | | |
|---|--|-----------------------------------|
| (TRY) | | |
| 1. Paid-in / Issued Capital | | 2,204,390,000.00 |
| 2. Total legal reserves (According to Legal Records) | | 111,332,910.13 |
| Information regarding the privilege, if any privilege with respect to distribution of profit is stated in the articles of association | | |
| | | According to Legal Records ("LR") |
| 3. | Profit for the period | 283,337,621.55 |
| 4. | Taxes to be paid (-) | (76,662,156.33) |
| 5. | Net profit for the period (=) | 206,675,465.22 |
| 6. | Losses related to the Previous Years (-) | - |
| 7. | Primary Legal Reserve (-) | (10,333,773.26) |
| 8. | NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=) | 196,341,691.96 |
| 9. | Donations made within the year (+) | |
| 10. | Net distributable profit (donations are included) for the period according to which the first divided will be calculated | |
| 11. | First divided for the shareholders | - |
| | -Cash | - |
| | -free of cost | - |
| | - Total | - |
| 12. | Dividend distributed to the holders of the privileged share | - |
| 13. | Dividend distributed to the Board of Directors members, employees etc. | - |
| 14. | Dividend distributed to the holders of redeemed share certificates | - |

| | | |
|------------|--|----------------|
| 15. | Second dividend for the shareholders | - |
| 16. | Secondary Legal Reserves | - |
| 17. | Statutory Reserves | - |
| 18. | Special Reserves | 908,360.94 |
| 19. | EXTRAORDINARY RESERVES | 195,433,331.02 |
| 20. | Other resources planned to be distributed <ul style="list-style-type: none"> - Profit of the previous year - Extraordinary Reserves - Other distributable reserves according to the laws and articles of association | - |

(*) Affiliate means; an affiliate of the main partnership, subsidiary and the partnerships which are subject to common management.

PERFORMANCE AND SALES BONUS

Total amount of TRY 34.2 million, consisting of TRY 27.7 million performance bonus and TRY 4.5 million sales bonus is reserved to be paid in 2012.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART I – SHAREHOLDERS

1. Statement of Compliance with Corporate Governance Principles

TEB aims to fully comply with the “Corporate Governance Principles” issued by the Capital Markets Board (CMB) in July 2003 concerning the principles to be observed by listed companies to achieve professional management, transparency and ethical conduct in the course of their activities.

As TEB believes that compliance with these principles will become as important as credit valuation (ratings) in the near future, the Board of Directors has set up a Corporate Governance Committee at the Board level through Resolution No: 3609/4 dated 24 January 2004, to regulate and monitor compliance with these principles. The Corporate Governance Committee performs the functions explained below.

Although compliance with these principles requires a process development, it has been noted that complete compliance has been realized without any conflicts of interest.

2. Shareholder Relations Department

A Shareholder Relations Department referred to as the Shareholders Unit in the organizational chart) has been established in an effort to inform registered shareholders about dividends, capital increases and the agenda and resolutions of General Meetings, to maintain the share register in accordance with Article 326/1 of the Turkish Commercial Code and to manage legal and operational relations with shareholders. The contact details of this unit are as follows:

Cüneyt Temiztürk (Unit Manager)
Phone: +90 216 635 39 39
Fax: +90 212 249 65 68

This unit reports to the General Secretary of the Board of Directors

Additionally, the Bank has an “Investor Relations and Corporate Governance Department” to establish relations with domestic and foreign investors and inform them about the Bank’s activities and financial results.

Çiğdem Başaran and Özgün Zaimoğlu are responsible for the overall management of the department.

Their contact information is as follows:

Çiğdem Başaran (Senior Manager)
Phone: +90 216 635 24 63
Fax: +90 216 636 36 36
E-mail: cigdem.basaran@teb.com.tr

Özgün Zaimoğlu (Assistant Manager)
Phone: +90 216 635 24 60
Fax: +90 216 636 36 36
E-mail: ozgun.zaimoglu@teb.com.tr

3. Exercise of Shareholders' Right to Information

Investors and the general public are provided with detailed information both in Turkish and in English through the "Investor Relations" and "Corporate Governance" sections on TEB's website:

http://www.teb.com.tr/eng/main/HaritaInvestor_relations_menu.aspx

http://www.teb.com.tr/eng/main/HaritaCorporate_governance_menu.aspx

Information is available under the following headings:

- TEB- BNP Paribas
- Share Price Info
- Financial Calendar
- Ratings
- Financial Highlights
- Financials
- Investor Presentation
- Dividends
- Annual Reports
- Announcements
- Research Reports
- Broker Forecasts
- Press Releases
- Frequently Asked Questions
- Contact Info
- About the Merger
- Corporate Governance Principles
- Management
- General Meetings
- Committees
- Policies

In addition to meetings, nearly 50 queries about TEB have been answered by telephone and e-mail in 2011. The questions were about various subjects and all requests for information by shareholders were answered as quickly as possible, provided that they are not related to trade secrets or information that is not publicly available.

Although Article 36 of the Articles of Association of TEB provides for the appointment of a special auditor, no special auditor was elected in 2011. This article does not define the request for the appointment of a special auditor as an individual right. However, the Articles of Association does not contain any provisions that contradict with the relevant provision of the Turkish Commercial Code. This right was not exercised in 2011.

4. Information on General Meetings of Shareholders

The General Meeting of Shareholders convened to an Ordinary General Meeting which was held on 31 March 2011 and Attendance was 89.66.%, no media members were present at these events.

Invitation letters were sent by registered mail at least 15 days prior to the respective meeting dates to the Shareholders in the share register. The meetings were also announced in the Turkish Trade Registry Gazette

and a national daily newspaper. In addition, e-mail messages were sent to the shareholders whose e-mail addresses were known.

In accordance with the provisions of the 2499 Capital Markets Act temporary article and 294 of Central Register Agency communication, completion of dematerialization of shares is mandatory in order to vote in General Assembly. Unless the dematerialization is completed, attendance of our shareholders to General Assembly is not possible.

The shareholders who will attend the Ordinary General Assembly meeting individually or via proxy shall submit the below listed documents, before the meeting date, to the Shareholders Unit of the Bank's Head Office or to Branches, and obtain the Entrance Cards or shall apply before the establishment of Presidential Board of the General Assembly, at the latest.

- Identity documents and/or proxies,
- General assembly blocking letters related to the shares that they own,
- In addition to the above listed documents, the authorization document of the person who is authorized by the legal entity shareholders

The date, venue, time and agenda of the meeting, as well as sample statements for those who wish to appoint a proxy to attend the meeting on their behalf, are included in the invitation letters, the newspaper announcements and on TEB's website.

Shareholders exercised their right to ask questions at general meetings and their questions were answered informatively.

Shareholders tabled motions, which were put to the vote of attending shareholders and accepted.

According to the Articles of Association, approval of the General Meeting of Shareholders is not required for decisions concerning spin-offs or the sale, purchase and leasing of material assets. The powers and responsibilities of the Board of Directors in relation to these decisions have been specified in Article 26 of the Articles of Association.

To facilitate attendance at General Meetings of Shareholders, notices are sent out on time, the meetings are held in central locations in Istanbul and the minutes of the meetings are made available at the Shareholders Unit and on the website.

5. Voting Rights and Minority Rights

There are no privileges regarding voting rights. Further there are not any cross-shareholding companies. Minority shares are not represented in management; however the views, suggestions and requests of minority shareholders are communicated to the management through the Investor Relations and Corporate Governance Department and the Shareholders Unit.

The Articles of Association do not provide for cumulative voting.

6. Dividend Policy and Time of Distributions

There are no privileges regarding dividend distribution. TEB's dividend policy, which was amended on 29 September 2006 and announced to the public, is as follows:

Dividend Policy:

“Türk Ekonomi Bankası A.Ş. will pay up to 40% of the net distributable profit to its shareholders as a cash dividend or as bonus shares within the context of its Articles of Association. The amount distributable depends on market conditions, maintenance of a comfortable capital adequacy ratio and growth plans of the bank and will be proposed by the Board of Directors to the Ordinary General Meeting of Shareholders every year.”

No dividend was distributed for the profit generated in the year 2010.

7. Transfer of Shares

Article 9 of the Articles of Association stipulates that:

- The relevant provisions of the Turkish Commercial Code and other applicable legislation shall govern share transfers.
- Transfer of shares at the percentages specified in the Banking Law and transfer of share certificates that grant usufruct rights shall be subject to the prior permission of the Banking Regulation and Supervision Agency and the Capital Markets Board.
- In order for such transfer and assignment to be binding for the company and for third parties, the share transfer must be approved and certified by the Board of Directors and entered into the share register.

Furthermore, the same article stipulates that the company’s Board of Directors may reject approval and registration without specifying any reason.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY**8. Disclosure Policy**

As indicated on its website, TEB has publicly announced the following Disclosure Policy within the context of the Corporate Governance Principles:

“Subject to applicable legislation, TEB promptly, accurately and fully discloses any matters concerning its operations for which a disclosure has been requested.”

All information that fits the above definition is publicly disclosed by the Investor Relations and Corporate Governance Department or the Official Reporting Department and is subject to the approval of the Board of Directors and the General Management. Announcements made are also reported to the Corporate Governance Committee.

9. Special Circumstances Disclosures

TEB made 36 special circumstances disclosures in 2011. None of these was an additional disclosure made in response to the instructions of the Istanbul Stock Exchange (ISE). Since the Bank is listed on the London Stock Exchange (LSE) as well, the material disclosures made to the ISE and the Capital Markets Board (CMB) are also sent simultaneously to the LSE. No disclosures were made to the LSE other than those made to the ISE and the CMB.

Since TEB takes the utmost care in its disclosures, the CMB has not imposed any sanctions on the Bank in 2011.

All material disclosures are available on TEB's website.

10. The Website and its Contents

TEB's website is at www.teb.com.tr. TEB monitors similar websites in other countries and constantly updates the information available on its website in accordance with Section II Article 1.11.5 of the Corporate Governance Principles issued by the CMB.

The website contains sufficient information to satisfy shareholders and third parties who need information about TEB.

11. Ultimate Controlling Individual Shareholders

The shareholding structure of TEB as of 31 December 2010 was as follows:

- 55.00% TEB Holding A.Ş. (TEB Financial Investments)
- 23.34% BNP Paribas Yatırımlar Holding A.Ş.
- 17.08% BNP Paribas Fortis Yatırımlar Holding A.Ş.
- 04.52% Open to public
- 0.06% other shareholders

12. Individuals with Access to Insider Information

According to the Banking Law, the law that governs the banking profession and defines its legal and ethical rules, it is forbidden for bank employees to convey to third parties confidential information on the bank or its customers that they acquire during the performance of their duties. Since this obligation continues after the termination of employment, it was not deemed necessary to disclose and publicly announce the list of persons who have access to insider information, in view of the industry practice and employment ethics and work discipline.

PART III - STAKEHOLDERS

13. Announcements to Stakeholders

Stakeholders are provided information concerning TEB's activities through special circumstances disclosures, as published on the website and in annual reports. Views, opinions and questions submitted to TEB using the 'Contact us' section of the website are referred to the relevant departments and answered within the framework of applicable legislation.

14. Participation of Stakeholders in Management

As banking practice and legal rules impose strict restrictions on the appointment of executives, no model has been devised for stakeholders to personally take part in management. TEB believes that this applies equally to other banks in the industry. However, stakeholders can communicate their views, opinions, critiques and demands to the management through the "Investor Relations and Corporate Governance Department", the "Shareholders Unit" and the "Customer Communications Unit".

15. Human Resources Policy

The main objective of TEB's Human Resources Group is to adopt the best HR practices in the finance industry.

Given this objective, the Bank's human resource policy assures the following:

- * Ensuring dynamism and readiness for change in the organizational structure, in line with the strategic plans and goals of the TEB Group.

- * Within the scope of the TEB Talent Pool, recruiting people for the TEB Group who are well educated, open to innovation and change, have entrepreneurial skills, are energetic, dynamic, who possess potential for self-development, are team players and who can adopt corporate values and commit to them.

- * Utilizing human resources in the most effective and productive manner in conformity with the Bank's targets and strategies, supporting employees with development programs that are in line with both professional and personal career goals indicated in employees' career plans and creating career opportunities by ensuring employees' participation in advanced BNP Paribas training courses.

- * Considering training and development as an investment in human resources and contributing to the development of employees in line with the TEB Group's targets and strategies within the framework of the "continuous learning and development" philosophy of the TEB Formation Academy,

- * Training future managers amongst employees within the organization and prioritizing applicants amongst employees within TEB for future open positions,

- * Improving individual and team performance continuously through quality improving methods and systems, focusing on rewarding schemes in the Performance Assessment System that enables the recognition of superior performance and giving each employee equal opportunity within the context of their career plans,

Contributing to the productivity and performance of Bank's employees and branches; by providing quick and effective HR support and practices.

By the end of 2011, TEB has 9356 personnel and 507 branches. % 61.2 of the TEB employees have university degree while 5.4% holds a graduate degree and 0.1 % holds a post graduate degree. Average training time per employee was realized as 40 hours.

16. Relationships with Customers and Suppliers

A "Customer Communication Unit" directly reporting to the General Manager was established to maintain customer service quality, measure customer satisfaction and assess the complaints, views and suggestions of customers.

TEB also monitors customer expectations and remarks in cooperation with consulting companies and reports its findings to the Board of Directors.

17. Social Responsibility

CORPORATE SOCIAL RESPONSIBILITY

As a good corporate citizen that is fully aware of its social responsibilities, TEB strives to be a Bank that upholds the core values and the heritage of the society in which it operates.

To achieve this goal, TEB implements corporate social responsibility projects that contribute to the creation of a sustainable community and environment as it invests in future generations.

Planning its corporate social responsibility program in parallel with its business activities, TEB continues to encourage the active, voluntary participation of its employees in its projects.

Contributing to Education

Always placing great priority on supporting the community and offering a helping hand to resolving social problems, TEB and the Mother Child Education Foundation (AÇEV) jointly carry out a corporate social responsibility project for the education of children before they start school.

The project entitled “Ben de ben de” aims to raise awareness of early childhood education and ensure that all children in Turkey benefit from a high-quality preschool education service. The projects comprises of two parts: The first part of the project, “Ev Okulum”, conducted with the support of the Ministry of National Education, primarily aims bring children who are unable to get preschool education, because of physical or environmental circumstances, into the system and to support the development of these children through their mothers, by offering a model that is an alternative to institutional education and to help them become ready for school. The second part of the project, “Güzel Sınıfım”, aims to ensure that the nursery classes of needy state schools are fully equipped, since high-quality preschool education requires “learning by experience”.

This project, which was launched in the 2009-2010 education year in districts of Istanbul with a high population of urban migrants, had reached a total of 4,000 mothers and 4,000 children by the end of the two year period. The project, “Ben de ben de”, will be continued during the 2011-2012 education year in order to provide equality of opportunity in poor regions.

As one of the defenders of the principle, “Education is everyone’s right”, TEB supports 4 students within the framework of Koç University’s Anatolian Scholarship Program. Under the program, Koç University - one of Turkey’s leading universities, in which most students receive paid education, offer scholarships to a select number of students in underdeveloped areas in a bid to address socioeconomic inequalities, while accepting the most successful among them. As such, these students graduate from university as global citizens with superior capabilities. By providing support to this program developed by the Koç University, TEB provides a way forward for Turkey’s brightest young people to receive the best possible education. Thanks to this program that can reach needy students throughout Turkey, superior students are able to benefit from the privileges offered by Koç University, while the university provides a contribution to science with Turkey’s bright young people. Within this cooperation, that began in the 2011-2012 education year, all education costs of 4 students will be met by TEB for a period of 5 years.

Contributing to the Environment

As a pioneer aware of its responsibility to contribute to a sustainable environment, TEB developed and deployed an effective and systematic management approach to minimize the environmental impacts of its activities.

As the first deposit bank entitled to receive the ISO 14001 Environmental Management

Standard Certification, TEB sustained its efforts to become more environmentally friendly in 2012. In the first 15 months of the Environmental Management System, TEB saved a total of 3.7 million kWh of power, 16,261 tons of water and saved paper to the equivalent to saving 3,726 trees.

Contributing to the Community

Striving to contribute to the community where it has a presence, TEB was one of the organizers of the WTA Championships held in Turkey. One of the world's most important tennis tournaments, the WTA Championships were held in Istanbul on October 25th-30th with the initiative of the Republic of Turkey's Ministry of Youth and Sports and the Turkish Tennis Federation and with the support of TEB. TEB provided a great contribution to Turkey's promotion with this event, which was viewed by about 800 million people around the world on TV and 70,000 people at the tennis court. As one of the organizers of this prestigious sports event which won the approval of tennis authorities and tennis fans alike, TEB was handed the Billie Jean King Award by the WTA. The tournament, which will be held again in Turkey in 2012 and 2013, aims to raise Turkish people's interest in tennis and be a significant source of motivation for professional tennis players.

Aiming to raise its employees' awareness of their social responsibility, TEB continues to increase the number of volunteering projects every year. In this context, 70 TEB employees ran in the International Eurasia Marathon, collecting donations for the Spinal Cord Paralytics Association of Turkey. Also reading books for the Technology and Education Laboratory for the Visually Disabled (GETEM), a division under the Bosphorus University, TEB Volunteers have recently collected toys for the toy libraries opened in Anatolia by the Foundation for the Support of Women's Work (FSWW).

SECTION IV – BOARD OF DIRECTORS

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

An up-to-date list of the members of the Board of Directors and their resumes are available on TEB's website.

Members of the Board of Directors and their responsibilities as of 31 December 2011 are listed below:

| Name | Position |
|--|--------------------------|
| Yavuz Canevi | Chairman |
| Dr. Akın Akbaygil | Vice Chairman |
| Varol Civil | Executive Member and CEO |
| Jean-Paul Sabet | Vice Chairman |
| Musa Erden | Member |
| Yves Paul Henri Martrenchar | Member |
| Jean-Milan Charles Dominique Givadinovitch | Member |
| Ayşe Aşardağ | Member |
| Jean-Yves Fillion | Member |
| Alain Georges Auguste Fonteneau | Member |

Capital Markets Board's new regulations regarding Corporate Governance Principles released on December 30, 2011 will be applicable for banks as from December 31, 2012.

This new regulation brings compulsory rules to public companies to have an independent member in Board of Directors, TEB has started to develop strategies/plan /reorganize its existing structure to be coherent with new regulations.

Article 28 of TEB's Articles of Association on Prohibited Transactions states the following:

“Activities and transactions that the Chairman and members of the Board of Directors as well as the Chairman and Members of the Credit Committee may not engage in are specified in the relevant provisions of the Turkish Commercial Code, the Banking Law and the Capital Markets Law.

19. Qualifications of Board Members

The qualifications required for membership in the Board of Directors are specified in Article 22 of the Articles of Association and the relevant provisions of the Banking Law. The qualifications of TEB board members comply with applicable legislation and the Corporate Governance Principles.

20. Mission, Vision and Strategic Targets

Mission

TEB’s mission is to have a sustainable and profitable growth with

- a dedication to provide excellence service to its clients,
- Ambitious and disciplined professionals that continuously educate and adapt themselves
- treatment of all shareholders with the same level of transparency
- successful monitoring and management of all risks
- An objective credit culture that based on analysis
- Highly advanced technological infrastructure

Vision

TEB’s vision is to be leader among mid size banks while providing high quality and innovative products to its clients and generating sustainable profits for its shareholders. TEB aims to be the most innovative and practical bank in Turkey.

21. Risk Management and Internal Control

In accordance with the provisions of the Banking Law No: 5411, the Bank has established an “Audit Committee” reporting to the Board of Directors through two non-executive board members exclusively appointed for this task.

The Board of Directors has set up the Audit Committee for the following purposes

- To make decisions to realize Bank’s strategic goals and plans
- To Discuss and evaluate bank’s strategic plans related to performance
- To provide an independent work environment for external auditors
- To confirm Internal Control System, Inspection and Risk Management are performing in an independent and unbiased way
- To monitor internal control regulations and internal audit policies
- To review consolidated financial reports
- To identify discrepancies between applications and their implementations

22. Authority and Responsibilities of Board Members and Executives

The authorities and responsibilities of board members and executives are governed by Articles 26 and 30 of the Articles of Association, while issues related to the General Manager and his/her deputies are covered by Articles 32 and 33.

23. Activities of the Board of Directors

Meetings of the Bank's Board of Directors are organized through the General Secretary of the Board of Directors. Members of the Board of Directors submit to the General Secretary any items that they want to be included in the agenda and the final agenda is communicated to the members at least one week before the meeting.

The Board of Directors has taken 157 decisions in 2011. As mentioned above, the General Secretary is responsible for the implementation of these matters. All decisions during the reporting period were made unanimously and no dissenting opinion was noted.

Members who do not attend a meeting based on a reasonable ground are informed of the resolutions taken in their absence at the first meeting they attend. There are meeting minutes whereby the decisions taken are noted. TEB's Articles of Association does not contain any provisions on weighted voting rights or negative veto rights.

24. Ban on Dealing and Competing with the Company

Members of the Board of Directors have no relationships with TEB that could result in a conflict of interest.

25. Ethical Rules

According to Article 75 of Banking Law (No: 5411), banks and their employees shall ensure that activities are performed in compliance with this Law, applicable legislation and the banks' goals and policies and shall comply with ethical principles that put justice, fairness, honesty and social responsibility at the foundations of management. In consultation with the board, these principles will be determined by the related agencies.

As also stated on our website, The Board of Directors complies with the Code of Banking Ethics dated November 1, 2001 and numbered 1012 as prepared and published by the Banks Association of Turkey to which TEB contributes to the activities thereof.

In addition, TEB Group Ethical Principles are defined and delivered to all employees. Ethical principles are classified as "Use of Company Resources", "Relations", "Responsibilities Toward the Company", "General and Particular Rules" serving as a resource to adopt corporate culture and guide that all employees can consult.

In accordance with corporate governance principles, the following committees were active in 2011:

Corporate Governance Committee

Follow - up on the Corporate Governance applications in the Bank

Meets upon invitation from the Committee Chairman

| | | |
|------------------|--|--|
| Chairman | Chairman of the Board | Yavuz Canevi |
| Members | Chairman of the Board | Yavuz Canevi |
| | Deputy Chairman | Dr.Akın Akbaygil |
| | Deputy Chairman | Jean Paul Sabet |
| | Board Member | Ayşe Aşardağ |
| | Board Member | Jean Milan Charles Dominique Givadinovitch |
| | General Manager&Executive Director | Varol Civil |
| | Head of Internal Audit Group-IG Hub Turkey | Hakan Tıraşın |
| | Head of Compliance and Internal Control Group | Ayşe Korkmaz |
| | Chief Legal Advisor, General Secretary of the Board | Melis Coşan Baban |
| | Chief Advisor to the Chairman | Sabri Davaz |
| | | Feryal İmşir |
| | CMB Regulations Coordinator Financial Affairs Assistant General Manager | Aşkın Dolaştır |
| Secretary | Investor Relations and Corporate Governance Manager | Çiğdem Başaran |

Audit Committee

- To make decisions to realize Bank's strategic goals and plans
- To discuss and evaluate bank's strategic plans related to performance
- To provide an independent work environment for external auditors
- To confirm Internal Control System, Inspection and Risk Management are performing in an independent and unbiased way
- To monitor internal control regulations and internal audit policies
- To review consolidated financial reports
- To identify discrepancies between applications and their implementations

Meets every two months

Members: Jean Milan Givadinovitch Chairman

Dr.Akın Akbaygil Member

and other possible attendees requested with respect to the agenda.

27. Remuneration of the Board of Directors

At the Ordinary General Meeting of Shareholders held on 31 March 2011, it was resolved that no fees be paid to the members of the Board of Directors, who shall continue to perform this duty voluntarily and that

a gross monthly fee of TRY 750.- be paid to Statutory Auditors. Remuneration to be paid to Executive Board Members is determined by the Board of Directors in accordance with Article 27 of the Articles of Association and in view of the nature of the duties involved and the time to be spent to fulfill these duties. In 2011, TRY 6,965,999 TRY was paid to the Members of the Board of Directors as salaries and attendance fees.

Board members may be granted loans within the limits defined by law or may be rewarded depending on the performance of the Bank, the duties vested on them and the time spent by them to fulfill these duties.

SECTION III**ASSESSMENT OF FINANCIAL POSITION AND RISK MANAGEMENT****AUDITORS REPORT**

TO THE ORDINARY GENERAL MEETING OF SHAREHOLDERS OF TÜRK EKONOMİ BANKASI A.Ş.

01 March 2012

We have examined the financial statements of Türk Ekonomi Bankası A.Ş., of which we are the statutory auditors, for the year ending on 31 December 2011. We confirm that said statements are in compliance with the Banking Law No: 5411, the Regulation on the Procedures and Principles Governing Banks' Accounting Standards and Safekeeping of Documents, related communiqués and provisions, as well as the Bank's general policies and regulations

Regards,

Statutory Auditor
Esra Peri AYDOĞAN

Statutory Auditor
Cihat MADANOĞLU



THE AUDIT COMMITTEE'S ASSESSMENT OF INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND ACTIVITIES DURING THE REPORTING PERIOD

The organizational structure at TEB in terms of internal control, internal audit and risk management was implemented in accordance with the "Regulations on the Internal Systems of Banks".

This structure is appropriate in view of the scope and nature of TEB's activities and can effectively respond to changing conditions.

The Risk Management Division, the Compliance and Internal Control Center and Internal Audit Group, all reporting to the Board of Directors, independent from each other but working in cooperation, have performed their activities in 2011.

The Board of Directors has taken the necessary measures regarding the approval of important strategies and policies with regard to control activities and the maintenance of effective internal audit and risk management systems.

The internal audit system is organized to cover all activities and units of the Bank. As of year-end, the Group Internal Audit operates with Head of Audit, 3 deputy heads, one audit committee manager, six supervisor inspectors, one supervisory commission manager, one Audit Support Coordination Manager, one Manager Assistant and an executive assistant of 49 internal auditors and assistant internal auditors.

The Board of Directors has taken all necessary measures authorizing the Group Internal Audit to conduct its audit activities without any restrictions and covering TEB's consolidated subsidiaries and their respective units. In 2011, the Group Internal Audit conducted 195 branch audits and published quarterly reports of these audits. Additionally, 3 Head Office unit audits, 10 subsidiary audits, 4 process and 5 migration audits were carried out (22 in total).

Under the Compliance and Internal Control Group, there are Internal Control Department,

Operational Risk and Information Security Department, Customer and Product Security Department and Treasury Front Office.

Internal control activities are organized as an inseparable part of daily activities and cover all areas of basic control. Following the organizational change during the year, Internal Control and Compliance functions are now structured separately. Within the scope of internal control, daily, weekly, monthly and quarterly controls of critical activities at branches and departments of the headquarters are carried out under the Branches Control Department and Headquarters Control Department.

The Regulations and Compliance function covers the departments of Regulations and Compliance, parallel to the Internal Systems Regulation of the BRSA.

Operational Risk and Work Continuity Department works under the Unit of Operational Risk and Informational Security.

The risk management process is composed of risk definition and measurement, establishing risk policies and procedures, risk analysis and monitoring, reporting, and auditing phases, all in accordance with the principles that are jointly determined by TEB's senior management and the Risk Management Group and approved by the Board of Directors.

The mission of the Group Risk Management function is to ensure, jointly with senior management, that the risks undertaken by the Group comply with the TEB's policies and procedures and meet the Bank's profitability criteria and rating.

TEB Risk Management has five departments:

- Group Companies Risk Management
- Credits
- Developing Rating Models
- Credit Risk Management and Market, Liquidity, Counterparty Risk
- Balance Sheet Analysis

At its meeting held on 8 November 2005, the Board of Directors convened to establish an Audit Committee responsible for all companies comprising the TEB Group, in accordance with Article 24 of Banking Law No: 5411 and further resolved that the powers of the Senior Risk Committee, which was established in accordance with Law No: 4389, be taken over by the new committee.

The Audit Committee has gathered sixteen times during the course of the year 2011. It monitors all risk in a consolidated format at the group level, establishing mechanisms of control, reviewing all written procedures, ensuring coordination between the Internal Audit Group, the Risk Management Group and the Compliance and Internal Control Centre, as well as working toward the establishment of internal control systems at the Bank and at Group companies which are in essence of the same scope.

TEB closely follows and implements new legislation and best practices of internal audit and risk management systems.

EVALUATION OF FINANCIAL STATUS, PROFITABILITY AND SOLVENCY

The results of the 2011 evaluation of the two merged banks based on their sizes as of 2010 are as follows:

In 2011, 71.8% of our credit portfolio is comprised of corporate, commercial and SME loans. The sum of our consumer loans and credit card receivables increased by 29.9% YoY to TRY 7.8 billion and their share in our total active credit portfolio reached 30.8%.

By the end of 2011, the credit portfolio had grown by 28.8% YoY in parallel with the credit growth of deposit banks in the sector.

Thanks to our risk-sensitive approach, the ratio of non-performing loans fell from 3.68% at the end of 2010 to 2.78% by the end of 2011.

In 2011, we granted 112.1% of collected deposits as loans. Our Bank covers a large portion of its funding need through deposits. The ratio of deposits, which constitute our Bank's primary funding source, in liabilities in the balance sheet was realized 60.1%. Meanwhile, the volume of current deposits reached TRY 4 billion, while the ratio of current deposits in our total deposit volume reached 17.6%, providing a significant contribution to our Bank's funding costs.

Customer deposits grew by 31% in 2011, significantly higher than the annual average increase rate of 12.7% of the deposit banks in the sector. This result is an indication of the importance our Bank attaches to its deposit basis.

TEB diversifies its funding resources through international borrowings. In order to provide long-term funds, the Bank continued to obtain syndication loans and similar loans from international markets.

As of December 2011, we have syndication loans amounting to € 192 million and \$ 115 million with maturities ending by August 2012.

Within the framework of the agreements signed between our Bank and various banks and financial

institutions in 2005 and 2007, TEB has two subordinated debts with a total amount of US\$ 150 million.

Moreover, our Bank received Secondary Subordinated Debts by issuing borrowing certificates with a total amount of € 175 million (€ 75 million in November 2011 and € 100 million in December 2011) in international markets.

The borrowing worth € 175 million was taken out as per the authorization granted by our Bank's Board of Directors to our General Directorate in October 2011 within the framework of the respective legislation. Such authorization provides our General Directorate with the right to issue borrowing instruments of up to € 800 million (or equivalent amount in US\$) in international markets.

In line with our efforts to diversify our funding resources and to offer investors products that are alternatives to deposits, our Bank offered the Türk Ekonomi Bank's bond to the public, with a maturity of 178 days and with a nominal value of TRY 300 million in the domestic markets in the second half of 2011.

The sum of our Bank's operating costs fell by 6.6% to TRY 1.379 billion in 2011 despite expenses related to the merger process, infrastructure investments, and promotion and restructuring expenses made to support our Bank's strategies of expansion and growth in all customer segments.

2011 was a year in which the financial statements were severely affected by the merger and restructuring expenses. In 2011, merger costs amounted to TRY 67.8 million, constituting 4.9% of all operating costs.

RISK MANAGEMENT POLICIES ACCORDING TO VARIOUS TYPES OF RISKS

Credit Risk

Credit risk is the risk that one party to a contract will fail to discharge an obligation and cause the other party to incur a financial loss. The TEB Group is exposed to credit risk through its lending, trade finance; treasury and leasing activities but credit risk may arise in other circumstances. One of the most prominent characteristics at TEB that distinguishes it from the competition is its prudent lending policy and solid asset structure that go hand in hand with a stable growth strategy.

The authority to extend limits lies with the Board of Directors which has delegated part of this authority to the Credit Committee and the General Manager. In turn, the General Manager has delegated part of his authority to Credit Groups and Business Lines jointly on the basis of rules approved by the Board of Directors.

Loans are extended within the limits defined for each debtor and group of debtors individually. Every customer that performs a transaction on credit must have a loan facility allocated by the relevant authorities and customers are systematically prevented from exceeding those limits.

Credit decisions are taken after loan proposals are first approved by a credit analyst together with the credit department and the related business line. Credit limits are allocated to borrowers identified as having the ability to generate cash flow, the ability to make repayments from their business operations, reliable financial data, strong shareholder's equity and an administration and partnership structure made up of people having high morality and business experience.

Concentrations of credit risk arise when a number of customers are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. In general, the TEB Group attempts to control credit risk by

monitoring credit exposures, limiting transactions with specific counterparties, continually assessing the creditworthiness of counterparties, diversifying its lending activities to avoid undue concentrations of risks with individuals or groups of customers or industries, and by obtaining collateral when appropriate. The credit limits applied are determined in accordance with counterparty's financial structure, certain qualitative criteria (as described below) and the quality of any collateral to be provided.

As a result of the prudent policy the Bank adopts, the maximum amount of loan that can be granted to a customer is kept below legal limits, thus minimizing the risk of loan concentration. Limits set by the Board of Directors are regularly monitored and reported.

After a loan facility is offered, the Credit Monitoring Department monitors the customer's repayment capability and the sufficiency and adequacy of the collateral. In this way, any problematic loan is identified at an early stage. The Bank uses an in-house credit rating system, named TEBCORE (TEB Counterparty Risk & Rating Evaluation), which consists of several rating models for corporates and SMEs in the production, service, construction and precious metal sectors. TEB uses the same master scale used by BNP Paribas. The ratings are used for the purposes of assessing IFRS collective provisions, credit reporting, portfolio management and stress testing.

GRM reports to the Board of Directors and the Audit Committee on a regular basis presenting risk concentrations, a breakdown of the Bank's loan portfolio by ratings, specific segments of the loan portfolio, large exposures, large non-performing accounts and impairment allowances as well as default and recovery rates.

The credit risks and limits related to financial institutions are determined by the Financial Institutions and Counterparty Risk Committee, which is a sub-committee of the Credit Committee. The limits and exposures set are monitored daily by GRM.

Where a loan is granted subject to collateral being given, the Bank's policy is to require the collateral to be perfected before funds are advanced and to avoid currency and maturity mismatches. All collateral (including real estate) should be given in a legally valid manner and should be liquid in nature.

The Bank classifies as non-performing any loan which is 90 days or more overdue as to either principal or interest.

Both collective and specific provisions are made with methodologies which are compliant with both IFRS standards and BNP Paribas methodologies.

Interest Rate Risk

Interest rate risk involves possible losses a bank may incur due to fluctuations and volatility in interest rates, depending on its portfolio positions.

Protection against fluctuations in interest rates is a top priority for TEB. Interest rate risk is determined by measuring the rate of sensitivity of assets, liabilities and off-balance sheet items. TEB runs simulations of interest revenues according to estimated macroeconomic indicators. Duration, term and sensitivity analyses are conducted and these calculations are conveyed to the Assets and Liabilities Committee.

Interest rate risk is determined by measuring the rate of sensitivity of assets, liabilities and off-balance sheet items. TEB runs simulations of interest revenues according to estimated macroeconomic indicators. Duration, term and sensitivity analyses are conducted and these calculations are conveyed to the Liquidity Risk Committee and the Assets and Liabilities Committee.

Possible negative effects of interest rate fluctuations on financial position and cash flow are minimized by means of prompt decisions. The management monitors interest rate movements on a daily basis and makes changes whenever necessary in deposit and loan rates.

When determining short, medium and long-term pricing strategies, TEB's Assets and Liabilities Committee manages maturity incongruity and adopts the principle of working with positive balance sheet margins as its pricing policy.

Market Risk

Market risk involves possible losses a bank may incur as a result of the exposure of its balance sheet and off-balance sheet accounts to interest rate risk, equity position risk or exchange rate risk resulting from fluctuations in the financial markets, in interest rates, exchange rates or stock prices.

TEB's Board of Directors ensures that the Group risk management and senior management take the necessary steps to properly measure, monitor and manage its exposure to market risk.

The Board of Directors determines market risk limits and regularly revises these limits in accordance with market conditions and the strategies of TEB. All assessments regarding market risks are evaluated by the Market Risk Committee monthly.

With regard to TEB's daily transactions, stop-loss and transaction limits, PVO1 ve VaR limits are applied. The Board of Directors assigns limits for positions in derivatives and similar contracts. Transactions are carried out within these limits and the limits are monitored and reported daily.

The market risk of the Bank is calculated using a standard method and reported to legal authorities.

The market risk can influence the Value-at-Risk (VaR) figure, which is also calculated using various financial models. VaR figure is calculated using a variance/co-variance method on the basis of a 250-business-day data and a one-day holding period in a 99% confidence interval. Daily VaR figures are the main drivers of TEB's internal reports and efforts to monitor market risk. Back testing is periodically performed to validate the accuracy of calculations and the methods used.

The VaR figures calculated by internal models to predict losses in the event of a crisis are also verified by scenario analyses and stress tests and are then reported to senior management and the Board of Directors.

Scenario analyses and stress tests involve the re-application of past crises to existing portfolios or the observation of likely losses due to interest and foreign exchange shocks.

Liquidity Risk

Liquidity risk is defined as the risk of failing to fully meet cash obligations in due time, because the bank in question does not possess sufficient cash or is not able to generate cash when needed, which might result from mismatches between TEB's cash inflows and outflows.

Liquidity risk also includes the risk of loss that may arise when there is an inability to enter or exit the market as needed. When it is not possible for a bank to adequately close positions at favorable prices and at sufficient amounts or as rapidly as required, the lack of sufficient cash may translate into losses.

TEB's policies focus on maintaining the quality of its asset structure, so that liquid assets can meet all obligations. Striving to be one of the most liquid banks in the industry is of utmost importance to TEB. The Board of Directors regularly monitors and determines liquidity ratios and the relevant standards for maintaining high liquidity at all times.

TEB has in place an effective management reporting system for the timely reporting of the liquidity position to the Board of Directors, senior management and all related units. Cash flow analyses are carried out for different maturity structures and currency units. Maturity mismatches are monitored and concentrations in funding sources are closely monitored. All related analysis are evaluated in detail by the Liquidity Risk Committee that meets once in a month.

As a matter of general policy, consistency in maturities and interest rates is maintained in line with Assets and Liabilities Management at all times, and balance sheet positions of TRY and returns on foreign currency mix are continuously managed in the positive.

With regard to the sources of funding and liquidity, it is observed that while the greater part of the liquidity requirement of TEB is met by deposits, bonds issue, syndicated loans and pre-financing products are also used at times to obtain funds in addition to deposits.

TEB strictly adheres to the policy of maintaining high-quality liquid assets in sufficient amounts. This assures a regular cash flows and strong liquidity position at all times and enables the Bank to be a net lender to the market.

Exchange Rate Risk

Exchange rate risk is defined as a possible loss that a bank may incur with all of its currency assets and liabilities in the event of changes in exchange rates.

In calculating capital adequacy that underlies exchange rate risk risk weighted assets are calculated and reported with the standard method. While doing this TEB takes into account all of its foreign-currency assets, liabilities and forward foreign-currency contracts.

Within the limits approved by the Board of Directors, the Assets and Liabilities Group, the Treasury Group and Financial Markets Group are responsible for the management of price, liquidity and fulfillment risk arising from fluctuations in local or foreign currency prices in domestic and international markets. Money market risks and risk-bearing transactions are monitored on a daily basis, reported weekly and monthly to related committees. Matters about Exchange rate risk are discussed by the Market Risk Committee that meets once in a month.

Position limits determined by the Board of Directors are monitored on a daily basis and possible changes in the Bank's monetary positions that may come about as a result of routine foreign currency transactions are also examined.

Position limits determined by the Board of Directors are reported on a daily basis. As a part of the Bank's risk management strategy, every type of borrowings in foreign currency is protected against exchange rate risk by derivative products.

CREDIT RATINGS ASSIGNED BY RATING AGENCIES AND INFORMATION ON THEIR CONTENTS (*)

TEB maintained its position as one of the most highly rated banks in Turkey. As of the end of 2010, TEB's ratings were as follows:

Moody's Investor Services:

| | |
|---------------------------|----------|
| Financial Strength Rating | D+ |
| FX Deposits Rating | Ba3/NP |
| Outlook | Negative |

Fitch Ratings:

Foreign Currency

| | |
|------------|--------|
| Long-term | BBB- |
| Short-term | F3 |
| Outlook | Stable |

Turkish Lira

| | |
|-------------------|-----------|
| Long-term | BBB |
| Short-term | F3 |
| Outlook | Stable |
| National | AAA (tur) |
| Outlook | Stable |
| Individual Rating | "bb+" |
| Support Points | 2 |

(*) These ratings are not the ratings realized in accordance with BRSA's "Regulations on Principles of Authorization and Activities of Rating Agencies".

DONATIONS

| Date | Recipient | Amount |
|------------|---|-----------|
| 14.01.2011 | Istanbul Police Department | 2,000.01 |
| 14.01.2011 | Istanbul Police Department | 1,700.00 |
| 31.01.2011 | Istanbul Topkapı Sarayı Fonders Association | 20,000.00 |
| 01.03.2011 | Family Support Association | 1,000.00 |
| 22.03.2011 | Elif Zeynep Dalkılıç-Scholarship | 796.50 |
| 22.03.2011 | Kerem Dalkılıç- Scholarship | 796.50 |
| 22.03.2011 | Yiğit Eren Dalkılıç-Scholarship | 796.50 |
| 28.03.2011 | Merve Uncu- Scholarship | 465.21 |
| 04.04.2011 | Elif Zeynep Dalkılıç-Scholarship | 796.50 |
| 04.04.2011 | Kerem Dalkılıç- Scholarship | 796.50 |
| 04.04.2011 | Merve Uncu- Scholarship | 231.51 |
| 04.04.2011 | Yiğit Eren Dalkılıç-Scholarship | 796.50 |
| 04.05.2011 | Istanbul Governorship Emniyet Müdürlüğü Special Security Department | 2,100.00 |
| 04.05.2011 | Karşıyaka District Public Education Management | 800.00 |
| 06.05.2011 | Elif Zeynep Dalkılıç-Scholarship | 796.50 |
| 06.05.2011 | Kerem Dalkılıç- Scholarship | 796.50 |
| 06.05.2011 | Merve Uncu- Scholarship | 231.51 |
| 06.05.2011 | Yiğit Eren Dalkılıç-Scholarship | 796.50 |
| 11.05.2011 | Bursa Yüksek İhtisas R&D Hospital | 6,546.64 |
| 03.06.2011 | Elif Zeynep Dalkılıç-Scholarship | 796.50 |
| 03.06.2011 | Kerem Dalkılıç- Scholarship | 796.50 |
| 03.06.2011 | Merve Uncu- Scholarship | 237.62 |
| 03.06.2011 | Yiğit Eren Dalkılıç-Scholarship | 796.50 |
| 06.06.2011 | 75.th Year Hospital | 8,000.00 |
| 27.07.2011 | Turkish Airlines | 4,000.00 |
| 07.09.2011 | Kızılay Association | 50,000.00 |
| 06.10.2011 | Elif Zeynep Dalkılıç-Scholarship | 837.000 |
| 06.10.2011 | Elif Zeynep Dalkılıç-Scholarship | 837.000 |
| 06.10.2011 | Kerem Dalkılıç- Scholarship | 837.000 |
| 06.10.2011 | Kerem Dalkılıç- Scholarship | 837.000 |
| 06.10.2011 | Yiğit Eren Dalkılıç-Scholarship | 837.000 |
| 06.10.2011 | Yiğit Eren Dalkılıç-Scholarship | 837.000 |
| 31.10.2011 | Mother Child Education Foundation | 90,000.00 |
| 31.10.2011 | Antalya Police Department | 2,598.00 |
| 03.11.2011 | Elif Zeynep Dalkılıç-Scholarship | 837.000 |
| 03.11.2011 | Kerem Dalkılıç- Scholarship | 837.000 |
| 03.11.2011 | Yiğit Eren Dalkılıç-Scholarship | 837.000 |
| 04.11.2011 | Mamak District Özkent Akbilek Business School | 1,888.00 |
| 04.11.2011 | Mamak District Özkent Akbilek Business School | 760.13 |
| 15.11.2011 | Seda Yelda Taşbulak- Scholarship | 837.000 |
| 15.11.2011 | Seda Yelda Taşbulak- Scholarship | 837.000 |

| | | |
|--------------|-------------------------------------|-------------------|
| 15.11.2011 | Seda Yelda Taşbulak- Scholarship | 837.000 |
| 28.11.2011 | Mother Child Education Foundation | 45,000.00 |
| 01.12.2011 | Elif Zeynep Dalkılıç-Scholarship | 837.000 |
| 01.12.2011 | Kerem Dalkılıç- Scholarship | 837.000 |
| 01.12.2011 | Seda Yelda Taşbulak- Scholarship | 837.000 |
| 01.12.2011 | Yiğit Eren Dalkılıç-Scholarship | 837.000 |
| 12.12.2011 | Mother Child Education Foundation | 46,148.00 |
| 13.12.2011 | Ümraniye Police Department | 24,233.62 |
| 28.12.2011 | Koç University | 50,000.00 |
| 29.12.2011 | Mother Child Education Foundation | 16,085.76 |
| 29.12.2011 | Unicef Turkey Committee | 5,000.00 |
| 31.12.2011 | Ataşehir District Elementary School | 1,050.00 |
| Total | | 403,026.12 |

FIVE YEAR SUMMARY OF FINANCIAL INFORMATION INCLUDING THE REPORTING PERIOD

| Thousand TRY | 31.12.2007 | 31.12.2008 | 2008-2007 change (%) | 31.12.2009 | 2009-2008 change (%) | 31.12.2010 | 2010-2009 change (%) | 31.12.2011 | 2011-2010 change (%) |
|-------------------------------|------------|------------|-------------------------|------------|-------------------------|------------|-------------------------|------------|-------------------------|
| Liquid Assets | 2,466,589 | 3,368,482 | 36.56 | 2,610,222 | -22.51 | 2,730,780 | 4.62 | 4,869,639 | %78.32 |
| Securities | 1,779,613 | 2,005,641 | 12.70 | 2,667,125 | 32.98 | 3,725,750 | 39.59 | 5,581,519 | %49.81 |
| Loans | 6,864,427 | 8,550,534 | 24.56 | 8,990,715 | 5.15 | 11,753,255 | 30.73 | 25,652,425 | %118.26 |
| Other Assets | 690,287 | 811,398 | 17.55 | 795,498 | -1.96 | 821,320 | 3.51 | 1,988,155 | %142.07 |
| Total Assest | 11,800,916 | 14,736,055 | 24.87 | 15,063,560 | 2.22 | 19,031,105 | 26.34 | 38,091,738 | %100.16 |
| Demand Deposits | 1,393,103 | 1,401,191 | 0.58 | 2,072,396 | 47.90 | 2,436,586 | 17.57 | 4,026,090 | %65.23 |
| Time Deposits | 5,689,869 | 7,870,556 | 38.33 | 7,349,239 | -6.62 | 9,562,564 | 30.12 | 18,860,522 | %97.23 |
| Funds Borrowed | 2,894,689 | 3,141,402 | 8.52 | 3,205,060 | 2.03 | 4,151,017 | 29.51 | 8,396,293 | %102.27 |
| Other Liabilities | 912,924 | 899,287 | -1.49 | 787,413 | -12.44 | 1,068,075 | 35.64 | 2,595,522 | %143.01 |
| Equity (Excl. profit) | 780,045 | 1,259,421 | 61.45 | 1,439,285 | 14.28 | 1,512,562 | 5.09 | 4,006,636 | %164.89 |
| Net Income | 130,286 | 164,198 | 26.03 | 210,167 | 28.00 | 300,301 | 42.89 | 206,675 | %-31.18 |
| Total Liabilities | 11,800,916 | 14,736,055 | 24.87 | 15,063,560 | 2.22 | 19,031,105 | 26.34 | 38,091,738 | %100.16 |
| Selected Ratios (%) | | | | | | | | | |
| NPL Ratio | 1.75 | 2.34 | 33.60 | 4.64 | 98.32 | 3.00 | -35.34 | 2.78% | %-7.49 |
| Return on Equity | 17.75 | 14.07 | -20.73 | 13.68 | -2.79 | 17.35 | 26.83 | 5.36% | %-60.47 |
| Return on Assets | 1.30 | 1.24 | -4.81 | 1.41 | 13.98 | 1.76 | 24.82 | 0.72% | %-58.89 |
| Capital Adequacy Ratio | 14.88 | 17.65 | 18.62 | 17.70 | 0.28 | 14.43 | -18.47 | 14.23% | %-1.39 |

ANNUAL ACTIVITY REPORT COMPLIANCE OPINION**Deloitte.**

DRT Bağımsız Denetim ve
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ANNUAL ACTIVITY REPORT**Compliance Opinion**

To the General Assembly of Türk Ekonomi Bankası A.Ş.:

We have audited the accuracy and compliance of the financial information in the accompanying annual activity report of Türk Ekonomi Bankası A.Ş. and its consolidated financial subsidiaries with the audit report issued as of 31 December 2011. The Board of Directors of the Bank is responsible for the annual activity report. As independent auditors, our responsibility is to express an opinion on the audited annual activity report based on the compliance of financial information provided in the annual activity report with the audited financial statements and explanatory notes.

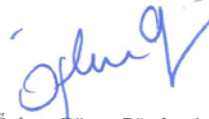
Our audit was performed in accordance with the accounting standards and principles and procedures of preparing and issuing annual activity reports as set out by the Banking Act No: 5411. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the annual activity report is free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial information provided in the accompanying annual activity report presents fairly, in all material respects, the financial position of Türk Ekonomi Bankası A.Ş. as of 31 December 2011 in accordance with the prevailing accounting principles and standards set out as per the Article 40 of the Banking Act No: 5411. The financial information provided in the annual activity report is in compliance with the audited financial statements and explanatory notes, and also includes the summary Management report and our audit opinion on these financial statements.

İstanbul, 1 March 2012

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

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**


Özlem Gören Güçdemir
Partner

**INDEPENDENT AUDITOR'S REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR
THE YEAR ENDED DECEMBER 31, 2011**

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR 1 JANUARY 2011 – 31 DECEMBER 2011

We have audited the accompanying balance sheet of Türk Ekonomi Bankası A.Ş. (the "Bank") as at 31 December 2011, and the related statements of income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with the regulation on "Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 and numbered 26333 and Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by Banking Regulation and Supervision Agency ("BRSA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "Licensing and Operations of Audit Firms in Banking" published in the Official Gazette no: 26333 on 1 November 2006 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Türk Ekonomi Bankası A.Ş. as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article 37 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by BRSA.

Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

İstanbul, 15 February 2012

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

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Özlem Gören Güçdemir
Partner

**THE UNCONSOLIDATED FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.
FOR THE YEAR ENDED 31 DECEMBER 2011**

Address : Saray Mahallesi Sokullu Caddesi No:7/A – 7/B
Ümraniye 34768 - İstanbul
Telephone : (0 216) 635 35 35
Fax : (0 216) 636 36 36
Web Site : www.teb.com.tr
E-mail Address : investor.relations@teb.com.tr

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

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR'S REPORT

The unconsolidated financial statements and the explanatory footnotes and disclosures, unless otherwise indicated, are prepared in **thousands of Turkish Lira**, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, have been independently audited and presented as attached.

| | | | | | |
|-----------------|----------------------|-------------------|-------------|------------------------|--------------------|
| | Jean - Milan Charles | | | | |
| | Dominique | | | | |
| Yavuz Canevi | Givadinovitch | Dr. Akın Akbaygil | Varol Civil | M. Aşkın Dolaştır | Gökhan Kazcılar |
| Chairman of the | Chairman | Vice Chairman | General | Assistant General | Director |
| Board of | of the Audit | of the Audit | Manager | Manager Responsible of | Responsible of |
| Directors | Committee | Committee | | Financial Reporting | General Accounting |

Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname / Title: Çiğdem Başaran / Investor Relations Manager

Tel No : (0216) 635 24 63

Fax No: (0216) 636 36 36

INDEX

| | Page Number |
|--|--------------------|
| SECTION ONE | |
| General Information | |
| I. History of the Bank, Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status, if any | 1 |
| II. Explanation on the Bank's Capital Structure, Shareholders of the Bank who are in Charge of the Management and/or Auditing of the Bank Directly or Indirectly, Changes in These Matters (if any), and the Group the Bank Belongs to | 1 |
| III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Shares of the Bank They Possess | 3 |
| IV. Information about the Persons and Institutions That Have Qualified Shares | 4 |
| V. Summary on the Bank's Functions and Areas of Activity | 4 |
| SECTION TWO | |
| Unconsolidated Financial Statements | |
| I. Balance Sheet | 5 |
| II. Statement of Off-Balance Sheet Contingencies and Commitments | 7 |
| III. Statement of Income | 8 |
| IV. Statement of Profit and Loss Accounted for Under Equity | 9 |
| V. Statement of Changes in Shareholders' Equity | 10 |
| VI. Statement of Cash Flows | 12 |
| VII. Profit Distribution Table | 13 |
| SECTION THREE | |
| Accounting Principles | |
| I. Basis of Presentation | 14 |
| II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions | 14 |
| III. Explanations on Forward and Option Contracts and Derivative Instruments | 15 |
| IV. Explanations on Interest Income and Expenses | 15 |
| V. Explanations on Fees and Commission Income and Expenses | 16 |
| VI. Explanations on Financial Assets | 16 |
| VII. Explanations on Impairment of Financial Assets | 18 |
| VIII. Explanations on Offsetting of Financial Assets and Liabilities | 18 |
| IX. Explanations on Sales and Repurchase Agreements and Lending of Securities | 19 |
| X. Explanations on Assets Held for Sale, Discontinued Operations and Liabilities Related to Those Assets | 19 |
| XI. Explanations on Goodwill and Other Intangible Assets | 19 |
| XII. Explanations on Tangible Fixed Assets | 20 |
| XIII. Explanations on Leasing Transactions | 21 |
| XIV. Explanations on Provisions and Contingent Liabilities | 21 |
| XV. Explanations on Liabilities Regarding Employee Benefits | 22 |
| XVI. Explanations on Taxation | 23 |
| XVII. Additional Explanations on Borrowings | 24 |
| XVIII. Explanations on Issued Share Certificates | 24 |
| XIX. Explanations on Acceptances | 24 |
| XX. Explanations on Government Incentives | 24 |
| XXI. Explanations on Reporting According to Segmentation | 25 |
| XXII. Explanations on Other Matters | 25 |
| SECTION FOUR | |
| Information on Financial Structure | |
| I. Explanations Related to Capital Adequacy Standard Ratio | 26 |
| II. Explanations Related to Credit Risk | 29 |
| III. Explanations Related to Market Risk | 33 |
| IV. Explanations Related to Operational Risk | 34 |
| V. Explanations Related to Currency Risk | 34 |
| VI. Explanations Related to Interest Rate Risk | 37 |
| VII. Explanations Related to Liquidity Risk | 39 |
| VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value | 42 |
| IX. Explanations Related to Transactions Carried out on Behalf of Other Parties and Fiduciary Assets | 43 |
| SECTION FIVE | |
| Explanations and Disclosures on Unconsolidated Financial Statements | |
| I. Explanations and Disclosures Related to the Assets | 44 |
| II. Explanations and Disclosures Related to the Liabilities | 61 |
| III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments | 72 |
| IV. Explanations and Disclosures Related to the Statement of Income | 77 |
| V. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity | 82 |
| VI. Explanations and Disclosures Related to Statement of Cash Flows | 83 |
| VII. Explanations on the Risk Group of the Bank | 84 |
| VIII. Explanations on the Bank's Domestic Branches, Agencies and Branches Abroad and Off-shore Branches | 85 |
| SECTION SIX | |
| Other Explanations | |
| I. Other Explanations on the Operations of the Bank | 86 |
| SECTION SEVEN | |
| Independent Auditor's Report | |
| I. Explanations on the Independent Auditor's Report | 86 |
| II. Other Footnotes and Explanations Prepared by the Independent Auditors | 86 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION ONE

GENERAL INFORMATION

I. History of the Bank, Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status, if any

Türk Ekonomi Bankası Anonim Şirketi (the “Bank”), which had been a local bank incorporated in Kocaeli in 1927 under the name of Kocaeli Halk Bankası T.A.Ş., was acquired by the Çolakoğlu Group in 1982. Its title was changed as Türk Ekonomi Bankası A.Ş. and its headquarters moved to İstanbul.

II. Explanation on the Bank’s Capital Structure, Shareholders of the Bank who are in Charge of the Management and/or Auditing of the Bank Directly or Indirectly, Changes in These Matters (if any), and the Group the Bank Belongs to

Following announcement of the Banking Regulation and Supervision Agency (the “BRSA”) approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, 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 with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Due to the merger, ceiling for the registered capital of the Bank is increased from TL 1,400,000 to TL 2,204,390, and the issued capital of the Bank is increased by TL 1,104,390, from TL 1,100,000 to TL 2,204,390.

Issued registered shares 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 TL 1.

As a consequence of the merger, Fortis Bank SA/NV became shareholder of TEB with a shareholding percentage of 47.15% and BNP Paribas SA’s indirect ownership increased to 51.086% due to its 75% ownership in Fortis Bank SA/NV and 50% share in TEB Mali Yatırımlar A.Ş. whose ownership percentage became 42.043% in TEB following the merger transaction.

As declared in the public disclosure dated 3 June 2010 and the following public disclosures, and within the framework of the agreement between BNP Paribas Group and Çolakoğlu Group, restructuring procedures to allow TEB Mali Yatırımlar A.Ş. to continue being the majority shareholder of the Bank and to allow each of Çolakoğlu Group and BNP Paribas Group to hold 50% of the shares in TEB Mali Yatırımlar A.Ş. following the merger, subject to the required approvals of the regulatory authorities. Accordingly, as a result of the abovementioned restructuring procedures, which include a capital increase in TEB Mali Yatırımlar A.Ş. and several share transfers, TEB Mali Yatırımlar A.Ş.’s shareholding ratio in the Bank is aimed to be increased to 55%, and the shareholding ratios of each of Çolakoğlu Group and BNP Paribas Group in TEB Mali Yatırımlar A.Ş. are aimed to be 50%, subject to the required approvals of the regulatory authorities.

At the Extraordinary General Assembly of TEB Mali Yatırımlar A.Ş., held on 25 March 2011, it was resolved to change the trade name of the company to “TEB Holding A.Ş.” to increase its share capital from TL 500,000 to TL 590,863 through the issuance of 90,863,380 shares.

BNP Paribas Fortis Yatırımlar Holding A.Ş., one of the shareholders of TEB Holding A.Ş., subscribed to 88,423,113 newly-issued shares with respect to the mentioned capital increase; and as a result of this capital increase, shareholding ratio of BNP Paribas Fortis Yatırımlar Holding A.Ş. in TEB Holding A.Ş., has been increased from 50.00% to 57.28%.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanation on the Bank's Capital Structure, Shareholders of the Bank who are in Charge of the Management and/or Auditing of the Bank Directly or Indirectly, Changes in These Matters (if any), and the Group the Bank Belongs to (continued)

In addition, following the above-mentioned transactions, for Çolakoğlu Group and BNP Paribas Group to have equal shareholding in TEB Holding A.Ş. (50% each), BNP Paribas Fortis Yatırımlar Holding A.Ş.'s 7.28% shares in TEB Holding A.Ş. were transferred to Galata Yatırım Holding A.Ş., which is owned by the Çolakoğlu Group, on 31 March 2011. After the share transfer, both Çolakoğlu Group and BNP Paribas Group have 50% of share participation each in TEB Holding A.Ş. as in the share structure before the merger.

On 30 March 2011, upon the permissions granted by the BRSA and the Capital Markets Board (the "CMB"), 12.72% of TEB shares held by Fortis Bank SA/NV and 0.24% of TEB shares held by the Çolakoğlu Group were transferred to TEB Holding A.Ş. for a total consideration of TL 616,935. Following the share transfer, TEB Holding A.Ş.'s direct participation in TEB has been increased from 42.04% to 55%.

20.35% of shares in TEB, having a total nominal value of TL 448,512, held by Fortis Bank SA/NV, were transferred to BNPP Yatırımlar Holding A.Ş. for a consideration of TL 865,440; and 14.08% of shares in TEB, having a total nominal value of TL 310,480, held by Fortis Bank SA/NV, were transferred to BNP Paribas Fortis Yatırımlar Holding A.Ş. for a consideration of TL 670,636.

Consequently, BNPP Yatırımlar Holding A.Ş., which has no participation in TEB, eventually has 20.35% of shares in TEB, while BNPP Paribas Fortis Yatırımlar Holding A.Ş. has 14.05% of direct shareholding in TEB.

Upon the resolution no: 16/475 of the CMB issued on 27 May 2011, BNP Paribas Fortis Yatırımlar Holding A.Ş. and BNPP Yatırımlar Holding A.Ş. initiated a public call on 2 June 2011 for the acquisition of Türk Ekonomi Bankası A.Ş.'s 227,730,437.91 shares with a nominal per value of TL 1 at TL 2.21 under the call requirements set out in the CMB's Communiqué Serial: IV, No:44 "Principles of Gathering Equity Interests Through Public Call". The public call intermediated by TEB Yatırım Menkul Değerler A.Ş. was finalized at 17:00 on 17 June 2011.

a) Total nominal value and capital percentage before the call:

-BNP Paribas Fortis Yatırımlar Holding A.Ş. TL 310,480 (14.085%)
 -BNPP Yatırımlar Holding A.Ş. TL 448,512 (20.346%)

b) Total nominal value and capital percentage after the call:

-BNP Paribas Fortis Yatırımlar Holding A.Ş. TL 376,584 (17.083%)
 -BNPP Yatırımlar Holding A.Ş. TL 514,616 (23.345%)

As of 31 December 2011 and 31 December 2010 the shareholders' structure and their respective ownerships are summarized as follows:

| Name of shareholders | As of 31 December 2011 | | As of 31 December 2010 | |
|--|---------------------------|---------------|---------------------------|---------------|
| | Paid in Capital | % | Paid in Capital | % |
| TEB Holding 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 shares | 99,556 | 4.52 | 171,966 | 15.63 |
| Other | 1,220 | 0.06 | 1,238 | 0.12 |
| | 2,204,390 | 100.00 | 1,100,000 | 100.00 |

As of 31 December 2011 Bank's paid-in-capital consists of 2,204,390,000 shares of TL 1.00 (full TL) nominal each.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Shares of the Bank They Possess

| <u>Name</u> | <u>Title</u> |
|---|--|
| Board of Directors; | |
| Yavuz Canevi | Chairman of the Board of Directors |
| Dr.Akın Akbaygil | Vice Chairman of the Board of Directors and Vice Chairman of the Audit Committee |
| Jean-Milan Charles Dominique Givadinovitch | Member of the Board of Directors, Chairman of the Audit Committee |
| Jean Paul Sabet | Vice Chairman of the Board of Directors |
| Yves Paul Henri Martrenchar | Member of the Board of Directors |
| Ayşe Aşardağ | Member of the Board of Directors |
| Varol Civil | General Manager and In Charge Member of the Board of Directors |
| Musa Erden | Member of the Board of Directors |
| Alain Georges Auguste Fonteneau | Member of the Board of Directors |
| Jean Yves Fillon | Member of the Board of Directors |
| Assistant General Managers; | |
| Mustafa Aşkın Dolaştır | Assistant General Manager Responsible from Financial Control |
| Gökhan Mendi | Assistant General Manager Responsible from Consumer Banking and Private Banking |
| Levent Çelebioğlu | Assistant General Manager Responsible from Corporate Banking |
| Dr. Nilşen Altıntaş | Assistant General Manager Responsible from Human Resources |
| Nuri Tuncalı | Assistant General Manager Responsible from SME Loans |
| Saniye Telci | Assistant General Manager Responsible from Banking Operations |
| Turgut Boz | Assistant General Manager Responsible from SME Banking |
| Ümit Leblebici | Assistant General Manager Responsible from Asset Liability Management and Treasury |
| Melis Coşan Baban | Chief Legal Counsel and Secretary of the Board of Directors |
| Osman Durmuş | Assistant General Manager Responsible from Consumer Loans and Business Loans |
| Gökhan Özdil | Assistant General Manager Responsible from Corporate Loans |
| Başar Ordukaya | Assistant General Manager Responsible from Large Corporate Customers |
| Arnaud Denis Jean Sebastien Tellier | Assistant General Manager Responsible from Corporate Investment Banking |
| Mehmet Ali Cer | Assistant Manager Responsible from Information Technologies |
| Akil Özçay(*) | Assistant Manager Responsible from Financial Markets |
| Group Heads | |
| Ayşe Korkmaz | Head of Compliance and Internal Control |
| Didier Albert Nicole Van Hecke | Chief Risk Officer |
| Inspection Committee and Statutory Auditors; | |
| Hakan Tıraşın | Chairman of the Inspection Committee |
| Esra Peri Aydoğan | Statutory Auditor |
| Cihat Madanoğlu | Statutory Auditor |

(*) Akil Özçay was appointed as the Assistant General Manager responsible from Financial Markets as of 21 November 2011.

Shares of the Bank owned by the above stated Chairman and Members of Board of Directors, General Manager and Assistants are negligible.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

IV. Information about the Persons and Institutions That Have Qualified Shares

| Name / Commercial Name | Share Amount | Share Ratio | Paid-up Shares | Unpaid Shares |
|--|--------------|-------------|----------------|---------------|
| TEB Holding A.Ş. | 1,212,414 | 55.00% | 1,212,414 | - |
| BNP Yatırımlar Holding A.Ş. | 514,616 | 23.34% | 514,616 | - |
| BNP Paribas Fortis Yatırımlar Holding A.Ş. | 376,584 | 17.08% | 376,584 | - |

TEB Holding A.Ş. is the controlling party of the Bank's capital having both direct and indirect qualified shares. TEB Holding A.Ş. is a member of both Çolakoğlu and BNP Paribas groups. 50% of the shares of TEB Holding A.Ş. are controlled by BNP Paribas, while the remaining 50% is controlled by Çolakoğlu Group. As of 25 October 2010, BNP Paribas S.A. transferred 50% of its shares in TEB Holding A.Ş. to BNP Paribas Fortis Yatırımlar Holding A.Ş. BNP Paribas Fortis Yatırımlar Holding A.Ş. is controlled by Fortis Bank SA/NV whose shareholders are BNP Paribas S.A. and the Belgium State by 75% and 25% shares, respectively. 100% of the shares of BNP Yatırımlar Holding is controlled by BNP Paribas S.A. The Belgium State has 10.7% shares in BNP Paribas S.A.

V. Summary on the Bank's Functions and Areas of Activity

The Bank's operating areas include, corporate, retail and private banking as well as project finance, fund management and custody operations. Besides the ordinary banking operations, the Bank is handling agency functions through its branches on behalf of TEB Yatırım Menkul Değerler A.Ş., Zurich Sigorta A.Ş., Cardif Hayat Sigorta A.Ş., Fortis Emeklilik ve Hayat A.Ş. As of 31 December 2011, the Bank has 503 local branches and 4 foreign branches (31 December 2010: 331 local branches, 4 foreign branches).

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet
- II. Statement of Off-Balance Sheet Contingencies and Commitments
- III. Statement of Income
- IV. Statement of Profit and Loss Accounted for Under Equity
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows
- VII. Profit Distribution Table

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
BALANCE SHEETS AS OF 31 DECEMBER 2011 AND 2010
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

I. BALANCE SHEET – ASSETS (STATEMENT OF FINANCIAL POSITION)

| | Note Ref. | Audited Current Period 31.12.2011 | | | Audited Prior Period 31.12.2010 | | |
|---|-----------|--------------------------------------|------------------|-------------------|------------------------------------|------------------|-------------------|
| | | TL | FC | Total | TL | FC | Total |
| I. CASH AND BALANCES WITH THE CENTRAL BANK | (1) | 1,500,359 | 2,517,896 | 4,018,255 | 786,645 | 1,240,651 | 2,027,296 |
| II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net) | (2) | 854,509 | 412,026 | 1,266,535 | 171,883 | 23,169 | 195,052 |
| 2.1 Financial assets held for trading | | 854,509 | 412,026 | 1,266,535 | 171,883 | 23,169 | 195,052 |
| 2.1.1 Public sector debt securities | | 590,451 | 356,468 | 946,919 | 91,124 | 4,937 | 96,061 |
| 2.1.2 Share certificates | | - | - | - | - | - | - |
| 2.1.3 Derivative financial assets held for trading | | 264,058 | 55,558 | 319,616 | 80,759 | 18,232 | 98,991 |
| 2.1.4 Other marketable securities | | - | - | - | - | - | - |
| 2.2 Financial assets classified at fair value through profit and loss | | - | - | - | - | - | - |
| 2.2.1 Public sector debt securities | | - | - | - | - | - | - |
| 2.2.2 Share certificates | | - | - | - | - | - | - |
| 2.2.3 Loans | | - | - | - | - | - | - |
| 2.2.4 Other marketable securities | | - | - | - | - | - | - |
| III. BANKS | (3) | 133,042 | 208,013 | 341,055 | 412,828 | 290,656 | 703,484 |
| IV. MONEY MARKET PLACEMENTS | | 510,329 | - | 510,329 | - | - | - |
| 4.1 Interbank money market placements | | - | - | - | - | - | - |
| 4.2 Istanbul Stock Exchange money market placements | | - | - | - | - | - | - |
| 4.3 Receivables from reverse repurchase agreements | | 510,329 | - | 510,329 | - | - | - |
| V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net) | (4) | 4,100,585 | 534,015 | 4,634,600 | 2,996,143 | 415,942 | 3,412,085 |
| 5.1 Share certificates | | 19,619 | 4,318 | 23,937 | 14,603 | 2,256 | 16,859 |
| 5.2 Public sector debt securities | | 4,079,890 | 529,697 | 4,609,587 | 2,980,519 | 413,686 | 3,394,205 |
| 5.3 Other marketable securities | | 1,076 | - | 1,076 | 1,021 | - | 1,021 |
| VI. LOANS AND RECEIVABLES | (5) | 20,313,295 | 5,339,130 | 25,652,425 | 9,217,230 | 2,536,025 | 11,753,255 |
| 6.1 Loans and receivables | | 20,104,514 | 5,339,130 | 25,443,644 | 9,094,408 | 2,536,025 | 11,630,433 |
| 6.1.1 Loans to Risk Group of the Bank | | 114,137 | 75,319 | 189,456 | 142,197 | 22,700 | 164,897 |
| 6.1.2 Public sector debt securities | | - | - | - | - | - | - |
| 6.1.3 Other | | 19,990,377 | 5,263,811 | 25,254,188 | 8,952,211 | 2,513,325 | 11,465,536 |
| 6.2 Non-performing loans | | 726,299 | - | 726,299 | 360,075 | - | 360,075 |
| 6.3 Specific provisions (-) | | 517,518 | - | 517,518 | 237,253 | - | 237,253 |
| VII. FACTORING RECEIVABLES | | - | - | - | - | - | - |
| VIII. HELD TO MATURITY INVESTMENTS (Net) | (6) | - | - | - | 217,604 | - | 217,604 |
| 8.1 Public sector debt securities | | - | - | - | 217,604 | - | 217,604 |
| 8.2 Other marketable securities | | - | - | - | - | - | - |
| IX. INVESTMENTS IN ASSOCIATES (Net) | (7) | - | - | - | - | - | - |
| 9.1 Accounted for under equity method | | - | - | - | - | - | - |
| 9.2 Unconsolidated associates | | - | - | - | - | - | - |
| 9.2.1 Financial investments | | - | - | - | - | - | - |
| 9.2.2 Non-financial investments | | - | - | - | - | - | - |
| X. INVESTMENTS IN SUBSIDIARIES (Net) | (8) | 106,607 | 61,254 | 167,861 | 58,436 | 61,254 | 119,690 |
| 10.1 Unconsolidated financial subsidiaries | | 106,607 | 61,254 | 167,861 | 58,436 | 61,254 | 119,690 |
| 10.2 Unconsolidated non-financial subsidiaries | | - | - | - | - | - | - |
| XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net) | (9) | 5 | - | 5 | 5 | - | 5 |
| 11.1 Consolidated under equity method | | - | - | - | - | - | - |
| 11.2 Unconsolidated | | 5 | - | 5 | 5 | - | 5 |
| 11.2.1 Financial subsidiaries | | - | - | - | - | - | - |
| 11.2.2 Non-financial subsidiaries | | 5 | - | 5 | 5 | - | 5 |
| XII. FINANCE LEASE RECEIVABLES | (10) | - | - | - | - | - | - |
| 12.1 Finance lease receivables | | - | - | - | - | - | - |
| 12.2 Operating lease receivables | | - | - | - | - | - | - |
| 12.3 Other | | - | - | - | - | - | - |
| 12.4 Unearned income (-) | | - | - | - | - | - | - |
| XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES | (11) | 22,787 | 13 | 22,800 | 11,114 | 43 | 11,157 |
| 13.1 Fair value hedge | | 9,524 | 13 | 9,537 | 11,114 | 43 | 11,157 |
| 13.2 Cash flow hedge | | 13,263 | - | 13,263 | - | - | - |
| 13.3 Hedge of net investment risks in foreign operations | | - | - | - | - | - | - |
| XIV. TANGIBLE ASSETS (Net) | (12) | 254,333 | - | 254,333 | 109,506 | - | 109,506 |
| XV. INTANGIBLE ASSETS (Net) | (13) | 438,346 | - | 438,346 | 10,156 | - | 10,156 |
| 15.1 Goodwill | | 421,124 | - | 421,124 | - | - | - |
| 15.2 Other | | 17,222 | - | 17,222 | 10,156 | - | 10,156 |
| XVI. INVESTMENT PROPERTIES (Net) | (14) | - | - | - | - | - | - |
| XVII. TAX ASSET | (15) | 67,309 | - | 67,309 | 13,093 | - | 13,093 |
| 17.1 Current tax asset | | 561 | - | 561 | - | - | - |
| 17.2 Deferred tax asset | | 66,748 | - | 66,748 | 13,093 | - | 13,093 |
| XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net) | (16) | - | - | - | - | - | - |
| 18.1 Held for sale | | - | - | - | - | - | - |
| 18.2 Discontinued operations | | - | - | - | - | - | - |
| XIX. OTHER ASSETS | (17) | 623,668 | 94,217 | 717,885 | 392,331 | 66,391 | 458,722 |
| TOTAL ASSETS | | 28,925,174 | 9,166,564 | 38,091,738 | 14,396,974 | 4,634,131 | 19,031,105 |

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
BALANCE SHEETS AS OF 31 DECEMBER 2011 AND 2010

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

I. BALANCE SHEET – LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)

| | Note Ref. | Audited Current Period 31.12.2011 | | | Audited Prior Period 31.12.2010 | | |
|--|-----------|---|-------------------|-------------------|---------------------------------------|------------------|-------------------|
| | | TL | FC | Total | TL | FC | Total |
| I. DEPOSITS | (1) | 14,699,033 | 8,187,579 | 22,886,612 | 8,408,010 | 3,591,140 | 11,999,150 |
| 1.1 Deposits from Risk Group of the Bank | | 556,777 | 292,848 | 849,625 | 1,180,754 | 253,759 | 1,434,513 |
| 1.2 Other | | 14,142,256 | 7,894,731 | 22,036,987 | 7,227,256 | 3,337,381 | 10,564,637 |
| II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING | (2) | 157,708 | 92,249 | 249,957 | 64,433 | 31,046 | 95,479 |
| III. FUNDS BORROWED | (3) | 2,394,804 | 4,184,395 | 6,579,199 | 2,011,238 | 1,592,880 | 3,604,118 |
| IV. MONEY MARKET BALANCES | | 1,104,748 | - | 1,104,748 | 74,357 | - | 74,357 |
| 4.1 Interbank money market takings | | - | - | - | - | - | - |
| 4.2 Istanbul Stock Exchange money market takings | | - | - | - | - | - | - |
| 4.3 Funds provided under repurchase agreements | | 1,104,748 | - | 1,104,748 | 74,357 | - | 74,357 |
| V. MARKETABLE SECURITIES ISSUED (Net) | | 249,107 | - | 249,107 | - | - | - |
| 5.1 Bills | | 249,107 | - | 249,107 | - | - | - |
| 5.2 Asset backed securities | | - | - | - | - | - | - |
| 5.3 Bonds | | - | - | - | - | - | - |
| VI. FUNDS | | - | - | - | - | - | - |
| 6.1 Borrower funds | | - | - | - | - | - | - |
| 6.2 Other | | - | - | - | - | - | - |
| VII. SUNDRY CREDITORS | | 772,223 | 60,045 | 832,268 | 317,031 | 20,221 | 337,252 |
| VIII. OTHER LIABILITIES | (4) | 622,004 | 2,884 | 624,888 | 304,061 | 1,354 | 305,415 |
| IX. FACTORING PAYABLES | | - | - | - | - | - | - |
| X. FINANCE LEASE PAYABLES | (5) | - | - | - | - | 13 | 13 |
| 10.1 Finance lease payables | | - | 1 | 1 | - | 17 | 17 |
| 10.2 Operating lease payables | | - | - | - | - | - | - |
| 10.3 Other | | - | - | - | - | - | - |
| 10.4 Deferred finance lease expenses (-) | | - | 1 | 1 | - | 4 | 4 |
| XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES | (6) | 50,447 | - | 50,447 | 56,547 | - | 56,547 |
| 11.1 Fair value hedge | | 23,398 | - | 23,398 | 56,547 | - | 56,547 |
| 11.2 Cash flow hedge | | 27,049 | - | 27,049 | - | - | - |
| 11.3 Hedge of net investment in foreign operations | | - | - | - | - | - | - |
| XII. PROVISIONS | (7) | 487,425 | 746 | 488,171 | 171,507 | 19,530 | 191,037 |
| 12.1 General loan loss provisions | | 264,114 | - | 264,114 | 87,265 | 19,529 | 106,794 |
| 12.2 Restructuring provisions | | 2,663 | - | 2,663 | 228 | - | 228 |
| 12.3 Reserve for employee benefits | | 118,947 | - | 118,947 | 57,073 | - | 57,073 |
| 12.4 Insurance technical reserves (Net) | | - | - | - | - | - | - |
| 12.5 Other provisions | | 101,701 | 746 | 102,447 | 26,941 | 1 | 26,942 |
| XIII. TAX LIABILITY | (8) | 100,684 | - | 100,684 | 82,332 | - | 82,332 |
| 13.1 Current tax liability | | 100,684 | - | 100,684 | 82,332 | - | 82,332 |
| 13.2 Deferred tax liability | | - | - | - | - | - | - |
| XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net) | (9) | - | - | - | - | - | - |
| 14.1 Held for sale | | - | - | - | - | - | - |
| 14.2 Discontinued operations | | - | - | - | - | - | - |
| XV. SUBORDINATED LOANS | (10) | - | 712,346 | 712,346 | - | 472,542 | 472,542 |
| XVI. SHAREHOLDERS' EQUITY | (11) | 4,225,316 | (12,005) | 4,213,311 | 1,813,164 | (301) | 1,812,863 |
| 16.1 Paid-in capital | | 2,204,390 | - | 2,204,390 | 1,100,000 | - | 1,100,000 |
| 16.2 Supplementary capital | | 690,984 | (12,005) | 678,979 | 95,060 | (301) | 94,759 |
| 16.2.1 Share premium | | 2,565 | - | 2,565 | 2,158 | - | 2,158 |
| 16.2.2 Share cancellation profits | | - | - | - | - | - | - |
| 16.2.3 Marketable securities valuation differences | | (87,265) | (12,005) | (99,270) | 91,976 | (301) | 91,675 |
| 16.2.4 Tangible assets revaluation differences | | 100,483 | - | 100,483 | - | - | - |
| 16.2.5 Intangible assets revaluation differences | | - | - | - | - | - | - |
| 16.2.6 Investment property revaluation differences | | - | - | - | - | - | - |
| 16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.) | | 527 | - | 527 | - | - | - |
| 16.2.8 Hedging funds (Effective portion) | | 4,505 | - | 4,505 | - | - | - |
| 16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations | | - | - | - | - | - | - |
| 16.2.10 Other capital reserves | | 670,169 | - | 670,169 | 926 | - | 926 |
| 16.3 Profit reserves | | 1,113,770 | - | 1,113,770 | 317,803 | - | 317,803 |
| 16.3.1 Legal reserves | | 111,333 | - | 111,333 | 45,468 | - | 45,468 |
| 16.3.2 Status reserves | | - | - | - | - | - | - |
| 16.3.3 Extraordinary reserves | | 937,628 | - | 937,628 | 228,530 | - | 228,530 |
| 16.3.4 Other profit reserves | | 64,809 | - | 64,809 | 43,805 | - | 43,805 |
| 16.4 Profit or loss | | 216,172 | - | 216,172 | 300,301 | - | 300,301 |
| 16.4.1 Prior years' income/ (losses) | | 9,497 | - | 9,497 | - | - | - |
| 16.4.2 Current year income/ (loss) | | 206,675 | - | 206,675 | 300,301 | - | 300,301 |
| 16.5 Minority shares | (12) | - | - | - | - | - | - |
| TOTAL LIABILITIES AND EQUITY | | 24,863,499 | 13,228,239 | 38,091,738 | 13,302,680 | 5,728,425 | 19,031,105 |

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
STATEMENTS OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS
AS OF 31 DECEMBER 2011 AND 2010

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

II. STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

| | Note Ref. | Audited Current Period 31.12.2011 | | | Audited Prior Period 31.12.2010 | | |
|--|-----------|---|-------------------|--------------------|---------------------------------------|-------------------|-------------------|
| | | TL | FC | TOTAL | TL | FC | TOTAL |
| A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III) | | 23,301,805 | 25,398,288 | 48,700,093 | 9,506,454 | 9,511,892 | 19,018,346 |
| I. GUARANTEES (1), (3) | | 3,443,715 | 4,619,067 | 8,062,782 | 1,985,101 | 2,083,282 | 4,068,383 |
| 1.1 Letters of guarantee | | 2,994,478 | 2,565,016 | 5,559,494 | 1,754,833 | 1,266,659 | 3,021,492 |
| 1.1.1 Guarantees subject to State Tender Law | | 149,521 | 47,724 | 197,245 | 85,204 | 15,287 | 100,491 |
| 1.1.2 Guarantees given for foreign trade operations | | 231,520 | 48,265 | 279,785 | 202,716 | 17,266 | 219,982 |
| 1.1.3 Other letters of guarantee | | 2,613,437 | 2,469,027 | 5,082,464 | 1,466,913 | 1,234,106 | 2,701,019 |
| 1.2 Bank loans | | - | 342,297 | 342,297 | 345 | 55,187 | 55,532 |
| 1.2.1 Import letter of acceptance | | - | 148,980 | 148,980 | 345 | 54,407 | 54,752 |
| 1.2.2 Other bank acceptances | | - | 193,317 | 193,317 | - | 780 | 780 |
| 1.3 Letters of credit | | - | 1,319,224 | 1,319,224 | 493 | 676,336 | 676,829 |
| 1.3.1 Documentary letters of credit | | - | 818,563 | 818,563 | 493 | 553,611 | 554,104 |
| 1.3.2 Other letters of credit | | - | 500,661 | 500,661 | - | 122,725 | 122,725 |
| 1.4 Prefinancing given as guarantee | | - | - | - | - | - | - |
| 1.5 Endorsements | | - | - | - | - | - | - |
| 1.5.1 Endorsements to the Central Bank of Turkey | | - | - | - | - | - | - |
| 1.5.2 Other endorsements | | - | - | - | - | - | - |
| 1.6 Securities issue purchase guarantees | | - | - | - | - | - | - |
| 1.7 Factoring guarantees | | - | - | - | - | - | - |
| 1.8 Other guarantees | | 447,251 | 309,354 | 756,605 | 228,526 | 50,508 | 279,034 |
| 1.9 Other collaterals | | 1,986 | 83,176 | 85,162 | 904 | 34,592 | 35,496 |
| II. COMMITMENTS (1), (3) | | 6,582,962 | 1,544,570 | 8,127,532 | 3,300,200 | 416,634 | 3,716,834 |
| 2.1 Revocable commitments | | 6,582,962 | 1,544,570 | 8,127,532 | 3,300,200 | 416,634 | 3,716,834 |
| 2.1.1 Forward asset purchase commitments | | 157,738 | 1,461,274 | 1,619,012 | 463 | 363,776 | 364,239 |
| 2.1.2 Forward deposit purchase and sales commitments | | - | - | - | - | - | - |
| 2.1.3 Share capital commitment to associates and subsidiaries | | 4,000 | - | 4,000 | 2,000 | - | 2,000 |
| 2.1.4 Loan granting commitments | | 2,284,108 | 110 | 2,284,218 | 1,410,868 | 86 | 1,410,954 |
| 2.1.5 Securities underwriting commitments | | - | - | - | - | - | - |
| 2.1.6 Commitments for reserve deposit requirements | | - | - | - | - | - | - |
| 2.1.7 Payment commitment for checks | | 1,455,318 | - | 1,455,318 | 707,681 | - | 707,681 |
| 2.1.8 Tax and fund liabilities from export commitments | | 10,380 | - | 10,380 | 15,565 | - | 15,565 |
| 2.1.9 Commitments for credit card expenditure limits | | 2,661,586 | - | 2,661,586 | 1,152,230 | - | 1,152,230 |
| 2.1.10 Commitments for promotions related with credit cards and banking activities | | 7,608 | - | 7,608 | 2,986 | - | 2,986 |
| 2.1.11 Receivables from short sale commitments | | - | - | - | - | - | - |
| 2.1.12 Payables for short sale commitments | | - | - | - | - | - | - |
| 2.1.13 Other irrevocable commitments | | 2,224 | 83,186 | 85,410 | 8,407 | 52,772 | 61,179 |
| 2.2 Revocable commitments | | - | - | - | - | - | - |
| 2.2.1 Revocable loan granting commitments | | - | - | - | - | - | - |
| 2.2.2 Other revocable commitments | | - | - | - | - | - | - |
| III. DERIVATIVE FINANCIAL INSTRUMENTS (2) | | 13,275,128 | 19,234,651 | 32,509,779 | 4,221,153 | 7,011,976 | 11,233,129 |
| 3.1 Derivative financial instruments for hedging purposes | | 2,025,490 | 54,778 | 2,080,268 | 343,443 | 147,610 | 491,053 |
| 3.1.1 Fair value hedge | | 106,780 | 54,778 | 161,558 | 343,443 | 147,610 | 491,053 |
| 3.1.2 Cash flow hedge | | 1,918,710 | - | 1,918,710 | - | - | - |
| 3.1.3 Hedge of net investment in foreign operations | | - | - | - | - | - | - |
| 3.2 Held for trading transactions | | 11,249,638 | 19,179,873 | 30,429,511 | 3,877,710 | 6,864,366 | 10,742,076 |
| 3.2.1 Forward foreign currency buy/sell transactions | | 1,583,223 | 3,035,853 | 4,619,076 | 464,457 | 1,566,012 | 2,030,469 |
| 3.2.1.1 Forward foreign currency transactions-buy | | 480,076 | 1,822,569 | 2,302,645 | 140,012 | 966,486 | 1,106,498 |
| 3.2.1.2 Forward foreign currency transactions-sell | | 1,103,147 | 1,213,284 | 2,316,431 | 324,445 | 599,526 | 923,971 |
| 3.2.2 Swap transactions related to f.c. and interest rates | | 3,861,973 | 6,939,235 | 10,801,208 | 1,309,178 | 2,186,284 | 3,495,462 |
| 3.2.2.1 Foreign currency swap-buy | | 1,582,082 | 3,259,953 | 4,842,035 | 591,303 | 879,062 | 1,470,365 |
| 3.2.2.2 Foreign currency swap-sell | | 1,879,891 | 2,915,814 | 4,795,705 | 385,375 | 1,225,858 | 1,611,233 |
| 3.2.2.3 Interest rate swaps-buy | | 200,000 | 381,734 | 581,734 | 166,250 | 40,682 | 206,932 |
| 3.2.2.4 Interest rate swaps-sell | | 200,000 | 381,734 | 581,734 | 166,250 | 40,682 | 206,932 |
| 3.2.3 Foreign currency, interest rate and securities options | | 5,804,442 | 9,204,785 | 15,009,227 | 2,104,075 | 2,613,176 | 4,717,251 |
| 3.2.3.1 Foreign currency options-buy | | 2,226,882 | 5,120,817 | 7,347,699 | 861,455 | 1,377,898 | 2,239,353 |
| 3.2.3.2 Foreign currency options-sell | | 3,367,560 | 3,894,854 | 7,262,414 | 978,075 | 1,217,600 | 2,195,675 |
| 3.2.3.3 Interest rate options-buy | | 110,000 | 94,557 | 204,557 | 264,545 | - | 264,545 |
| 3.2.3.4 Interest rate options-sell | | 100,000 | 94,557 | 194,557 | - | - | - |
| 3.2.3.5 Securities options-buy | | - | - | - | - | - | - |
| 3.2.3.6 Securities options-sell | | - | - | - | - | 17,678 | 17,678 |
| 3.2.4 Foreign currency futures | | - | - | - | - | 498,894 | 498,894 |
| 3.2.4.1 Foreign currency futures-buy | | - | - | - | - | 246,626 | 246,626 |
| 3.2.4.2 Foreign currency futures-sell | | - | - | - | - | 252,268 | 252,268 |
| 3.2.5 Interest rate futures | | - | - | - | - | - | - |
| 3.2.5.1 Interest rate futures-buy | | - | - | - | - | - | - |
| 3.2.5.2 Interest rate futures-sell | | - | - | - | - | - | - |
| 3.2.6 Other | | - | - | - | - | - | - |
| B. CUSTODY AND PLEDGED ITEMS (IV+V+VI) | | 84,418,478 | 22,158,072 | 106,576,550 | 30,506,986 | 7,581,631 | 38,088,617 |
| IV. ITEMS HELD IN CUSTODY | | 14,847,506 | 1,370,366 | 16,217,872 | 7,603,077 | 568,901 | 8,171,978 |
| 4.1 Assets under management | | 2,064,393 | 189 | 2,064,582 | 1,143,126 | - | 1,143,126 |
| 4.2 Investment securities held in custody | | 5,859,621 | 266,037 | 6,125,658 | 2,759,586 | 111,796 | 2,871,382 |
| 4.3 Checks received for collection | | 6,607,957 | 726,713 | 7,334,670 | 3,527,213 | 323,800 | 3,851,013 |
| 4.4 Commercial notes received for collection | | 315,115 | 123,766 | 438,881 | 171,883 | 60,274 | 232,157 |
| 4.5 Other assets received for collection | | 321 | 253,661 | 253,982 | 1,170 | 73,031 | 74,201 |
| 4.6 Assets received for public offering | | - | - | - | - | - | - |
| 4.7 Other items under custody | | 99 | - | 99 | 99 | - | 99 |
| 4.8 Custodians | | - | - | - | - | - | - |
| V. PLEDGED ITEMS | | 69,439,307 | 20,756,568 | 90,195,875 | 22,863,395 | 7,004,752 | 29,868,147 |
| 5.1 Marketable securities | | 2,358,907 | 44,266 | 2,403,173 | 548,824 | 10,852 | 559,676 |
| 5.2 Guarantee notes | | 37,340,491 | 12,921,297 | 50,261,788 | 11,722,942 | 5,498,932 | 17,221,874 |
| 5.3 Commodity | | 11,732 | 342,758 | 354,490 | 38,558 | 106,280 | 144,838 |
| 5.4 Warranty | | - | - | - | - | - | - |
| 5.5 Properties | | 25,318,027 | 6,590,324 | 31,908,351 | 9,076,441 | 877,281 | 9,953,722 |
| 5.6 Other pledged items | | 4,410,150 | 857,923 | 5,268,073 | 1,476,630 | 511,407 | 1,988,037 |
| 5.7 Pledged items-depository | | - | - | - | - | - | - |
| VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES | | 131,665 | 31,138 | 162,803 | 40,514 | 7,978 | 48,492 |
| TOTAL OFF BALANCE SHEET ACCOUNTS (A+B) | | 107,720,283 | 47,556,360 | 155,276,643 | 40,013,440 | 17,093,523 | 57,106,963 |

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
STATEMENTS OF INCOME FOR THE YEARS ENDED
31 DECEMBER 2011 AND 2010

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

III. STATEMENT OF INCOME

| | Note Ref. | Audited Current Period 01.01-31.12.2011 | Audited Prior Period 01.01-31.12.2010 |
|---|-----------|---|---|
| I. INTEREST INCOME | (1) | 2,912,492 | 1,486,911 |
| 1.1 Interest on loans | | 2,446,041 | 1,209,205 |
| 1.2 Interest received from reserve deposits | | - | 14,539 |
| 1.3 Interest received from banks | | 9,781 | 7,166 |
| 1.4 Interest received from money market placements | | 1,341 | 1,912 |
| 1.5 Interest received from marketable securities portfolio | | 454,462 | 252,557 |
| 1.5.1 Held-for-trading financial assets | | 108,396 | 16,154 |
| 1.5.2 Financial assets at fair value through profit and loss | | - | - |
| 1.5.3 Available-for-sale financial assets | | 343,597 | 187,609 |
| 1.5.4 Investments held-to-maturity | | 2,469 | 48,794 |
| 1.6 Finance lease Income | | - | - |
| 1.7 Other interest income | | 867 | 1,532 |
| II. INTEREST EXPENSE | (2) | 1,537,490 | 728,569 |
| 2.1 Interest on deposits | | 1,063,992 | 495,140 |
| 2.2 Interest on funds borrowed | | 325,742 | 163,368 |
| 2.3 Interest on money market borrowings | | 107,887 | 49,498 |
| 2.4 Interest on securities issued | | 10,089 | - |
| 2.5 Other interest expense | | 29,780 | 20,563 |
| III. NET INTEREST INCOME/EXPENSE (I - II) | | 1,375,002 | 758,342 |
| IV. NET FEES AND COMMISSIONS INCOME/EXPENSE | | 335,848 | 412,216 |
| 4.1 Fees and commissions received | | 564,171 | 546,124 |
| 4.1.1 Non-cash loans | | 55,273 | 44,251 |
| 4.1.2 Other | | 508,898 | 501,873 |
| 4.2 Fees and commissions paid | | 228,323 | 133,908 |
| 4.2.1 Non-cash loans | | 887 | 1,172 |
| 4.2.2 Other | | 227,436 | 132,736 |
| V. DIVIDEND INCOME | (3) | 18,234 | 14,458 |
| VI. NET TRADING INCOME | (4) | (24,308) | (3,934) |
| 6.1 Securities trading gains/ (losses) | | 9,934 | 30,110 |
| 6.2 Gains/ (losses) from derivative financial instruments | | 48,226 | (210,219) |
| 6.3 Foreign exchange gains/ (losses) | | (82,468) | 176,175 |
| VII. OTHER OPERATING INCOME | (5) | 88,544 | 47,486 |
| VIII. NET OPERATING INCOME (III+IV+V+VI+VII) | | 1,793,320 | 1,228,568 |
| IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-) | (6) | 130,842 | 151,016 |
| X. OTHER OPERATING EXPENSES (-) | (7) | 1,379,141 | 787,821 |
| XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X) | | 283,337 | 289,731 |
| XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER | | - | - |
| XIII. GAIN / (LOSS) ON EQUITY METHOD | | - | - |
| XIV. GAIN / (LOSS) ON NET MONETARY POSITION | | - | - |
| XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV) | (8) | 283,337 | 289,731 |
| XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±) | (9) | 76,662 | 62,744 |
| 16.1 Current income tax (charge)/benefit | | 27,871 | 83,748 |
| 16.2 Deferred tax (charge)/benefit | | 48,791 | (21,004) |
| XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI) | (10) | 206,675 | 226,987 |
| XVIII. INCOME ON DISCONTINUED OPERATIONS | | - | 77,173 |
| 18.1 Income on assets held for sale | | - | - |
| 18.2 Income on sale of associates, subsidiaries and entities under common control (Joint vent.) | | - | 77,173 |
| 18.3 Income on other discontinued operations | | - | - |
| XIX. LOSS FROM DISCONTINUED OPERATIONS (-) | | - | - |
| 19.1 Loss from assets held for sale | | - | - |
| 19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.) | | - | - |
| 19.3 Loss from other discontinued operations | | - | - |
| XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX) | (8) | - | 77,173 |
| XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±) | (9) | - | 3,859 |
| 21.1 Current income tax (charge)/benefit | | - | 3,859 |
| 21.2 Deferred tax (charge)/benefit | | - | - |
| XXII. NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (XX±XXI) | (10) | - | 73,314 |
| XXIII. NET PROFIT/LOSS (XVII+XXII) | (11) | 206,675 | 300,301 |
| 23.1 Group's profit/loss | | 206,675 | 300,301 |
| 23.2 Minority shares | | - | - |
| Earnings per share | | 0.0999 | 0.2730 |

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
STATEMENTS OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

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

IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

| | | Audited Current Period 01.01-31.12.2011 | Audited Prior Period 01.01-31.12.2010 |
|--------------|--|---|---|
| I. | Additions to marketable securities valuation differences for available for sale financial assets | (177,385) | 115,285 |
| II. | Tangible assets revaluation differences | - | - |
| III. | Intangible assets revaluation differences | - | - |
| IV. | Foreign exchange differences for foreign currency transactions | - | - |
| V. | Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences) | 5,631 | - |
| VI. | Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences) | - | - |
| VII. | The effect of correction of errors and changes in accounting policies | - | - |
| VIII. | Other profit loss items accounted for under equity due to TAS | - | - |
| IX. | Deferred tax of valuation differences | 45,752 | (15,924) |
| X. | Total Net Profit/Loss accounted for under equity (I+II+...+IX) | (126,002) | 99,361 |
| XI. | Profit/Loss | (65,707) | (29,234) |
| 11.1 | Change in fair value of marketable securities (Transfer to Profit/Loss) | (65,707) | (29,234) |
| 11.2 | Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement | - | - |
| 11.3 | Transfer of hedge of net investments in foreign operations to Income Statement | - | - |
| 11.4 | Other | - | - |
| XII. | Total Profit/Loss accounted for the period (X±XI) | (191,709) | 70,127 |

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Audited | Note Ref | Paid-in Capital | Effect of Inflation Accounting on Capital and Other Reserves | Share Premium | Share Certificate Cancellation Profits | Legal Reserves | Statutory Reserves | Extraordinary Reserves | Other Reserves | Current Period Net Income/(Loss) | Prior Period Net Income/(Loss) | Marketable Securities Valuation Differences | Tangible and Intangible Assets Revaluation Differences | Bonus shares obtained from Associates | Hedging Funds | Acc. val. diff. from assets held for sale and from disc. op. | Equity Attributable to the Parent | Minority Shares | Total Equity | |
|---------------|--|----------|-----------------|--|---------------|--|----------------|--------------------|------------------------|----------------|----------------------------------|--------------------------------|---|--|---------------------------------------|---------------|--|-----------------------------------|-----------------|--------------|--|
| | | | | | | | | | | | | | | | | | | | | | |
| I. | Prior Period – 01.01.-31.12.2010 | | | | | | | | | | | | | | | | | | | | |
| | Beginning Balance – 31.12.2009 | III-1 | 1,100,000 | 926 | 2,158 | - | 34,959 | - | 268,439 | 11,255 | - | 210,167 | 21,548 | - | - | - | - | 1,649,452 | - | 1,649,452 | |
| II. | Corrections according to TAS 8 | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 2.1 | The effect of correction of errors | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 2.2 | The effects of changes in accounting policy | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| III. | New Balance (I+II) | III-1 | 1,100,000 | 926 | 2,158 | - | 34,959 | - | 268,439 | 11,255 | - | 210,167 | 21,548 | - | - | - | - | 1,649,452 | - | 1,649,452 | |
| | Changes in period | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| IV. | Increase/Decrease related to merger | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| V. | Marketable securities valuation differences | | - | - | - | - | - | - | - | - | - | - | 70,127 | - | - | - | - | 70,127 | - | 70,127 | |
| VI. | Hedging Funds (Effective Portion) | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 6.1 | Cash-flow hedge | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 6.2 | Hedge of net investment in foreign operations | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| VII. | Tangible assets revaluation differences | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| VIII. | Intangible assets revaluation differences | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| IX. | Bonus shares obtained from associates, subsidiaries and entities under common control (Joint vent.) | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| X. | Foreign exchange differences | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XI. | The disposal of assets | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XII. | The reclassification of assets | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XIII. | The effect of change in associates' equity | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XIV. | Capital increase | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 14.1 | Cash | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 14.2 | Internal sources | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XV. | Share premium | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XVI. | Share cancellation profits | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XVII. | Inflation adjustment to paid-in capital | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XVIII. | Other | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XIX. | Period net income/(loss) | | - | - | - | - | - | - | - | - | 300,301 | - | - | - | - | - | - | 300,301 | - | 300,301 | |
| XX. | Profit distribution | | - | - | - | - | 10,509 | - | (39,909) | 32,550 | - | (210,167) | - | - | - | - | - | (207,017) | - | (207,017) | |
| 20.1 | Dividends distributed | | - | - | - | - | - | - | (207,017) | - | - | - | - | - | - | - | - | (207,017) | - | (207,017) | |
| 20.2 | Transfers to reserves | | - | - | - | - | 10,509 | - | 167,108 | 32,550 | - | (210,167) | - | - | - | - | - | - | - | - | |
| 20.3 | Other | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| | Closing Balance 31.12.2010 | | | | | | | | | | | | | | | | | | | | |
| | (III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII+XIX+XX) | | 1,100,000 | 926 | 2,158 | - | 45,468 | - | 228,530 | 43,805 | 300,301 | - | 91,675 | - | - | - | - | 1,812,863 | - | 1,812,863 | |

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Audited | Note Ref | Paid-in Capital | Effect of Inflation Accounting on Capital and Other Reserves | Share Premium | Share Cancellation Profits | Legal Reserves | Statutory Reserves | Extraordinary Reserves | Other Reserves | Current Period Net Income/(Loss) | Prior Period Net Income/(Loss) | Marketable Securities Valuation Differences | Tangible and Intangible Assets Revaluation Differences | Bonus shares obtained from Associates | Hedging Funds | Acc. val. diff. from assets held for sale and assets from disc. op. | Equity Attributable to the Parent | Minority Shares | Total Equity | |
|---------------|---|----------|-----------------|--|---------------|----------------------------|----------------|--------------------|------------------------|----------------|----------------------------------|--------------------------------|---|--|---------------------------------------|---------------|---|-----------------------------------|-----------------|--------------|--|
| | | | | | | | | | | | | | | | | | | | | | |
| I. | Current Period – 01.01-31.12.2011 | | | | | | | | | | | | | | | | | | | | |
| | Prior period balance – 31.12.2010 | III-1 | 1,100,000 | 926 | 2,158 | - | 45,468 | - | 228,530 | 43,805 | - | 300,301 | 91,675 | - | - | - | - | 1,812,863 | - | 1,812,863 | |
| | Changes in period | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| II. | Increase/Decrease related to merger | III-1 | 1,050,000 | 199,336 | 407 | - | 50,850 | - | 557,085 | 469,907 | - | 9,497 | 5,269 | 42,604 | 527 | - | - | 2,385,482 | - | 2,385,482 | |
| III. | Marketable securities valuation differences | | - | - | - | - | - | - | - | - | - | - | (196,214) | - | - | - | - | (196,214) | - | (196,214) | |
| IV. | Hedging Funds (Effective Portion) | | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,505 | - | 4,505 | - | 4,505 | |
| 4.1 | Cash-flow hedge | | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,505 | - | 4,505 | - | 4,505 | |
| 4.2 | Hedge of net investment in foreign operations | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| V. | Tangible assets revaluation differences | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| VI. | Intangible assets revaluation differences | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| VII. | Bonus shares obtained from associates, subsidiaries and entities under common control (Joint vent.) | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| VIII. | Foreign exchange differences | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| IX. | The disposal of assets | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| X. | The reclassification of assets | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XI. | The effect of change in associates' equity | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XII. | Capital increase | | 54,390 | - | - | - | - | - | (54,390) | - | - | - | - | - | - | - | - | - | - | - | |
| 12.1 | Cash | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 12.2 | Internal sources | | 54,390 | - | - | - | - | - | (54,390) | - | - | - | - | - | - | - | - | - | - | - | |
| XIII. | Share premium | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XIV. | Share cancellation profits | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XV. | Inflation adjustment to paid-in capital | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XVI. | Other | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| XVII. | Period net income/(loss) | | - | - | - | - | - | - | - | - | 206,675 | - | - | - | - | - | - | 206,675 | - | 206,675 | |
| XVIII. | Profit distribution | | - | - | - | - | 15,015 | - | 206,403 | 21,004 | - | (300,301) | - | 57,879 | - | - | - | - | - | - | |
| 18.1 | Dividends distributed | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 18.2 | Transfers to reserves | | - | - | - | - | 15,015 | - | 206,403 | 21,004 | - | (300,301) | - | 57,879 | - | - | - | - | - | - | |
| 18.3 | Other | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| | Closing Balance 31.12.2011 | | | | | | | | | | | | | | | | | | | | |
| | (I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII) | | 2,204,390 | 200,262 | 2,565 | - | 111,333 | - | 937,628 | 534,716 | 206,675 | 9,497 | (99,270) | 100,483 | 527 | 4,505 | - | 4,213,311 | - | 4,213,311 | |

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
31 DECEMBER 2011 AND 2010

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

VI. STATEMENT OF CASH FLOWS

| | Note Ref. | Audited Current Period 01.01-31.12.2011 | Audited Prior Period 01.01-31.12.2010 |
|---|-----------|---|---|
| A. CASH FLOWS FROM BANKING OPERATIONS | | | |
| 1.1 Operating profit before changes in operating assets and liabilities | | 197,773 | 451,220 |
| 1.1.1 Interest received | | 2,896,488 | 1,438,220 |
| 1.1.2 Interest paid | | (1,504,780) | (678,427) |
| 1.1.3 Dividend received | | 18,234 | 14,458 |
| 1.1.4 Fees and commissions received | | 571,503 | 551,638 |
| 1.1.5 Other income | | 120,755 | 278,364 |
| 1.1.6 Collections from previously written off loans | | 67,938 | 144,042 |
| 1.1.7 Payments to personnel and service suppliers | | (579,132) | (350,775) |
| 1.1.8 Taxes paid | | (83,622) | (40,067) |
| 1.1.9 Others | (1) | (1,309,611) | (906,233) |
| 1.2 Changes in operating assets and liabilities | | (438,167) | 623,405 |
| 1.2.1 Net (increase) decrease in financial assets held for trading | | (323,410) | 31,583 |
| 1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss | | - | - |
| 1.2.3 Net (increase) decrease in due from banks and other financial institutions | | 61,733 | 9,999 |
| 1.2.4 Net (increase) decrease in loans | | (5,883,439) | (2,894,511) |
| 1.2.5 Net (increase) decrease in other assets | | (79,551) | (166,227) |
| 1.2.6 Net increase (decrease) in bank deposits | | (69,982) | 69,989 |
| 1.2.7 Net increase (decrease) in other deposits | | 5,610,952 | 1,501,726 |
| 1.2.8 Net increase (decrease) in funds borrowed | | 149,661 | 1,938,626 |
| 1.2.9 Net increase (decrease) in matured payables | | - | - |
| 1.2.10 Net increase (decrease) in other liabilities | (1) | 95,869 | 132,220 |
| I. Net cash provided from banking operations | | (240,394) | 1,074,625 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| II. Net cash provided from investing activities | | | |
| 2.1 Cash paid for purchase of entities under common control, associates and subsidiaries (Joint Vent.) | | (10,000) | (5,963) |
| 2.2 Cash obtained from sale of entities under common control, associates and subsidiaries (Joint Vent.) | | - | 113,345 |
| 2.3 Fixed assets purchases | | (67,941) | (20,262) |
| 2.4 Fixed assets sales | | 793 | 220 |
| 2.5 Cash paid for purchase of financial assets available for sale | | (3,867,707) | (4,345,559) |
| 2.6 Cash obtained from sale of financial assets available for sale | | 3,465,087 | 2,674,518 |
| 2.7 Cash paid for purchase of investment securities | | (1,243) | - |
| 2.8 Cash obtained from sale of investment securities | | 106,038 | 672,602 |
| 2.9 Others | (1) | (9,480) | (5,938) |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| III. Net cash provided from financing activities | | | |
| 3.1 Cash obtained from funds borrowed and securities issued | | 719,999 | - |
| 3.2 Cash used for repayment of funds borrowed and securities issued | | (235,287) | (8,613) |
| 3.3 Capital increase | | - | - |
| 3.4 Dividends paid | | - | (207,017) |
| 3.5 Payments for finance leases | | (35) | (16) |
| 3.6 Other | (1) | - | - |
| IV. Effect of change in foreign exchange rate on cash and cash equivalents | (1) | 166,409 | 41,105 |
| V. Net increase / (decrease) in cash and cash equivalents | | 26,239 | (16,953) |
| VI. Cash and cash equivalents at beginning of the period | | 3,221,163 | 2,336,935 |
| VII. Cash and cash equivalents at end of the period | | 3,247,402 | 2,319,982 |

(*) The cash and cash equivalents at beginning of the period also includes cash and cash equivalents that were transferred from Fortis Bank A.Ş. as at 14 February 2011 amounting to TL 901,181.

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
PROFIT DISTRIBUTION TABLES FOR THE YEARS ENDED
31 DECEMBER 2011 AND 2010

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

VII. PROFIT DISTRIBUTION TABLE

| | (*)Audited Current Period 31.12.2011 | Audited Prior Period 31.12.2010 |
|--|--|---------------------------------------|
| I. DISTRIBUTION OF CURRENT YEAR INCOME | | |
| 1.1 CURRENT YEAR INCOME | 283,337 | 366,904 |
| 1.2 TAXES AND DUTIES PAYABLE (-) | 76,662 | 66,603 |
| 1.2.1 Corporate tax (Income tax) | 27,871 | 87,607 |
| 1.2.2 Income withholding tax | - | - |
| 1.2.3 Other taxes and duties (**) | 48,791 | (21,004) |
| A. NET INCOME FOR THE YEAR (1.1-1.2) | 206,675 | 300,301 |
| 1.3 PRIOR YEARS' LOSSES (-) | - | - |
| 1.4 FIRST LEGAL RESERVES (-) | - | 15,015 |
| 1.5 OTHER STATUTORY RESERVES (-) | - | - |
| B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)] | 206,675 | 285,286 |
| 1.6 FIRST DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.6.1 To owners of ordinary shares | - | - |
| 1.6.2 To owners of preferred shares | - | - |
| 1.6.3 To owners of preferred shares (preemptive rights) | - | - |
| 1.6.4 To profit sharing bonds | - | - |
| 1.6.5 To holders of profit and loss sharing certificates | - | - |
| 1.7 DIVIDENDS TO PERSONNEL (-) | - | - |
| 1.8 DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| 1.9 SECOND DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.9.1 To owners of ordinary shares | - | - |
| 1.9.2 To owners of preferred shares | - | - |
| 1.9.3 To owners of preferred shares (preemptive rights) | - | - |
| 1.9.4 To profit sharing bonds | - | - |
| 1.9.5 To holders of profit and loss sharing certificates | - | - |
| 1.10 SECOND LEGAL RESERVES (-) | - | - |
| 1.11 STATUTORY RESERVES (-) | - | - |
| 1.12 EXTRAORDINARY RESERVES | - | 227,407 |
| 1.13 OTHER RESERVES | - | 57,879 |
| 1.14 SPECIAL FUNDS | - | - |
| II. DISTRIBUTION OF RESERVES | | |
| 2.1 DISTRIBUTED RESERVES | - | - |
| 2.2 SECOND LEGAL RESERVES (-) | - | - |
| 2.3 DIVIDENDS TO SHAREHOLDERS (-) | - | - |
| 2.3.1 To owners of ordinary shares(***) | - | - |
| 2.3.2 To owners of preferred shares | - | - |
| 2.3.3 To owners of preferred shares (preemptive rights) | - | - |
| 2.3.4 To profit sharing bonds | - | - |
| 2.3.5 To holders of profit and loss sharing certificates | - | - |
| 2.4 DIVIDENDS TO PERSONNEL (-) | - | - |
| 2.5 DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| III. EARNINGS PER SHARE | | |
| 3.1 TO OWNERS OF ORDINARY SHARES | - | 0.2730 |
| 3.2 TO OWNERS OF ORDINARY SHARES (%) | - | 27.30 |
| 3.3 TO OWNERS OF PREFERRED SHARES | - | - |
| 3.4 TO OWNERS OF PREFERRED SHARES (%) | - | - |
| IV. DIVIDEND PER SHARE | | |
| 4.1 TO OWNERS OF ORDINARY SHARES | - | - |
| 4.2 TO OWNERS OF ORDINARY SHARES (%) | - | - |
| 4.3 TO OWNERS OF PREFERRED SHARES | - | - |
| 4.4 TO OWNERS OF PREFERRED SHARES (%) | - | - |

(*) General Assembly has not been held yet as of the issue date of this report.

(**) The amount in other taxes and duties is the deferred tax benefit/charge that is not subject to profit distribution.

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION THREE
ACCOUNTING PRINCIPLES

I. Basis of Presentation

The Bank prepares financial statements and notes according to Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS), other regulations, communiques and circulars in respect of accounting and financial reporting and pronouncements made by Banking Regulation and Supervision Agency (BRSA), Turkish Commercial Code and Tax Legislation.

The prior period financial statements are presented in line with the principles of TAS No:1 "Fundamentals of Preparing and Presenting Financial Statements" published in the Official Gazette on 16 January 2005 with No: 25702, and in accordance with Turkish Accounting Standards and Turkish Financial Reporting Standards; and other principles, methods and explanations about accounting and financial reporting issued by the BRSA. Certain reclassifications have been made to the prior year financial statements in order to comply with the current year presentation whenever required. For comparison purposes, "Marketable Securities Impairment Losses" have been reclassified from "Provision for Loan Losses and Other Receivables" to "Interest Received from Marketable Securities Portfolio" in the income statement. (31 December 2010: TL 15,081). As of 31 December 2010 TL 43,805 which will not be subject to profit distribution in 31 December 2010 financial statements has been reclassified from "Extraordinary Reserves" to "Other Profit Reserves".

As explained in Note XXII. "Other Issues", transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated as of 14 February 2011. The related transaction has been accounted for in accordance with the requirements of TFRS 3 "Business Combination", and prior period balances presented in the financial statements and notes to the financial statements do not include any balances or figures related to Fortis Bank A.Ş.

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Bank aims to develop and promote products for the financial needs of each customer such as SMEs, multinational companies and small individual investors in line with Banking Legislation. The primary objective of the Bank is to increase profitability with optimum liquidity and minimum risk while fulfilling customer needs.

The Bank aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of risk management strategy of the Bank, risk bearing short positions of currency, interest or price movements is performed only by the Treasury Asset-Liability Management using the limits defined by the Board of Directors. The Asset-Liability Committee manages the maturity mismatches while deciding the short, medium and long term strategies as well as adopting the principle of positive balance sheet margin as a pricing policy.

The Board of Directors allows a purchase risk in treasury operations and individual limits are defined by the Board of Directors for each product.

The Bank's hedging activities for the currency risk due to foreign currency available-for-sale equity instruments are described under the Currency Risk section; and the Bank's hedging activities from interest rate risk arising from fixed interest rate deposits and floating interest rate borrowings are described in detail under Interest Rate Risk section.

The Bank's Asset-Liability Committee approves the trading of various derivative instruments such as currency swaps, forwards and similar derivatives to hedge interest and currency exchange risks in line with the balance sheet structure.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

III. Explanations on Forward and Option Contracts and Derivative Instruments

Fair values of foreign currency forward and swap transactions are determined by comparing the period end Bank foreign exchange rates with the contractual forward rates discounted to the balance sheet date with the prevailing current market rates. The resulting gain or loss is reflected to the income statement.

In the assessment of fair value of interest rate swap instruments, interest amounts to be paid or to be received due to/from the fixed rate on the derivative contract are discounted to the balance sheet date with the current applicable fixed rate in the market that is prevailing between the balance sheet date and the interest payment date, whereas interest amounts to be paid or to be received due to/from the floating rate on the derivative contract are recalculated with the current applicable market rates that are prevailing between the balance sheet date and the interest payment date and are discounted to the balance sheet date again with the current applicable market rates that are prevailing between the balance sheet date and the interest payment date. The differences between the fixed rate interest amounts and floating rate interest amounts to be received/paid are recorded in the profit/loss accounts in the current period.

The fair value of call and put option agreements are measured at the valuation date by using the current premium values of all option agreements, and the differences between the contractual premiums received/paid and the current premiums measured at valuation date are recognized in the statement of income.

Futures transactions are valued on a daily basis by the primary market prices and related unrealized gains or losses are reflected in the income statement.

The valuation of CDS transactions are based on discounting the differences between the existing and recalculated payment plans to the valuation date with current CDS interest rates.

As of 1 July 2008, the Bank has adopted fair value hedge accounting in order to avoid the effects of interest rate changes in the market by matching a portion of its swap portfolio with its loan portfolio. As of August 2011, the Bank has also adopted cash flow hedge accounting by matching a portion of its swap portfolio with its deposit basis. The details of the hedge accounting are explained in Section Five Note III.2.i.

While the Bank recognizes the fair value changes of the hedged items in the “other interest income” and “other interest expense” accounts, it recognizes the fair value changes of the hedging instruments related to the same period in the “gains/(losses) from derivative financial instruments” account.

Additionally, the difference between the fair value and carrying value of the hedged items as of the application date of hedge accounting is amortized based on their maturities and recognized in “other interest income” and “other interest expense” accounts.

IV. Explanations on Interest Income and Expenses

Interest income and expense are recognized in the income statement for all interest bearing instruments whose cash inflows and outflows are known on an accrual basis using the effective interest method. In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

V. Explanations on Fees and Commission Income and Expenses

Fees for various banking services are recorded as income when collected and prepaid commission income on cash and non-cash loans is recorded as income by using effective interest rate in the related period.

Fees and commissions for funds borrowed paid to other financial institutions, as part of the transaction costs, are recorded as prepaid expenses by using effective interest rate and are expensed on the related periods.

The dividend income is reflected to the financial statements when the profit distribution is realized by the associates and subsidiaries.

VI. Explanations on Financial Assets

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Risks related to these activities form a significant part among total risks the Bank undertakes. Financial instruments affect liquidity, market, and credit risks on the Bank's balance sheet in all respects. The Bank trades these instruments on behalf of its customers and on its own behalf.

Basically, financial assets create the majority of the commercial activities of the Bank. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Bank. Settlement date accounting requires (a) accounting of the asset when acquired by the institution and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. In case of application of settlement date accounting, the institution accounts for the changes that occur in the fair value of the asset in the period between commercial transaction date and settlement date as in the assets that the institution settles.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are described below.

Cash, Banks, and Other Financial Institutions

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The book value of these assets approximates their fair values.

Financial Assets at Fair Value through Profit and Loss

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio with a pattern of short-term profit taking.

Trading securities are initially recognized at cost. Transaction costs of the related securities are included in the initial cost. The positive difference between the cost and fair value of such securities is accounted for as interest and income accrual, and the negative difference is accounted for as "Impairment Provision on Marketable Securities".

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VI. Explanations on Financial Assets (continued)

Held to Maturity Investments and Financial Assets Available for Sale

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability other than loans and receivables.

Available for sale financial assets include all securities other than loans and receivables, securities held to maturity and securities held for trading.

Marketable securities are initially recognized at cost including the transaction costs.

After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Valuation Differences" under the equity. Fair values of debt securities that are traded in an active market are determined based on quoted prices or current market prices. In the absence of prices formed in an active market, fair value of these securities is determined using the prices declared in the Official Gazette or other valuation methods stated in TAS.

After initial recognition, held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

The interests received from held to maturity investments are recorded as interest income.

Following the merger with Fortis Bank A.Ş., the Bank revised its risk management policies. As a result, held to maturity investments amounting to TL 261,199 are classified as financial assets available for sale in accordance with TAS 39.

There are no financial assets that have been previously classified as held to maturity investments but cannot be currently classified as held to maturity for two years due to "tainting" rule.

The Bank classifies its securities as referred to above at the acquisition date of related assets.

The sale and purchase transactions of the held to maturity investments are recorded on a settlement date basis.

Loans and Provisions for Impairment

Loans are financial assets those generated by lending money and exclude those that are held with the intention of trading or selling in the near future.

The Bank initially records loans and receivables at cost. In subsequent periods, in accordance with TAS, loans are measured at amortized cost using effective interest rate method.

Provision is set for the loans that may be doubtful and the amount is charged in the current period income statement. The provisioning criteria for non-performing loans are determined by the Bank's management for compensating the probable losses of the current loan portfolio, by evaluating the quality of loan portfolio, risk factors and considering the economic conditions, other facts and related regulations.

Specific reserves are provided for Group III, IV and V loans 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 which was amended with the communiqué published in the Official Gazette No. 27119 dated 23 January 2009. These provisions are reflected in the income statement under "Provision and Impairment Expenses - Special Provision Expense". The collections made regarding these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VI. Explanations on Financial Assets (continued)

The collections made related to loans for which provision is made in the current period are reversed from the “Provision for Loan Losses and Other Receivables” account in the income statement, and related interest income is credited to the “Interest Received from Non-performing Loans” account.

Releases of loan loss provisions are booked in “Other Operating Income” account and reversed from the “Provision and Impairment Expenses - Specific Provision Expense” account in the income statement.

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; the Bank records general loan loss provision for loans and other receivables. The Bank calculated the general loan provision as 0.5% for cash loans and other receivables, and 0.1% for non-cash loans until 1 November 2006. Subsequent to the change 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; Bank started to book general loan loss provision of 1% for cash loans and other receivables; and 0.2% for non-cash loans on the increase in the cash and non-cash loan portfolio as compared to their 31 October 2006 balances whereas allocating 0.5% general loan loss provision for cash loans and other receivables, and 0.1% for non-cash loans for the balances as of 31 October 2006. Together with the change in the same regulation made on 6 February 2008, the Bank started to book general loan loss provision of 2% for cash loans under watch-list and 0.4% for non-cash loans under watch-list.

In accordance with the amendment in the Communiqué “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: 27947 dated 28 May 2011, if the loans and other receivables of the banks classified as standard loans and other receivables meet the required conditions set out in the Communiqué, loan agreement terms can be changed; however, if the change is related to the extension of the first payment schedule in the loan agreement, the general loan loss provision rate is applied as 5% for the related loans and other receivables and for loans and other receivables under watch-list. In accordance with the amendment in the Communiqué “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: 27968 dated 18 June 2011, as the consumer loan portfolio of the Bank is more than 20% of the total loans, the general loan loss provision rate applied by the Bank for consumer loans except for housing and vehicle loans classified under Group 1 shall be 4% whereas the general provision rate applied by the Bank for consumer loans except for housing and vehicle loans classified under Group 2 shall be 8%.

VII. Explanations on Impairment of Financial Assets

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss or not. If any such indication exists, the Bank determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence (or nonoccurrence) of one or more than one event (“loss event”) after the first journalization of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses caused by the future events are not journalized.

VIII. Explanations on Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

IX. Explanations on Sales and Repurchase Agreements and Lending of Securities

The sales and purchase of government securities under repurchase agreements made with the customers are recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts. Accordingly in the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under securities held for trading, available for sale and held to maturity depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. Funds obtained from repurchase agreements are classified as a separate sub-account under money markets borrowings account in the liabilities.

These transactions are short-term and consist of domestic public sector debt securities.

The income and expenses from these transactions are reflected to the “Interest Income on Marketable Securities” and “Interest Expense on Money Market Borrowings” accounts in the income statement.

As of 31 December 2011, the Bank has reverse repo amounting to TL 510,329 (December 31, 2010: None).

As of 31 December 2011, the Bank does not have any marketable securities lending transaction (31 December 2010: None).

X. Explanations on Assets Held for Sale, Discontinued Operations and Liabilities Related to Those Assets

Assets held for sale are those under a plan prepared by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low.

The Bank does not have any assets held for sale.

A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately.

XI. Explanations on Goodwill and Other Intangible Assets

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In the merger transaction where acquirer and acquiree exchange equity instruments, it is taken into account the fair value of equity shares exchanged and the difference between such amount and fair value of the acquiree's identifiable net asset value is accounted as goodwill. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized 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 recognized as of that date. During the measurement period, the acquirer shall also recognize 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 shall not exceed one year from the acquisition date.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

XI. Explanations on Goodwill and Other Intangible Assets (continued)

Goodwill arising on an acquisition of a business or a merger is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. The Bank's policy for goodwill arising on the merger transaction is described in Section Five, Note I-13.

As explained in Note XXII. "Other Issues", transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated as of 14 February 2011. Within the framework of TFRS 3 "Business Combination", identifiable assets and liabilities acquired at the merger date are measured at their acquisition date fair value. The amount of TL 421,124 which is the difference between the fair value of identifiable net asset value and the fair value of consideration transferred measured in accordance with TFRS 3, is accounted as goodwill in the 31 December 2011 financial statements of the Bank.

Intangible assets are accounted for at restated cost until 31 December 2004 in accordance with inflation accounting and are amortized with straight-line method, after 31 December 2004 the acquisition cost and any other cost incurred so as to prepare the intangible asset ready for use less reserve for impairment, if any, and amortized on a straight-line method. The cost of assets subject to amortization is restated after deducting the exchange differences, capitalized financial expenses and revaluation increases, if any, from the cost of the assets.

The other intangible assets of the Group comprise mainly softwares. The useful lives of such assets acquired are determined as 3-5 years by taking into consideration the expected utilization period, technical, technological or any other impairment and maintenance expenses necessary for the economic use of such assets. Softwares used are mainly developed within the Parent Bank by the Bank's personnel and the related expenses are not capitalized.

There are no anticipated changes in the accounting estimates about the amortization rate and amortization method and residual values that would have a significant impact in the current and future periods.

XII. Explanations on Tangible Fixed Assets

Properties are accounted for at their restated costs until 31 December 2004; after 31 December 2004 the acquisition cost and any other cost incurred so as to prepare the fixed asset ready for use are reflected, less reserve for impairment, if any. The straight-line method of depreciation is used for buildings and useful life is considered as 50 years.

Other tangible fixed assets are accounted for at their restated costs until 31 December 2004; afterwards the acquisition cost and any other cost incurred so as to prepare the fixed asset ready for use are reflected less reserve for impairment, if any, and depreciated on a straight-line method. Depreciation of assets held less than one year as of the balance sheet date is accounted for proportionately. No amendment has been made to the depreciation method in the current period. The annual rates used, which approximate rates based on the estimated economic useful lives of the related assets, are as follows:

| | % |
|---|-------|
| Buildings | 2 |
| Motor vehicles | 10-20 |
| Furniture, fixtures and office equipment and others | 2-50 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

XII. Explanations on Tangible Fixed Assets (continued)

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of related assets. Other maintenance costs are expensed.

There are no pledges, mortgages or other restrictions on the tangible fixed assets.

There is no purchase commitments related to the tangible fixed assets.

There are no anticipated changes in the accounting estimates, which could have a significant impact in the current and future periods.

The Bank employs independent appraisers in determining the current fair values of its real estates when there is any indication of impairment in value of real estates. The impairment on the branches amounting to TL 11,594 is taken over with the transfer of Fortis Bank A.Ş. (31 December 2010: None).

As per the appraisals performed for the real estates held for resale included in "Other Assets" in the financial statements, there is a provision for impairment loss amounting to TL 3,261 (31December 2010 : TL 3,380).

XIII. Explanations on Leasing Transactions

Tangible fixed assets acquired by financial leases are accounted for in accordance with TAS No:17. In accordance with this standard, the leasing transactions, which consist of only foreign currency liabilities, are translated to Turkish Lira with the exchange rates prevailing at the transaction dates and they are recorded as an asset or a liability. The foreign currency liabilities are translated to Turkish Lira with the Bank's period end exchange rates. The increases/decreases resulting from the differences in the foreign exchange rates are recorded as expense/income in the relevant period. The financing cost resulting from leasing is distributed through the lease period to form a fixed interest rate.

In addition to the interest expense, depreciation expense is recorded for the depreciable leased assets in each period. The depreciation rate is determined in accordance with TAS No:16 "Accounting Standard for Tangible Fixed Assets" by taking the useful lives into account.

Operating lease payments are recognized as expense in the income statement on a straight line basis over the lease term.

The Bank does not have any leasing transactions as "Lessor".

XIV. Explanations on Provisions and Contingent Liabilities

Provisions are recognized when there is a present obligation, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

XV. Explanations on Liabilities Regarding Employee Benefits

Defined Benefit Plans

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct, and due to marriage, female employees terminating their employments within a year as of the date of marriage, or male employees terminating their employments due to their military service. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits".

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Group uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are reviewed annually. The carrying value of provision for employee termination benefits as of 31 December 2011 is TL 57,957 (31 December 2010: TL 24,178)

| | 31 December 2011 | 31 December 2010 |
|-----------------------------|-------------------------|-------------------------|
| Discount Rate (%) | 9.55 | 10.00 |
| Expected Inflation Rate (%) | 5.13 | 5.10 |

As presented in detail in Note XXII. "Explanations on Other Matters", employees transferred to the Bank following the business combination of the Bank and Fortis Bank A.Ş. are the members of "Türk Dış Ticaret Bankası Mensupları Pension Fund Foundation" (the "Pension Fund") which was established in May 1964 under the Provisional Article 20 of Social Insurance Law No: 506. Technical financial statements of the Pension Fund are reviewed by a licensed actuary in accordance with Article 38 of the Insurance Supervisory Law and the "Actuary Regulations" issued based on the same article. As of 31 December 2011, the Pension Fund has 3,203 employees and 828 pensioners (31 December 2010: 4,520 employees and 785 pensioners).

Provisional Article 23 (1) of Banking Law No: 5411 (the "Banking Law") published in the Official Gazette no: 25983 on 1 November 2005 requires the transfer of bank funds to the Social Security Institution (the "SSI") within 3 years after the effective date of the Banking Law and the related paragraph also sets out the basis for the related transfer. However, Article 23 (1) of Banking Law No: 5411 was annulled based on the Constitutional Court's ruling issued on 22 March 2007 and ruled for the stay of execution as of 31 March 2007. The related Court ruling and its basis were published in the Official Gazette No: 26731 on 15 December 2007.

Following the publication of the said decree of the Constitutional Court, the Turkish Grand National Assembly (the "TGNA") initiated its studies on the development of new regulations in regards to the transfer of bank pension participations to the SSI and the related articles of the Social Security Law No: 5754 (the "New Law") that are set out to determine the basis of fund transfers were approved by the general assembly of the TGNA on 17 April 2008 and new regulations became effective with its publication in the Official Gazette No: 26870 on 8 May 2008.

The New Law requires the measurement of the present value of the liabilities in relation to the transferred individuals as of the transfer date by using the technical interest rate of 9.8% by a commission composed of representatives from the SSI, the Department of Finance, the Under-secretariat of Treasury, the Secretariat of the State Planning Organization, the BRSA, the SDIF and banks and funds, considering the income and expense per insurance segments specified under this law and any differences that may arise where pensions and wages paid by funds exceed the amounts specified under SSI regulations, and the new law also requires the completion of the transfer within 3 years starting from 1 January 2008. Upon the Council of Ministers' resolution issued in the Official Gazette, the transfer period has been extended for 2 years as of 14 March 2011.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

XV. Explanations on Liabilities Regarding Employee Benefits (continued)

Under the New Law, all other outstanding social rights and payments of participants (even though they are covered in their respective settlement deed) shall be covered by the companies employing pension fund participants following the transfer of the pension fund participants and/or those that are paid annuities and their beneficiaries to the Social Security Institution.

The technical financial statements of the Pension Fund are prepared by an independent actuary company and the Fund is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared on 31 December 2011. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Since the Bank management anticipates that any potential liability that may be incurred during or after the transfer within the above-mentioned limits will be likely recoverable, they believe such liabilities will not bring any additional liability to the Bank.

Defined Contribution Plans

The Bank pays contributions to Social Security Funds on a mandatory basis. There are no other liabilities related to employee benefits to be provisioned.

XVI. Explanations on Taxation

Corporate tax

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 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 from the final tax liability for the year. On the other hand, corporate tax and any related taxes paid to foreign tax offices for the income obtained from foreign branches are offset against the corporate tax levied in Turkey.

75% of participation shares held at least for two years and 75% of sale proceeds of real estate, to the extent that they are included in capital as required in Corporate Tax Law or they are retained in a special fund liability account for 5 years, and 75% of sale proceeds of real estate received from bank receivables are exempt from corporate taxation.

Tax returns are required to be filed between the first and twenty-fifth day of the fourth month following the balance sheet date and paid in one installment until the end of the related month.

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

XVI. Explanations on Taxation (continued)

Deferred Tax Liability / Asset

The Bank calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

As of 31 December 2011 and 31 December 2010, in accordance with TAS No: 12 “Turkish Accounting Standard on Income Taxes” and the changes in the circular of BRSA numbered BDDK.DZM.2/13/1-a-3 dated 8 December 2004, the Bank calculated deferred tax asset on all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. Deferred tax assets and liabilities are shown in the accompanying financial statements on a net basis.

The net deferred tax asset is included in deferred tax asset and the net deferred tax liability is reflected under deferred tax liability on the balance sheet. The deferred tax charge of TL 48,791 (31 December 2010: TL 21,004 deferred tax charge) is stated under the tax provision in the income statement. The deferred tax of TL 24,766 (31 December 2010: TL 21,310) resulting from differences related to items that are debited or charged directly to equity is netted with relevant account groups consisting of amounts from available-for-sale financial assets and hedge funds amounting to TL 25,892 and TL 1,126, respectively.

Furthermore, as per the above circular of BRSA, deferred tax benefit balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

XVII. Additional Explanations on Borrowings

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization

All other borrowing costs are recorded to the income statement in the period they are incurred.

Debt securities issued by the Bank are accounted at amortized cost using effective interest rate method. Explanations on debt securities issued by the Bank are described in Section Five, Note II-3.

The Bank has not issued convertible bonds.

XVIII. Explanations on Issued Share Certificates

Following announcement of the Banking Regulation and Supervision Agency approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two bank by means of transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Due to the merger, ceiling for the registered capital of the Bank is increased from TL 1,400,000 to TL 2,204,390, and the issued capital of the Bank is increased by TL 1,104,390 from TL 1,100,000 to TL 2,204,390.

XIX. Explanations on Acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in off-balance sheet accounts.

XX. Explanations on Government Incentives

There are no government incentives utilized by the Bank.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

XXI. Explanations on Reporting According to Segmentation

The Bank mainly operates in retail and corporate banking segments. Due to the merger of the Bank with Fortis Bank A.Ş. and changes in the structure of segments at 14 February 2011, segment reporting of balance sheet and income statement is presented only for the current period.

| Current Period | Retail | Corporate | Treasury/ Head Office | Total |
|--|----------------|------------------|----------------------------------|----------------|
| Net interest income | 190,758 | 689,986 | 494,258 | 1,375,002 |
| Net fees and commissions income and other operating income | 66,652 | 92,933 | 264,807 | 424,392 |
| Trading profit / loss | 10,464 | 57,879 | (92,651) | (24,308) |
| Dividend income | - | - | 18,234 | 18,234 |
| Impairment provision for loans and other receivables (-) | 55,610 | 94,611 | 19,379 | 130,842 |
| Other operating expenses (-) | 221,838 | 400,530 | 756,773 | 1,379,141 |
| Profit before taxes | (9,574) | 345,657 | (52,746) | 283,337 |
| Tax provision (-) | - | - | 76,662 | 76,662 |
| Net profit for the period | (9,574) | 345,657 | (129,408) | 206,675 |

| Current Period | Retail | Corporate | Treasury/ Head Office | Total |
|---|-------------------|-------------------|----------------------------------|-------------------|
| Segment assets | 17,454,651 | 6,039,153 | 14,430,068 | 37,923,872 |
| Investments in associates, subsidiaries and jointly controlled entities | - | - | 167,866 | 167,866 |
| Total Assets | 17,454,651 | 6,039,153 | 14,597,934 | 38,091,738 |
| Segment liabilities | 11,520,914 | 11,281,502 | 11,076,011 | 33,878,427 |
| Shareholders' equity | - | - | 4,213,311 | 4,213,311 |
| Total Liabilities | 11,520,914 | 11,281,502 | 15,289,322 | 38,091,738 |

XXII. Explanations on Other Matters

Following announcement of the Banking Regulation and Supervision Agency approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, 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 with the relevant registration dated 14 February 2011 to İstanbul Trade Registry.

The merger is recognized by using the purchase method under TFRS 3 "Business Combinations". Under the purchase method, the acquiree's, Fortis Bank A.Ş., the identifiable assets acquired and identifiable liabilities assumed at the date of the merger are recognized at fair value and classified under the related account items in the financial statements. TL 48,783 of fair value difference is reflected in the related asset and liability items in the financial statements and its equity effect is included in the other capital reserves account. TL 421,124 of positive difference between the fair value of the consideration transferred amounting to TL 2,385,482 and net amount of identifiable assets acquired amounting to TL 1,964,358 is accounted as goodwill in the financial statements and its equity effect is included in the other capital reserves account.

The measurement period for the recognition of the business combination required in Paragraph 45 of TFRS 3 is one year as of the merger date, at maximum. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized 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 recognized as of that date.

The bonds with an ISIN Code of TRQTEBK11215 having nominal value of TL 300,000 with a maturity of 178 days issued by the Bank through the public offering on 19 July 2011 using the book building method at the dates of 13-14-15 July 2011 pursuant to the Board Registration Certificate of the Capital Markets Board dated 7 July 2011 and numbered 15/BB-617 have been matured and redeemed as of 13 January 2012.

As per the decision of the Exchange General Committee's meeting held on 22 June 2011, the bonds with a nominal value of TL 350,000 having a maturity of 178 days and a compound interest rate of 11.3845% that are issued by the Bank through the public offering made on 19-20 January 2012 have been traded on the Exchange Bonds and Bills Market with the ISIN Code of "TRQTEBK71219" as of 26 January 2012.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I. Explanations Related to Capital Adequacy Standard Ratio

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks ", which was published on 1 November 2006 in the Official Gazette numbered 26333 and the Communiqué on "The Amendment in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks" which was published on 10 October 2007 in the Official Gazette numbered 26669. The Bank's unconsolidated capital adequacy ratio in accordance with the related Communiqué is 14.23% at 31 December 2011 (31 December 2010: 14.43%).

In the computation of capital adequacy standard ratio, information prepared in accordance with statutory accounting requirements is used. Additionally, the market risk amount is calculated in accordance with the Communiqué on the "Measurement and Assessment of Capital Adequacy of Banks" and is taken into consideration in the capital adequacy standard ratio calculation.

The values deducted from the capital base in the shareholders' equity computation are excluded while calculating risk-weighted assets, non-cash loans and contingent liabilities. Assets subject to depreciation and impairment among risk-weighted assets are included in the calculations over their net book values after deducting the relative depreciations and provisions.

While calculating the basis of non-cash loans subject to credit risk, the net receivable amount from the counter parties net of provision amount set in accordance with the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" is multiplied by the loan conversion rates presented in the Article 5, the Clause 1 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", and calculated by applying the risk weights presented in the Capital Adequacy Analysis Form.

Receivables from counter parties from derivative foreign currency and interest rate transactions are multiplied by the loan conversion rates presented in the Article 5, the Clause 2 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", and calculated by applying the risk weights presented in the Capital Adequacy Analysis Form.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations Related to Capital Adequacy Standard Ratio (continued)

Information related to the capital adequacy ratio:

| | Risk Weight | | | | | | |
|--|-------------------|-----|------------------|------------------|-------------------|----------------|------------------|
| | 0% | 10% | 20% | 50% | 100% | 150% | 200% |
| Risk Weighted Assets, Liabilities and Non-Cash Loans | | | | | | | |
| Balance Sheet Items (Net) | 10,132,862 | - | 775,689 | 7,631,454 | 16,860,437 | 312,374 | 590,677 |
| Cash | 813,076 | - | - | - | - | - | - |
| Matured Marketable Securities | - | - | - | - | - | - | - |
| Due From Central Bank of Turkey | 1,616,648 | - | - | - | - | - | - |
| Due From Domestic Banks, Foreign Banks, Branches and Head Office Abroad | 14,646 | - | 252,877 | - | 72,577 | - | - |
| Interbank Money Market Placements | - | - | - | - | - | - | - |
| Receivables From Reverse Repo Transactions | 510,000 | - | - | - | - | - | - |
| Reserve Deposits | 1,588,531 | - | - | - | - | - | - |
| Loans | 714,612 | - | 148,676 | 7,549,559 | 15,485,916 | 312,374 | 590,677 |
| Non-performing loans (Net) | - | - | - | - | 208,781 | - | - |
| Financial Lease Receivables | - | - | - | - | - | - | - |
| Available-For-Sale Financial Assets | 4,529,554 | - | - | - | 30,130 | - | - |
| Held to Maturity Investments | - | - | - | - | - | - | - |
| Receivables From Installment Sales of Assets | - | - | - | - | 111 | - | - |
| Sundry Debtors | 22,972 | - | 320,411 | - | 17,149 | - | - |
| Interest and Income Accruals | 75,246 | - | 956 | 81,895 | 539,465 | - | - |
| Subsidiaries, Associates and Entities Under Common Control (Joint Vent.) (Net) | - | - | - | - | 167,866 | - | - |
| Tangible Assets | - | - | - | - | 195,686 | - | - |
| Other Assets | 247,577 | - | 52,769 | - | 142,756 | - | - |
| Off-Balance Sheet Items | 204,886 | - | 754,645 | - | 5,403,335 | - | - |
| Guarantees and Commitments | 204,886 | - | 439,233 | - | 5,258,811 | - | - |
| Derivative Financial Instruments | - | - | 315,412 | - | 144,524 | - | - |
| Non Risk Weighted Accounts | - | - | - | - | - | - | - |
| Total Value at Risk | 10,337,748 | - | 1,530,334 | 7,631,454 | 22,263,772 | 312,374 | 590,677 |
| Total Risk Weighted Assets | - | - | 306,067 | 3,815,727 | 22,263,772 | 468,561 | 1,181,354 |

Summary information related to the capital adequacy ratio:

| | Current Period | Prior Period |
|--|----------------|--------------|
| Total Risk Weighted Assets (TRWA) | 28,035,481 | 13,122,377 |
| Amount Subject to Market Risk (ASMR) | 607,150 | 694,138 |
| Amount Subject to Operational Risk (ASOR) (*) | 3,628,847 | 1,724,813 |
| Shareholders' Equity | 4,591,376 | 2,242,780 |
| Shareholders' Equity / (TRWA + ASMR + ASOR) *100 | 14.23 | 14.43 |

TRWA: Total Risk Weighted Assets

ASMR: Amount Subject to Market Risk

ASOR: Amount Subject to Operational Risk

(*) Operational risk has been calculated by using the Basic Indicator Approach.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations Related to Capital Adequacy Standard Ratio (continued)

Information related to the components of shareholders' equity:

| | Current Period | Prior Period |
|--|------------------|------------------|
| CORE CAPITAL | | |
| Paid-in capital | 2,204,390 | 1,100,000 |
| Nominal capital | 2,204,390 | 1,100,000 |
| Capital commitments (-) | - | - |
| Paid-in capital indexation difference | 200,262 | 926 |
| Share premium | 2,565 | 2,158 |
| Cancellation profits | - | - |
| Legal reserves | 111,333 | 45,468 |
| First legal reserve (Turkish Commercial Code 466/1) | 101,547 | 39,932 |
| Second legal reserve (Turkish Commercial Code 466/2) | 9,786 | 5,536 |
| Other legal reserve per special legislation | - | - |
| Statutory reserves | - | - |
| Other reserves(*) | 485,933 | 43,805 |
| Extraordinary reserves | 937,628 | 228,530 |
| Reserves allocated by the General Assembly | 937,628 | 228,530 |
| Retained earnings | - | - |
| Accumulated losses | - | - |
| Foreign currency share capital exchange difference | - | - |
| Indexation differences of legal, statutory and extraordinary reserves | - | - |
| Profit | 216,172 | 300,301 |
| Current period net profit | 206,675 | 300,301 |
| Prior years' profits | 9,497 | - |
| Provision for possible losses up to 25% of the Core Capital | - | - |
| Gains on sale of associates and subsidiaries and properties to be added to capital | 100,483 | - |
| Primary subordinated loans up to 15% of the Core Capital | 188,890 | 153,760 |
| Losses that cannot be covered by reserves (-) | - | - |
| Net current period loss | - | - |
| Prior years' losses | - | - |
| Leasehold improvements (-) | 58,647 | 34,884 |
| Prepaid expenses (-) | - | 22,742 |
| Intangible assets (-) | 438,346 | 10,156 |
| Deferred tax asset exceeding 10% of the Core Capital (-) | - | - |
| Excess amount in the Article 56, Clause 3 of the Banking Law (-) | - | - |
| Total Core Capital | 3,950,663 | 1,807,166 |
| SUPPLEMENTARY CAPITAL | | |
| General loan loss reserves | 264,114 | 106,794 |
| 45% of the revaluation reserve for movable fixed assets | - | - |
| 45% of the of revaluation reserve for properties | - | - |
| Bonus shares obtained from associates, subsidiaries and entities under common control | 527 | - |
| Primary subordinated loans excluded in the calculation of the Core Capital | - | - |
| Secondary subordinated loans | 476,704 | 287,566 |
| 45% of Marketable securities valuation differences | (99,270) | 41,254 |
| Associates and subsidiaries | - | - |
| Available for sale securities | (99,270) | 41,254 |
| Indexation differences for capital reserves, profit reserves and retained earnings (Except indexation differences for legal reserves, statutory reserves and extraordinary reserves) | - | - |
| Total Supplementary Capital | 642,075 | 435,614 |
| TIER III CAPITAL | - | - |
| CAPITAL | 4,592,738 | 2,242,780 |
| DEDUCTIONS FROM THE CAPITAL | 1,362 | - |
| Shareholdings of banks and financial institutions (Domestic, Foreign) from which the Bank keeps ten percent or more of capitals | - | - |
| Shareholdings of unconsolidated banks and financial institutions (Domestic, Foreign) from which the Bank keeps less than ten percent of capitals which exceed the ten percent of Bank's Core and Supplementary Capital | - | - |
| Secondary subordinated loans granted to Banks and Financial Institutions (Domestic, Foreign) or Qualified Shareholders and placements that possess the nature of their Primary or Secondary Subordinated Debt | - | - |
| Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law | 305 | - |
| The net book value of properties exceeding fifty percent 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 | 1,057 | - |
| Other | - | - |
| Total Shareholders' Equity | 4,591,376 | 2,242,780 |

(*) Value increases due to the merger is included in "other reserves".

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations Related to Credit Risk

Credit risk is the risk that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and causes to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

The credit risks and limits related to treasury activities, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

As prescribed in the Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves", the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Most of the statements of accounts for the loans are derived from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

For the forward transactions and other similar positions of the Bank, operational limits are set by the Board of Directors and the transactions take place within these limits.

The fulfillment of the benefits and proceeds related to forward transactions is realized at maturity. However, in order to minimize the risk, counter positions of existing risks are entered into in the market due to necessity.

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Since the volume of the restructured loans is not material to the financial statements, no additional follow up methodology is developed, except as stated in the regulations.

Financial institutions abroad and country risks of the Bank are generally taken for the financial institutions and countries that are rated at investment level by international rating agencies and which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are not material when the financial structure of the Bank is concerned.

The Bank does not have a material credit risk concentration as an active participant in the international banking market when the financial operations of the other financial institutions are concerned.

As of 31 December 2011, the receivables of the Bank from its top 100 cash loan customers amount to TL 3,274,126 (31 December 2010: TL 1,898,762) with a share of 12.87% in the total cash loans (31 December 2010: 16.33%).

As of 31 December 2011, the receivables of the Bank from its top 100 non-cash loan customers amount to TL 2,948,196 (31 December 2010: TL 1,524,875) with a share of 36.57% in the total non-cash loans (31 December 2010: 37.48%).

As of 31 December 2011, the share of cash and non-cash receivables of the Bank from its top 100 customers in total balance sheet and off-balance sheet assets is 5.76% (31 December 2010: 7.13%).

As of 31 December 2011, the general loan loss provision related with the credit risk taken by the Bank is TL 264,114 (31 December 2010: TL 106,794).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations Related to Credit Risk (continued)

Credit risk by types of borrowers and geographical concentration:

| | Loans to Real Persons and Legal Entities | | Loans to Banks and Other Financial Institutions | | Marketable Securities* | | Other Loans** | |
|--|---|-------------------|---|------------------|---------------------------|------------------|-------------------|-----------------|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| Loans according to borrowers | | | | | | | | |
| Private Sector | 17,387,320 | 8,235,969 | 482,285 | 383,387 | - | - | 356,152 | 275,780 |
| Public Sector | 50,666 | 34,738 | - | - | 5,557,582 | 3,707,870 | - | - |
| Banks | - | - | 900,566 | 723,369 | - | - | 61,254 | 61,254 |
| Retail | 7,682,972 | 3,079,276 | - | - | - | - | - | - |
| Share Certificates | - | - | - | - | 23,937 | 17,880 | 106,612 | - |
| Total | 25,120,958 | 11,349,983 | 1,382,851 | 1,106,756 | 5,581,519 | 3,725,750 | 524,018 | 337,034 |
| Information according to geographical concentration | | | | | | | | |
| Domestic | 24,911,281 | 11,213,636 | 1,210,708 | 859,680 | 5,572,191 | 3,722,362 | 462,764 | 275,780 |
| European Union Countries | 15,806 | 48,662 | 51,396 | 104,947 | - | - | 61,254 | 61,254 |
| OECD Countries*** | - | 605 | 2,524 | 5,449 | - | - | - | - |
| Off-shore Banking Regions | 132,070 | 22,821 | 71,591 | 86,114 | 5,117 | 1,197 | - | - |
| USA, Canada | - | 8,906 | 45,619 | 50,289 | 4,211 | 2,191 | - | - |
| Other Countries | 61,801 | 55,353 | 1,013 | 277 | - | - | - | - |
| Total | 25,120,958 | 11,349,983 | 1,382,851 | 1,106,756 | 5,581,519 | 3,725,750 | 524,018 | 337,034 |

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

** 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.

*** OECD countries other than European Union countries, USA and Canada.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations Related to Credit Risk (continued)

Information according to geographical concentration :

| | Assets | Liabilities | Non-Cash Loans | Equity Investments | Net Income/ Loss |
|---|-------------------|-------------------|-------------------|-----------------------|------------------------|
| Current Period | | | | | |
| Domestic | 37,235,932 | 25,660,716 | 7,960,645 | - | 206,675 |
| European Union Countries | 301,836 | 7,074,736 | 18,215 | - | - |
| OECD Countries (*) | 24,287 | 68,119 | 8 | - | - |
| Off-shore Banking Regions | 208,798 | 80,398 | 7,246 | - | - |
| USA, Canada | 90,205 | 588,688 | - | - | - |
| Other Countries | 62,814 | 405,770 | 76,668 | - | - |
| Associates, Subsidiaries and Entities Under Common Control (Joint Vent.) | - | - | - | 167,866 | - |
| Unallocated Assets/Liabilities (**) | - | - | - | - | - |
| Total | 37,923,872 | 33,878,427 | 8,062,782 | 167,866 | 206,675 |
| Prior Period | | | | | |
| Domestic | 18,407,235 | 12,097,287 | 3,990,167 | - | 300,301 |
| European Union Countries | 234,627 | 4,282,946 | 10,805 | - | - |
| OECD Countries (*) | 10,333 | 38,416 | - | - | - |
| Off-shore Banking Regions | 112,941 | 239,871 | 16,123 | - | - |
| USA, Canada | 90,644 | 364,134 | - | - | - |
| Other Countries | 55,630 | 195,588 | 51,288 | - | - |
| Associates, Subsidiaries and Entities Under Common Control (Joint Vent.) | - | - | - | 119,695 | - |
| Unallocated Assets/Liabilities (**) | - | - | - | - | - |
| Total | 18,911,410 | 17,218,242 | 4,068,383 | 119,695 | 300,301 |

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

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

Sector concentrations for cash loans :

| | Current Period | | | | Prior Period | | | |
|---|-------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| | TL | (%) | FC | (%) | TL | (%) | FC | (%) |
| Agricultural | 880,703 | 4.38 | 120,828 | 2.26 | 351,395 | 3.86 | 85,443 | 3.37 |
| Farming and Raising Livestock | 798,178 | 3.97 | 117,317 | 2.20 | 312,455 | 3.44 | 69,417 | 2.74 |
| Forestry, Wood and Paper | 65,509 | 0.33 | 2,775 | 0.05 | 30,259 | 0.32 | 15,857 | 0.62 |
| Fishery | 17,016 | 0.08 | 736 | 0.01 | 8,681 | 0.10 | 169 | 0.01 |
| Manufacturing | 6,554,719 | 32.60 | 3,772,639 | 70.66 | 3,184,687 | 35.02 | 1,779,644 | 70.17 |
| Mining and Quarry | 346,748 | 1.72 | 191,632 | 3.59 | 175,602 | 1.93 | 53,291 | 2.10 |
| Production | 6,149,346 | 30.59 | 3,504,032 | 65.63 | 2,997,436 | 32.96 | 1,676,625 | 66.11 |
| Electricity, Gas and Water | 58,625 | 0.29 | 76,975 | 1.44 | 11,649 | 0.13 | 49,728 | 1.96 |
| Construction | 1,068,864 | 5.32 | 240,910 | 4.51 | 410,875 | 4.52 | 89,223 | 3.52 |
| Services | 4,436,500 | 22.07 | 1,107,648 | 20.75 | 1,797,746 | 19.77 | 545,329 | 21.51 |
| Wholesale and Retail Trade | 1,240,317 | 6.17 | 236,538 | 4.43 | 480,878 | 5.29 | 50,846 | 2.00 |
| Hotel, Tourism, Food and Beverage Services | 300,699 | 1.50 | 166,052 | 3.11 | 123,398 | 1.36 | 86,278 | 3.40 |
| Transportation and Communication | 733,676 | 3.65 | 222,191 | 4.16 | 335,031 | 3.68 | 117,564 | 4.64 |
| Financial Institutions | 680,235 | 3.38 | 118,950 | 2.23 | 488,601 | 5.37 | 42,045 | 1.66 |
| Real Estate and Renting Services | 315,511 | 1.57 | 320,555 | 6.00 | 143,417 | 1.58 | 237,524 | 9.38 |
| Self-Employment Services | 786,029 | 3.91 | 27,346 | 0.51 | 90,466 | 0.99 | 1,556 | 0.06 |
| Education Services | 96,353 | 0.48 | 141 | 0.01 | 11,033 | 0.12 | 277 | 0.01 |
| Health and Social Services | 283,680 | 1.41 | 15,875 | 0.30 | 124,922 | 1.38 | 9,239 | 0.36 |
| Other(*) | 7,163,728 | 35.63 | 97,105 | 1.82 | 3,349,705 | 36.83 | 36,386 | 1.43 |
| Total | 20,104,514 | 100.00 | 5,339,130 | 100.00 | 9,094,408 | 100.00 | 2,536,025 | 100.00 |

(*) Accruals are included in other.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations Related to Credit Risk (continued)

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

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Central Bank of Turkey | 3,205,179 | 1,711,896 |
| Due from banks | 341,055 | 703,484 |
| Other money markets | 510,329 | - |
| Trading financial assets | 946,919 | 96,061 |
| Derivative financial instruments held for trading | 319,616 | 98,991 |
| Derivative financial instruments for hedging purposes | 22,800 | 11,157 |
| Financial assets available-for-sale | 4,634,600 | 3,412,085 |
| Held-to-maturity investments | - | 217,604 |
| Loans | 25,652,425 | 11,753,255 |
| Total | 35,632,923 | 18,004,533 |
| Contingent liabilities | 8,062,782 | 4,068,383 |
| Commitments | 8,127,532 | 3,716,834 |
| Total | 16,190,314 | 7,785,217 |
| Total credit risk exposure | 51,823,237 | 25,789,750 |

Credit quality per class of financial assets as of 31 December 2011 and 31 December 2010 is as follows:

| Current Period | Neither past due nor impaired | Past due or individually impaired | Total |
|-----------------------|--------------------------------------|--|-------------------|
| Loans and receivables | | | |
| Commercial loans | 16,968,403 | 788,404 | 17,756,807 |
| Consumer loans | 5,998,435 | 505,521 | 6,503,956 |
| Credit cards | 1,212,389 | 179,273 | 1,391,662 |
| Total | 24,179,227 | 1,473,198 | 25,652,425 |

| Prior Period | Neither past due nor impaired | Past due or individually impaired | Total |
|-----------------------|--------------------------------------|--|-------------------|
| Loans and receivables | | | |
| Commercial loans | 8,100,720 | 490,009 | 8,590,729 |
| Consumer loans | 2,491,312 | 91,843 | 2,583,155 |
| Credit cards | 504,616 | 74,755 | 579,371 |
| Total | 11,096,648 | 656,607 | 11,753,255 |

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

| | Current Period | Prior Period |
|-----------------------|-----------------------|---------------------|
| Loans and receivables | | |
| Commercial loans | 75,913 | 122,144 |
| Consumer loans | 27,326 | 2,957 |
| Credit cards | 2,741 | 4,162 |
| Total | 105,980 | 129,263 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations Related to Credit Risk (continued)

Credit Rating System

The credit risk is assessed through the internal rating system of the Bank, by classifying loans from highest grade to lowest grade according to the probability of default. As of 31 December 2011, consumer loans and business loans are excluded from the internal rating system of the Bank and those loans are 35% of total loan portfolio. The risks that are subject to rating models can be allocated as follows:

| Category | Description of Category | Share in the Total % |
|--------------|--|----------------------|
| 1st Category | The borrower has a very strong financial structure | 29.22 |
| 2nd Category | The borrower has a good financial structure | 30.16 |
| 3rd Category | The borrower has an intermediate level of financial structure | 32.53 |
| 4th Category | The financial structure of the borrower has to be closely monitored in the medium term | 8.09 |
| Total | | 100.00 |

III. Explanations Related to Market Risk

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

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

Interest rate and exchange rate risks, arising from the volatility in the financial markets, of the financial positions taken by the Bank related to balance sheet and off-balance sheet accounts are measured, and in the computation of capital adequacy, the amount subject to VAR calculated by using the standard method (summarized below) is taken into consideration. Besides 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 results are reported daily to the management.

a) Information Related to Market Risk

| | Amount |
|--|----------------|
| (I) Capital Requirement to be Employed For General Market Risk - Standard Method | 40,860 |
| (II) Capital Requirement to be Employed For Specific Risk - Standard Method | 2,272 |
| (III) Capital Requirement to be Employed For Currency Risk - Standard Method | 5,436 |
| (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 | 4 |
| (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) | 48,572 |
| (IX) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII) | 607,150 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

III. Explanations Related to Market Risk (continued)

b) Average market risk table calculated at month ends during the period:

| | Current Period | | | Prior Period | | |
|--|----------------|------------------|----------------|----------------|----------------|----------------|
| | Average | Maximum | Minimum | Average | Maximum | Minimum |
| Interest Rate Risk | 62,972 | 74,316 | 51,516 | 27,944 | 46,166 | 17,022 |
| Common Stock Risk | 3,757 | 3,818 | 2,793 | 1,266 | 2,763 | 583 |
| Currency Risk | 10,894 | 23,838 | 9,268 | 6,390 | 6,595 | 4,050 |
| Commodity Risk | - | - | - | - | - | - |
| Settlement Risk | - | - | - | - | - | - |
| Option Risk | 131 | 737 | 554 | 131 | 7 | 9 |
| Total Value Subject to Risk (*) | 971,927 | 1,283,863 | 801,638 | 446,643 | 694,138 | 270,800 |

(*) "Total Value Subject to Risk" is calculated as the total amount of capital requirements for the market risk multiplied by 12.5.

Other price risks

The Bank is not subject to a significant share price risk due to share certificates.

IV. Explanations Related to Operational Risk

- a) Operational risk has been calculated using the Basic Indicator Approach. Market risk measurements are performed monthly.
- b) The Bank does not use the Standard Approach.

V. Explanations Related to Currency Risk

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate changes in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and value at risk is calculated by using the standard method.

The Board of Directors sets limits for the positions, which are followed up daily. Any possible value changes in the foreign currency transactions in the Bank's positions are also monitored.

As an element of the Bank's risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

The Treasury Department of the Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets within the limits set by the Board of Directors. The monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Bank's Asset-Liability Committee on a weekly basis.

As of 31 December 2011, the Bank's net long position is TL 516,020 (31 December 2010: TL 25,496 net long) resulting from short position on the balance sheet amounting to TL 1,756,227 (31 December 2010: TL 279,358 short) and long position on the off-balance sheet amounting to TL 2,272,247 (31 December 2010: TL 304,854 long).

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

| | 26.12.2011 | 27.12.2011 | 28.12.2011 | 29.12.2011 | 30.12.2011 | 31.12.2011 |
|-------------|------------|------------|------------|------------|------------|------------|
| USD | 1.8833 | 1.8847 | 1.8897 | 1.9065 | 1.8889 | 1.8889 |
| JPY | 0.0241 | 0.0242 | 0.0243 | 0.0245 | 0.0243 | 0.0243 |
| EURO | 2.4613 | 2.4633 | 2.4702 | 2.4592 | 2.4438 | 2.4438 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

V. Explanations Related to Currency Risk (continued)

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

| | Monthly Average Foreign Exchange Rate |
|------|--|
| USD | 1.8593 |
| JPY | 0.0238 |
| EURO | 2.4513 |

Information on the foreign currency risk of the Bank:

| Current Period | EUR | USD | YEN | OTHER | TOTAL |
|--|------------------|--------------------|------------------|-----------------|--------------------|
| Assets | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey. | 1,248,265 | 935,914 | 220 | 333,497 | 2,517,896 |
| Banks | 47,643 | 139,189 | 956 | 20,225 | 208,013 |
| Financial Assets at Fair Value through Profit and Loss (*****) | 3,696 | 359,406 | - | 1,051 | 364,153 |
| Money Market Placements | - | - | - | - | - |
| Available-For-Sale Financial Assets | 224,153 | 306,203 | - | 3,659 | 534,015 |
| Loans (**) | 2,709,975 | 4,111,154 | 178,361 | 617,817 | 7,617,307 |
| Subsidiaries, Associates and Entities Under Common Control (Joint Vent.) | 61,254 | - | - | - | 61,254 |
| Held-To-Maturity Investments | - | - | - | - | - |
| Derivative Financial Assets for Hedging Purposes | - | 13 | - | - | 13 |
| Tangible Assets | - | - | - | - | - |
| Intangible Assets | - | - | - | - | - |
| Other Assets (***) | 54,356 | 39,798 | - | 63 | 94,217 |
| Total Assets | 4,349,342 | 5,891,677 | 179,537 | 976,312 | 11,396,868 |
| Liabilities | | | | | |
| Bank Deposits | 78,151 | 117,282 | 89 | 28,757 | 224,279 |
| Foreign Currency Deposits (*) | 2,668,829 | 4,459,658 | 34,985 | 799,828 | 7,963,300 |
| Money Market Borrowings | - | - | - | - | - |
| Funds Provided From Other Financial Institutions | 2,333,369 | 2,494,828 | 956 | 67,588 | 4,896,741 |
| Marketable Securities Issued | - | - | - | - | - |
| Sundry Creditors | 10,244 | 49,152 | - | 649 | 60,045 |
| Derivative Financial Liabilities for Hedging Purposes | - | - | - | - | - |
| Other Liabilities (***) | 3,328 | 4,408 | - | 994 | 8,730 |
| Total Liabilities | 5,093,921 | 7,125,328 | 36,030 | 897,816 | 13,153,095 |
| Net Balance Sheet Position | (744,579) | (1,233,651) | 143,507 | 78,496 | (1,756,227) |
| Net Off-Balance Sheet Position | 1,196,042 | 1,290,723 | (142,844) | (71,674) | 2,272,247 |
| Financial Derivative Assets (****) | 4,010,402 | 6,242,562 | 327,501 | 537,051 | 11,117,516 |
| Financial Derivative Liabilities (****) | 2,814,360 | 4,951,839 | 470,345 | 608,725 | 8,845,269 |
| Non-Cash Loans (*****) | 1,933,689 | 2,537,660 | 5,786 | 141,932 | 4,619,067 |
| Prior Period | | | | | |
| Total Assets | 1,950,634 | 2,946,582 | 9,331 | 492,479 | 5,399,026 |
| Total Liabilities | 2,665,148 | 2,746,645 | 2,395 | 264,196 | 5,678,384 |
| Net Balance Sheet Position | (714,514) | 199,937 | 6,936 | 228,283 | (279,358) |
| Net Off-Balance Sheet Position | 862,991 | (351,932) | (7,363) | (198,842) | 304,854 |
| Financial Derivative Assets (****) | 1,706,252 | 1,827,544 | 37,037 | 269,470 | 3,840,303 |
| Financial Derivative Liabilities (****) | 843,261 | 2,179,476 | 44,400 | 468,312 | 3,535,449 |
| Non-Cash Loans (*****) | 660,214 | 1,375,754 | 1,937 | 45,377 | 2,083,282 |

(*) Precious metal accounts amounting to TL 660,316 (31 December 2010: TL 129,374) are included in the foreign currency deposits.

(**) Foreign currency indexed loans amounting to TL 2,278,177 (31 December 2010: TL 782,548) are included in the loan portfolio.

(***) TL 87,149 (31 December 2010: TL 30,813) expense accruals from derivative financial instruments are deducted from other liabilities. TL 5 prepaid expense was deducted from other assets as at 31 December 2010.

(****) Forward asset and marketable securities purchase-sale commitments of TL 383,108 (31 December 2010: TL 181,939) are added to derivative financial assets and TL 345,026 (31 December 2010: TL 181,837) has been added to derivative financial liabilities.

(*****) TL 47,873 (31 December 2010: TL 17,648) income accruals from derivative financial instruments is deducted from Financial Assets at Fair Value through Profit and Loss.

(*****) There are no effects on the net off-balance sheet position.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

V. Explanations Related to Currency Risk (continued)

Foreign currency sensitivity:

The Bank is mainly exposed to EUR and USD currency risks.

The following table details the Bank's sensitivity to a 10% change in the TL against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. A positive number indicates an increase in profit or loss and other equity in the case of short position and a decrease in the case of long position where the TL strengthens against USD and EUR.

| | Change in currency rate in % | Effect on profit or loss | | Effect on equity (*) | |
|-----|---------------------------------|--------------------------|---------------------|----------------------|---------------------|
| | | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| USD | 10 increase | 5,696 | (15,200) | 12 | 158 |
| USD | 10 decrease | (5,696) | 15,200 | (12) | (158) |
| EUR | 10 increase | 46,358 | 14,848 | (1,212) | (188) |
| EUR | 10 decrease | (46,358) | (14,848) | 1,212 | 188 |

(*) The effect on equity does not include the effect of changes in foreign exchange rate on the income statement.

The Bank's sensitivity to foreign currency rates have not changed significantly during the current period. The positions taken in line with market expectations can increase the foreign currency sensitivity from period to period.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VI. Explanations Related to Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank's position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

The priority of the risk management department is to protect from interest rate volatility. Duration, maturity and sensitivity analysis performed within this context are 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 budget of the Bank.

The Bank management monitors the market interest rates on a daily basis and revises the interest rates of the Bank when necessary.

Since the Bank does not allow maturity mismatches or imposes limits on mismatch, no significant interest rate risk exposure is expected.

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

| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Non-interest Bearing | Total |
|---|--------------------|--------------------|------------------|------------------|------------------|-------------------------|-------------------|
| Current Period | | | | | | | |
| Assets | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | - | - | - | - | - | 4,018,255 | 4,018,255 |
| Banks | 180,866 | 2,105 | 4,185 | - | - | 153,899 | 341,055 |
| Financial Assets at Fair Value Through Profit and Loss | 203,409 | 101,024 | 284,269 | 252,740 | 118,678 | 306,415 | 1,266,535 |
| Money Market Placements | 510,329 | - | - | - | - | - | 510,329 |
| Available-For-Sale Financial Assets | 642,239 | 375,674 | 1,728,787 | 1,449,362 | 413,525 | 25,013 | 4,634,600 |
| Loans and receivables(*) | 9,006,430 | 1,843,861 | 3,976,469 | 8,161,012 | 2,400,559 | 264,094 | 25,652,425 |
| Held-To-Maturity Investments | - | - | - | - | - | - | - |
| Other Assets | - | - | 1,526 | 12,840 | 2,998 | 1,651,175 | 1,668,539 |
| Total Assets | 10,543,273 | 2,322,664 | 5,995,236 | 9,875,954 | 2,935,760 | 6,418,851 | 38,091,738 |
| Liabilities | | | | | | | |
| Bank Deposits | 730,478 | - | 4,136 | - | - | 192,895 | 927,509 |
| Other Deposits | 14,638,367 | 3,194,582 | 292,752 | 207 | - | 3,833,195 | 21,959,103 |
| Money Market Borrowings | 25,518 | 1,079,230 | - | - | - | - | 1,104,748 |
| Sundry Creditors | 180,613 | - | - | - | - | 651,655 | 832,268 |
| Marketable Securities Issued | - | - | 249,107 | - | - | - | 249,107 |
| Funds Provided From Other Financial Institutions | 1,900,948 | 2,065,749 | 2,833,075 | 307,383 | 184,390 | - | 7,291,545 |
| Other Liabilities | 39 | 5,936 | 9,929 | 42,064 | 9,227 | 5,660,263 | 5,727,458 |
| Total Liabilities | 17,475,963 | 6,345,497 | 3,388,999 | 349,654 | 193,617 | 10,338,008 | 38,091,738 |
| Balance Sheet Long Position | - | - | 2,606,237 | 9,526,300 | 2,742,143 | - | 14,874,680 |
| Balance Sheet Short Position | (6,932,690) | (4,022,833) | - | - | - | (3,919,157) | (14,874,680) |
| Off-Balance Sheet Long Position | 40,913 | 60,579 | 380,511 | 1,123,856 | 303,565 | - | 1,909,424 |
| Off-Balance Sheet Short Position | (40,691) | (60,579) | (358,127) | (1,116,079) | (303,565) | - | (1,879,041) |
| Total Position | (6,932,468) | (4,022,833) | 2,628,621 | 9,534,077 | 2,742,143 | (3,919,157) | 30,383 |

(*) Loans with floating interest rates amounting to TL 6,134,943 are included in "Up to 1 Month" while mark to market differences from hedged loans amounting to TL 11,554 are included in "1-5 Years".

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL 254,333, intangible assets amounting to TL 438,346, assets held for resale amounting to TL 67,049, subsidiaries amounting to TL 167,861 and entities under common control (joint vent.) amounting to TL 5 while other liabilities line includes the shareholders' equity of TL 4,213,311.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VI. Explanations Related to Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments:

| | EURO | USD | YEN | TL | | | |
|--|--------------------|--------------------|------------------|------------------|--------------------------|--------------------|-------------------|
| | % | % | % | % | | | |
| Current Period | | | | | | | |
| Assets | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | - | - | - | - | | | |
| Banks | - | - | - | 10.38 | | | |
| Financial Assets at Fair Value Through Profit and Loss | 4.96 | 4.72 | - | 10.22 | | | |
| Money Market Placements | - | - | - | 11.77 | | | |
| Available-For-Sale Financial Assets | 5.37 | 3.34 | - | 9.48 | | | |
| Loans | 5.24 | 5.12 | 3.81 | 13.63 | | | |
| Held-To-Maturity Investments | - | - | - | - | | | |
| Liabilities | | | | | | | |
| Bank Deposits | 3.85 | 0.68 | - | 5.68 | | | |
| Other Deposits | 4.43 | 4.59 | 0.41 | 10.89 | | | |
| Money Market Borrowings | - | - | - | 6.91 | | | |
| Sundry Creditors | - | - | - | - | | | |
| Marketable Securities Issued | - | - | - | 8.73 | | | |
| Funds Provided From Other Financial Institutions | 3.45 | 2.13 | 2.95 | 8.79 | | | |
| | Up to 1 | 1-3 | 3-12 | 1-5 | Over Non-interest | | |
| | Month | Months | Months | Years | 5 Years | Bearing | Total |
| Prior Period | | | | | | | |
| Assets | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey. | - | - | - | - | - | 2,027,296 | 2,027,296 |
| Banks | 502,389 | - | - | - | - | 201,095 | 703,484 |
| Financial Assets at Fair Value Through Profit and Loss | 51,449 | 6,470 | 49,776 | 5,967 | 2,882 | 78,508 | 195,052 |
| Money Market Placements | - | - | - | - | - | - | - |
| Available-For-Sale Financial Assets | 278,742 | 70,438 | 997,533 | 1,694,487 | 353,005 | 17,880 | 3,412,085 |
| Loans(*) | 4,939,032 | 867,655 | 1,521,186 | 3,601,238 | 639,156 | 184,988 | 11,753,255 |
| Held-To-Maturity Investments | 106,040 | 66,789 | 44,775 | - | - | - | 217,604 |
| Other Assets | - | 187 | 2,267 | 1,091 | 9 | 718,775 | 722,329 |
| Total Assets | 5,877,652 | 1,011,539 | 2,615,537 | 5,302,783 | 995,052 | 3,228,542 | 19,031,105 |
| Liabilities | | | | | | | |
| Bank Deposits | 1,105,143 | 5,052 | 3,156 | - | - | 98,280 | 1,211,631 |
| Other Deposits | 7,197,706 | 1,128,507 | 122,969 | 31 | - | 2,338,306 | 10,787,519 |
| Money Market Borrowings | 74,357 | - | - | - | - | - | 74,357 |
| Sundry Creditors | - | - | - | - | - | 337,252 | 337,252 |
| Marketable Securities Issued | - | - | - | - | - | - | - |
| Funds Provided From Other Financial Institutions | 784,000 | 1,149,864 | 1,745,006 | 24,673 | 373,117 | - | 4,076,660 |
| Other Liabilities | 39 | 416 | 22,000 | 40,032 | 28,102 | 2,453,097 | 2,543,686 |
| Total Liabilities | 9,161,245 | 2,283,839 | 1,893,131 | 64,736 | 401,219 | 5,226,935 | 19,031,105 |
| Balance Sheet Long Position | - | - | 722,406 | 5,238,047 | 593,833 | - | 6,554,286 |
| Balance Sheet Short Position | (3,283,593) | (1,272,300) | - | - | - | (1,998,393) | (6,554,286) |
| Off-Balance Sheet Long Position | - | - | 6,356 | 4,008 | - | - | 10,364 |
| Off-Balance Sheet Short Position | - | - | - | - | (2,189) | - | (2,189) |
| Total Position | (3,283,593) | (1,272,300) | 728,762 | 5,242,055 | 591,644 | (1,998,393) | 8,175 |

(*) Loans with floating interest rates amounting to TL 3,199,937 are included in "Up to 1 Month" while mark to market differences from hedged loans amounting to TL 33,648 are included in "1-5 Years".

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL 109,506; intangible assets amounting to TL 10,156, assets held for resale amounting to TL 33,982, subsidiaries amounting to TL 119,690, entities under common control (joint vent.) amounting to TL 5 and the other liabilities line includes the shareholders' equity of TL 1,812,863.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VI. Explanations Related to Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments

| | EURO % | USD % | YEN % | TL % |
|---|-----------|----------|----------|---------|
| Prior Period | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | - | - | - | 3.75 |
| Banks | 0.19 | 0.16 | - | 6.96 |
| Financial Assets at Fair Value Through Profit and Loss | 3.18 | 4.78 | - | 9.02 |
| Money Market Placements | - | 1.05 | - | 6.41 |
| Available-For-Sale Financial Assets | 3.98 | 5.72 | - | 8.39 |
| Loans | 4.59 | 4.11 | 5.36 | 12.66 |
| Held-To-Maturity Investments | - | - | - | 12.58 |
| Liabilities | | | | |
| Bank Deposits | 0.51 | 0.17 | - | 5.70 |
| Other Deposits | 1.99 | 2.34 | 0.10 | 7.18 |
| Money Market Borrowings | - | - | - | 6.73 |
| Sundry Creditors | - | - | - | - |
| Marketable Securities Issued | - | - | - | - |
| Funds Provided From Other Financial Institutions | 3.11 | 2.60 | 3.10 | 7.71 |

Interest rate sensitivity:

If interest rates had been changed by 0.5% in TL and FC and all other variables were held constant:

- Net profit of the Bank for the year would have changed by TL 25,200 (31 December 2010: TL 6,812).

The interest rate sensitivity the Bank is exposed to due to its balance sheet composition is calculated with the net interest income approach. The net interest income is calculated by using the original interest rates until maturity and using market interest curves until the remaining annualized period subject to analysis. This calculation is re-performed by altering the market interest curves based on rate changes accepted by management. The difference between the initial and re-performed calculation is assessed to be the interest sensitivity of the Bank.

VII. Explanations Related to Liquidity Risk

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely.

Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed quickly at suitable prices and sufficient amounts due to barriers and break-ups at the markets.

The Bank's policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context, liquidity problem has not been faced in any period. In order to maintain this, the Board of Directors of the Bank continuously determines standards for the liquidity ratios, and monitors them.

According to the general policies of the Bank, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TL and foreign currency assets and liabilities on the balance sheet and their costs. According to this strategy, the Bank manages its maturity risk within the limits determined by Bank's Board of Directors.

When the funding and liquidity sources are considered, the Bank covers majority of its liquidity need from deposits, and in addition to this source, it makes use of pre-financing and syndication products to generate additional sources. Generally the Bank is in a lender position.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VII. Explanations Related to Liquidity Risk (continued)

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions. The ratios realized during the year were as follows:

| | Current Period % | Prior Period % |
|---------------------------|---------------------|-------------------|
| Average during the period | 25 | 20 |
| Highest | 30 | 27 |
| Lowest | 20 | 16 |

Presentation of assets and liabilities according to their remaining maturities:

| Current Period | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Undistribut ed (*) | Total |
|---|--------------------|--------------------|--------------------|------------------|-------------------|------------------|-----------------------|-------------------|
| Assets | | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | 2,429,724 | 1,588,531 | - | - | - | - | - | 4,018,255 |
| Banks | 153,899 | 180,866 | 2,105 | 4,185 | - | - | - | 341,055 |
| Financial Assets at Fair Value Through Profit and Loss | - | 245,355 | 166,794 | 452,654 | 269,703 | 132,029 | - | 1,266,535 |
| Money Market Placements | - | 510,329 | - | - | - | - | - | 510,329 |
| Available-For-Sale Financial Assets | 25,013 | 183,911 | 67,729 | 1,303,530 | 2,034,584 | 1,019,833 | - | 4,634,600 |
| Loans(**) | - | 8,888,504 | 1,365,180 | 3,981,612 | 8,644,327 | 2,564,021 | 208,781 | 25,652,425 |
| Held-To-Maturity Investments | - | - | - | - | - | - | - | - |
| Other Assets | - | - | - | 1,526 | 18,277 | 2,998 | 1,645,738 | 1,668,539 |
| Total Assets | 2,608,636 | 11,597,496 | 1,601,808 | 5,743,507 | 10,966,891 | 3,718,881 | 1,854,519 | 38,091,738 |
| Liabilities | | | | | | | | |
| Bank Deposits | 192,895 | 730,478 | - | 4,136 | - | - | - | 927,509 |
| Other Deposits | 3,833,195 | 14,638,367 | 3,194,582 | 292,752 | 207 | - | - | 21,959,103 |
| Funds Provided From Other Financial Institutions | - | 1,508,334 | 1,595,317 | 2,388,594 | 976,785 | 822,515 | - | 7,291,545 |
| Money Market Borrowings | - | 1,104,748 | - | - | - | - | - | 1,104,748 |
| Marketable Securities Issued | - | - | - | 249,107 | - | - | - | 249,107 |
| Sundry Creditors | - | 832,268 | - | - | - | - | - | 832,268 |
| Other Liabilities | - | 805,111 | 49,587 | 143,783 | 52,513 | 9,227 | 4,667,237 | 5,727,458 |
| Total Liabilities | 4,026,090 | 19,619,306 | 4,839,486 | 3,078,372 | 1,029,505 | 831,742 | 4,667,237 | 38,091,738 |
| Liquidity Gap | (1,417,454) | (8,021,810) | (3,237,678) | 2,665,135 | 9,937,386 | 2,887,139 | (2,812,718) | - |
| Prior Period | | | | | | | | |
| Total Assets | 1,183,985 | 7,133,370 | 694,823 | 2,210,195 | 5,833,178 | 1,543,049 | 432,505 | 19,031,105 |
| Total Liabilities | 2,436,586 | 9,603,741 | 2,277,991 | 1,952,932 | 178,885 | 577,070 | 2,003,900 | 19,031,105 |
| Liquidity Gap | (1,252,601) | (2,470,371) | (1,583,168) | 257,263 | 5,654,293 | 965,979 | (1,571,395) | - |

(*) The assets which are necessary to provide banking services and could not be liquidated in a short term, such as tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and non-performing loans, are classified as under undistributed.

(**) Loans with floating interest rates amounting to TL 5,961,704 (31 December 2010: TL 3,146,930) are included in "Up to 1 Month" while mark to market differences from hedged loans amounting to TL 11,554 (31 December 2010: TL 33,648) are included in "1-5 Years".

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VII. Explanations Related to Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturities:

| | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Adjustments | Total |
|--|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| As of 31 December 2011 | | | | | | | | |
| Money market borrowings | - | 1,105,719 | - | - | - | - | (971) | 1,104,748 |
| Other deposits | 3,833,195 | 14,690,140 | 3,227,397 | 302,447 | 241 | - | (94,317) | 21,959,103 |
| Bank deposits | 192,895 | 730,729 | - | 4,310 | - | - | (425) | 927,509 |
| Funds provided from other financial institutions | - | 1,523,917 | 1,664,241 | 2,613,518 | 1,238,554 | 1,063,599 | (812,284) | 7,291,545 |
| Total | 4,026,090 | 18,050,505 | 4,891,638 | 2,920,275 | 1,238,795 | 1,063,599 | (907,997) | 31,282,905 |
| As of 31 December 2010 | | | | | | | | |
| Money market borrowings | - | 74,422 | - | - | - | - | (65) | 74,357 |
| Other deposits | 2,338,306 | 7,215,449 | 1,138,661 | 124,833 | 33 | - | (29,763) | 10,787,519 |
| Bank deposits | 98,280 | 1,105,629 | 5,098 | 3,271 | - | - | (647) | 1,211,631 |
| Funds provided from other financial institutions | - | 545,975 | 1,145,029 | 1,791,016 | 254,614 | 578,936 | (238,910) | 4,076,660 |
| Total | 2,436,586 | 8,941,475 | 2,288,788 | 1,919,120 | 254,647 | 578,936 | (269,385) | 16,150,167 |

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments:

| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Total |
|--|------------------|------------------|------------------|----------------|---------------|-------------------|
| As of 31 December 2011 | | | | | | |
| Derivative financial instruments for hedging purposes | | | | | | |
| Fair value hedge | - | - | 13,723 | 132,443 | - | 146,166 |
| Cash flow hedge | 6,261 | 11,362 | 69,042 | 160,037 | 5,562 | 252,264 |
| Held for trading transactions | | | | | | |
| Foreign exchange forward contracts-sell | 1,090,500 | 491,680 | 553,167 | 181,084 | - | 2,316,431 |
| Currency swaps-sell | 2,214,797 | 785,566 | 1,618,312 | 196,565 | - | 4,815,240 |
| Interest rate swaps-sell | 97 | 8,364 | 15,805 | 22,986 | - | 47,252 |
| Foreign currency futures-sell | - | - | - | - | - | - |
| Foreign currency options-sell | 2,437,011 | 1,511,274 | 3,277,327 | 36,802 | - | 7,262,414 |
| Total | 5,748,666 | 2,808,246 | 5,547,376 | 729,917 | 5,562 | 14,839,767 |
| As of 31 December 2010 | | | | | | |
| Derivative financial instruments for hedging purposes | | | | | | |
| Fair value hedge | 290 | 263 | 137,009 | 36,878 | 54,510 | 228,950 |
| Cash flow hedge | - | - | - | - | - | - |
| Held for trading transactions | | | | | | |
| Foreign exchange forward contracts-sell | 358,010 | 264,598 | 293,792 | 7,571 | - | 923,971 |
| Currency swaps-sell | 381,910 | 60,625 | 670,796 | 357,236 | - | 1,470,567 |
| Interest rate swaps-sell | 63 | 9,828 | 8,651 | 43,172 | 5,055 | 66,769 |
| Foreign currency futures-sell | - | 25,076 | 227,192 | - | - | 252,268 |
| Foreign currency options-sell | 549,842 | 530,740 | 1,073,571 | 8,621 | 32,901 | 2,195,675 |
| Total | 1,290,115 | 891,130 | 2,411,011 | 453,478 | 92,466 | 5,138,200 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value

The table below shows the book value and the fair value of the financial assets and liabilities which are not disclosed at their fair value in the financial statements of the Bank.

Current period investment securities are comprised of interest-bearing assets held-to-maturity and interest-bearing assets available-for-sale. The fair value of the held to maturity assets is determined by market prices or quoted market prices of other marketable securities which are subject to redemption with same characteristics in terms of interest, maturity and other similar conditions when market prices cannot be determined.

The book value of demand deposits, money market placements with floating interest rate and overnight deposits represents their fair values due to their short-term nature. The estimated fair value of deposits and funds provided from other financial institutions with fixed interest rate is calculated by determining their cash flows discounted by the current interest rates used for other liabilities with similar characteristics and maturity structure. The fair value of loans is calculated by determining the cash flows discounted by the current interest rates used for receivables with similar characteristics and maturity structure. The book value of the sundry creditors reflects their fair values since they are short-term.

| | Book Value | | Fair Value | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| Financial Assets | 31,138,409 | 16,086,428 | 30,764,277 | 16,233,942 |
| Money Market Placements | 510,329 | - | 510,329 | - |
| Banks | 341,055 | 703,484 | 341,055 | 703,484 |
| Available-For-Sale Financial Assets | 4,634,600 | 3,412,085 | 4,634,600 | 3,412,085 |
| Held-To-Maturity Investments | - | 217,604 | - | 253,460 |
| Loans | 25,652,425 | 11,753,255 | 25,278,293 | 11,864,913 |
| Financial Liabilities | 32,364,280 | 16,487,419 | 32,207,107 | 16,477,669 |
| Bank Deposits | 927,509 | 1,211,631 | 927,448 | 1,210,800 |
| Other Deposits | 21,959,103 | 10,787,519 | 21,802,322 | 10,778,600 |
| Funds Borrowed From Other Financial Institutions (*) | 8,396,293 | 4,151,017 | 8,396,293 | 4,151,017 |
| Marketable Securities Issued | 249,107 | - | 248,776 | - |
| Sundry Creditors | 832,268 | 337,252 | 832,268 | 337,252 |

(*) Funds provided under repo transactions and interbank money market takings are included in funds borrowed from other financial institutions.

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: The fair value of other financial assets and financial liabilities are determined in accordance with inputs other than quoted prices included within Level 1, that are observable either directly or indirectly in the market.
- Level 3: The fair value of the financial assets and financial liabilities where there is no observable market data.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VIII. Explanations Related to Presentation of Financial Assets and Liabilities by Fair Value
(continued)

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non-observable inputs.

| 31 December 2011 | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|--------------|
| Financial Assets | | | | |
| Financial assets at fair value through profit and loss | 747,119 | 519,416 | - | 1,266,535 |
| <i>Public sector debt securities</i> | 747,119 | 199,800 | - | 946,919 |
| <i>Derivative financial assets held for trading</i> | - | 319,616 | - | 319,616 |
| Derivative financial assets for hedging purposes | - | 22,800 | - | 22,800 |
| Available-for-sale financial assets | 3,615,731 | 1,008,370 | - | 4,624,101 |
| <i>Public sector debt securities</i> | 3,610,444 | 999,143 | - | 4,609,587 |
| <i>Other available-for-sale financial assets(*)</i> | 5,287 | 9,227 | - | 14,514 |
| Financial Liabilities | | | | |
| Derivative financial liabilities held for trading | - | 249,957 | - | 249,957 |
| Derivative financial liabilities for hedging purposes | - | 50,447 | - | 50,447 |
| 31 December 2010 | | | | |
| Financial Assets | | | | |
| Financial assets at fair value through profit and loss | 96,061 | 98,991 | - | 195,052 |
| <i>Public sector debt securities</i> | 96,061 | - | - | 96,061 |
| <i>Derivative financial assets held for trading</i> | - | 98,991 | - | 98,991 |
| Derivative financial assets for hedging purposes | - | 11,157 | - | 11,157 |
| Available-for-sale financial assets | 3,397,417 | 12,594 | - | 3,410,011 |
| <i>Public sector debt securities</i> | 3,394,205 | - | - | 3,394,205 |
| <i>Other available-for-sale financial assets(*)</i> | 3,212 | 12,594 | - | 15,806 |
| Financial Liabilities | | | | |
| Derivative financial liabilities held for trading | 6,168 | 89,311 | - | 95,479 |
| Derivative financial liabilities for hedging purposes | - | 56,547 | - | 56,547 |

(*) TL 10,499 (31 December 2010: TL 2,074) carried at cost is not included in the table.

There is no transition between Level 1 and Level 2 in the current year.

IX. Explanations Related to Transactions Carried out on Behalf of Other Parties and Fiduciary Assets

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

The Bank does not deal with fiduciary transactions.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION FIVE

**EXPLANATIONS AND DISCLOSURES ON
UNCONSOLIDATED FINANCIAL STATEMENTS**

I. Explanations and Disclosures Related to the Assets

1. a) Information on Cash and Balances with the Central Bank of Turkey:

| | Current Period | | Prior Period | |
|--|------------------|------------------|----------------|------------------|
| | TL | FC | TL | FC |
| Cash in TL/Foreign Currency | 257,140 | 230,668 | 136,299 | 151,431 |
| Balances with the Central Bank of Turkey | 1,243,219 | 1,961,960 | 650,346 | 1,061,550 |
| Other | - | 325,268 | - | 27,670 |
| Total | 1,500,359 | 2,517,896 | 786,645 | 1,240,651 |

b) Information related to the account of the Central Bank of Turkey:

| | Current Period | | Prior Period | |
|-----------------------------|------------------|------------------|----------------|------------------|
| | TL | FC | TL | FC |
| Unrestricted demand deposit | 1,243,219 | - | 650,346 | - |
| Unrestricted time deposit | - | 373,429 | - | 651,635 |
| Restricted time deposit | - | 1,588,531 | - | 409,915 |
| Total | 1,243,219 | 1,961,960 | 650,346 | 1,061,550 |

TL 373,429 (31 December 2010: TL 651,635) foreign currency unrestricted deposit, TL 1,588,531 (31 December 2010: TL 409,915) foreign currency restricted deposit and TL 1,243,219 (31 December 2010: TL 650,287) TL unrestricted deposit balance comprises of reserve deposits. As of 31 December 2011, the Turkish lira required reserve ratios are determined to be within the range of 5%-11% depending on the maturity structure of deposits denominated in Turkish lira (31 December 2010: 6% for all Turkish lira liabilities), and the required reserve ratios for foreign currency deposits and other liabilities within the range of 6%-11% (31 December 2010: 11% for all foreign currency liabilities).

2. Information on financial assets at fair value through profit and loss (net):

a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked:
TL 22,033 (31 December 2010: None).

a.2) Financial assets at fair value through profit and loss subject to repurchase agreements:

| | Current Period | | Prior Period | |
|--------------------------------------|----------------|----------|--------------|----------|
| | TL | FC | TL | FC |
| Government bonds | 276,889 | - | - | - |
| Treasury bills | - | - | - | - |
| Other public sector debt securities | - | - | - | - |
| Bank bonds and bank guaranteed bonds | - | - | - | - |
| Asset backed securities | - | - | - | - |
| Other | - | - | - | - |
| Total | 276,889 | - | - | - |

Net book value of unrestricted financial assets at fair value through profit and loss is TL 647,997 (31 December 2010: TL 96,061).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Assets (continued)

2. Information on financial assets at fair value through profit and loss (net): (continued)

a.3) Positive differences related to derivative financial assets held-for-trading:

| | Current Period | | Prior Period | |
|----------------------|----------------|---------------|---------------|---------------|
| | TL | FC | TL | FC |
| Forward Transactions | 25,636 | 6,723 | 5,286 | 6,117 |
| Swap Transactions | 120,062 | 18,610 | 39,155 | 3,908 |
| Futures Transactions | - | - | - | - |
| Options | 118,360 | 28,302 | 36,318 | 8,207 |
| Other | - | 1,923 | - | - |
| Total | 264,058 | 55,558 | 80,759 | 18,232 |

3.a) Information on banks :

| | Current Period | | Prior Period | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | TL | FC | TL | FC |
| Banks | | | | |
| Domestic | 80,024 | 88,888 | 397,828 | 79,000 |
| Foreign | 53,018 | 119,125 | 15,000 | 211,656 |
| Branches and head office abroad | - | - | - | - |
| Total | 133,042 | 208,013 | 412,828 | 290,656 |

b) Information on foreign bank accounts:

| | Unrestricted Amount | | Restricted Amount | |
|---------------------------|---------------------|----------------|-------------------|--------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| European Union Countries | 51,396 | 104,947 | - | - |
| USA and Canada | 45,619 | 50,289 | - | - |
| OECD Countries (*) | 2,524 | 5,449 | - | - |
| Off-shore banking regions | 71,591 | 65,694 | - | - |
| Other | 1,013 | 277 | - | - |
| Total | 172,143 | 226,656 | - | - |

(*) OECD countries other than European Union countries, USA and Canada.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Assets (continued)

4. Information on financial assets available-for-sale:

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

| | Current Period | | Prior Period | |
|---|----------------|----------------|----------------|----------------|
| | TL | FC | TL | FC |
| Share certificates | - | - | - | - |
| Bond, Treasury bill and similar investment securities | 581,461 | 162,371 | 243,848 | 125,062 |
| Other | - | - | - | - |
| Total | 581,461 | 162,371 | 243,848 | 125,062 |

a.2) Financial assets available-for-sale subject to repurchase agreements:

| | Current Period | | Prior Period | |
|--------------------------------------|----------------|----------|--------------|----------|
| | TL | FC | TL | FC |
| Government bonds | 826,098 | - | - | - |
| Treasury bills | - | - | - | - |
| Other public sector debt securities | - | - | - | - |
| Bank bonds and bank guaranteed bonds | - | - | - | - |
| Asset backed securities | - | - | - | - |
| Other | - | - | - | - |
| Total | 826,098 | - | - | - |

Net book value of unrestricted financial assets available-for-sale is TL 3,064,670 (31 December 2010: TL 3,043,175).

b) Information on financial assets available for sale portfolio:

| | Current Period | Prior Period |
|----------------------------|------------------|------------------|
| Debt securities | 4,609,587 | 3,394,205 |
| Quoted on a stock exchange | 4,609,587 | 3,394,205 |
| Not quoted | - | - |
| Share certificates | 25,013 | 17,880 |
| Quoted on a stock exchange | 5,287 | 3,212 |
| Not quoted (*) | 19,726 | 14,668 |
| Impairment provision (-) | - | - |
| Total | 4,634,600 | 3,412,085 |

(*) After the sale of the Bank's 90.01% shares in TEB Finansal Kiralama A.Ş as at 30 September 2010; the remaining 9.99% shares are presented as available-for-sale financial assets and accounted for at fair value in accordance with TAS 39. The related amount is TL 12,594 and valuation difference amounting to TL 8,575 is accounted for under the "Marketable Securities Valuation Differences" account. With the sale of the Bank's shares as at 29 September 2011, the related amount became TL 9,227 and valuation difference decreased to TL 5,730 as of 31 December 2011.

All unquoted available for sale equities are recorded at fair value except for the Bank's investment of TL 10,499 which is recorded at cost since its fair value cannot be reliably estimated (31 December 2010: TL 2,074).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Assets (continued)

5. Information on loans:

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

| | Current Period | | Prior Period | |
|--|----------------|----------------|---------------|----------------|
| | Cash Loans | Non-Cash Loans | Cash Loans | Non-Cash Loans |
| Direct loans granted to shareholders | 74,499 | 128,471 | 24,509 | 40,782 |
| Corporate shareholders | 74,132 | 128,467 | 24,102 | 40,773 |
| Real person shareholders | 367 | 4 | 407 | 9 |
| Indirect loans granted to shareholders | - | - | - | - |
| Loans granted to employees | 43,989 | - | 22,893 | - |
| Total | 118,488 | 128,471 | 47,402 | 40,782 |

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

| Cash Loans | Standard Loans and Other Receivables | | Loans and Other Receivables Under Close Monitoring (*) | |
|---------------------------------|--------------------------------------|-----------------------------|--|-----------------------------|
| | Loans and Other Receivables | Restructured or Rescheduled | Loans and Other Receivables | Restructured or Rescheduled |
| Non-specialized loans | 24,325,305 | 908 | 1,012,359 | 105,072 |
| Discount notes | 498,904 | - | 28,750 | - |
| Export loans | 2,182,167 | - | 19,382 | - |
| Import loans | - | - | - | - |
| Loans given to financial sector | 531,467 | - | - | - |
| Foreign loans | 176,091 | - | 1,500 | - |
| Consumer loans(**) | 5,977,723 | 713 | 469,999 | 26,613 |
| Credit cards | 1,293,030 | - | 77,900 | 2,741 |
| Precious metal loans | 365,810 | - | 21,426 | - |
| Other | 13,300,113 | 195 | 393,402 | 75,718 |
| Specialized loans | - | - | - | - |
| Other receivables | - | - | - | - |
| Total | 24,325,305 | 908 | 1,012,359 | 105,072 |

(*) The total principal amount of the loans under close monitoring in accordance with the requirements of the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" amended on 6 February 2008.

(**) TL 11,554 of income accrual resulting from the fair value difference of the hedged item loans is included in the loan balance.

c) Loans and other receivables according to their maturity structure:

| Cash Loans | Standard Loans and Other Receivables | | Loans and Other Receivables Under Close Monitoring | |
|---|--------------------------------------|-----------------------------|--|-----------------------------|
| | Loans and Other Receivables | Restructured or Rescheduled | Loans and Other Receivables | Restructured or Rescheduled |
| Short-term loans and other receivables | 12,297,529 | - | 360,710 | 18,564 |
| Non-specialized loans | 12,297,529 | - | 360,710 | 18,564 |
| Specialized loans | - | - | - | - |
| Other receivables | - | - | - | - |
| Medium and long-term loans and other receivables | 12,027,776 | 908 | 651,649 | 86,508 |
| Non-specialized loans | 12,027,776 | 908 | 651,649 | 86,508 |
| Specialized loans | - | - | - | - |
| Other receivables | - | - | - | - |
| Total | 24,325,305 | 908 | 1,012,359 | 105,072 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Assets (continued)

5. Information on loans: (continued)

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

| | Short Term | Medium and Long Term | Total |
|--|-------------------|-----------------------------|------------------|
| Consumer Loans-TL | 119,102 | 6,006,041 | 6,125,143 |
| Housing Loans | 2,668 | 3,393,413 | 3,396,081 |
| Vehicle Loans | 12,062 | 583,339 | 595,401 |
| General Purpose Loans | 104,372 | 2,029,289 | 2,133,661 |
| Other | - | - | - |
| Consumer Loans -Indexed to FC | - | 175,056 | 175,056 |
| Housing Loans | - | 160,747 | 160,747 |
| Vehicle Loans | - | 3,269 | 3,269 |
| General Purpose Loans | - | 11,040 | 11,040 |
| Other | - | - | - |
| Consumer Loans-FC (**) | 49 | 17,674 | 17,723 |
| Housing Loans | - | 5,122 | 5,122 |
| Vehicle Loans | - | 8,910 | 8,910 |
| General Purpose Loans | 49 | 3,642 | 3,691 |
| Other | - | - | - |
| Individual Credit Cards-TL | 1,142,496 | - | 1,142,496 |
| With Installments | 511,240 | - | 511,240 |
| Without Installments | 631,256 | - | 631,256 |
| Individual Credit Cards-FC | 5,129 | - | 5,129 |
| With Installments | - | - | - |
| Without Installments | 5,129 | - | 5,129 |
| Personnel Loans-TL | 3,944 | 20,722 | 24,666 |
| Housing Loans | - | 69 | 69 |
| Vehicle Loans | - | 48 | 48 |
| General Purpose Loans | 3,944 | 20,605 | 24,549 |
| Other | - | - | - |
| Personnel Loans- Indexed to FC | - | - | - |
| Housing Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Personnel Loans-FC | - | - | - |
| Housing Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Personnel Credit Cards-TL | 17,162 | - | 17,162 |
| With Installments | 8,674 | - | 8,674 |
| Without Installments | 8,488 | - | 8,488 |
| Personnel Credit Cards-FC | 143 | - | 143 |
| With Installments | - | - | - |
| Without Installments | 143 | - | 143 |
| Overdraft Accounts-TL(Real Persons) (*) | 131,805 | - | 131,805 |
| Overdraft Accounts-FC(Real Persons) | 655 | - | 655 |
| Total | 1,420,485 | 6,219,493 | 7,639,978 |

(*) Overdraft Accounts include personnel loans amounting to TL 2,018.

(**) Loans granted via branches abroad.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Assets (continued)

5. Information on loans: (continued)

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

| | Short Term | Medium and Long Term | Total |
|---|----------------|----------------------|------------------|
| Commercial loans with installment facility-TL | 298,611 | 3,072,311 | 3,370,922 |
| Business Loans | 450 | 135,754 | 136,204 |
| Vehicle Loans | 21,595 | 818,654 | 840,249 |
| General Purpose Loans | 276,566 | 2,117,903 | 2,394,469 |
| Other | - | - | - |
| Commercial loans with installment facility - Indexed to FC | 24,350 | 439,843 | 464,193 |
| Business Loans | - | 15,138 | 15,138 |
| Vehicle Loans | 2,964 | 168,621 | 171,585 |
| General Purpose Loans | 21,386 | 256,084 | 277,470 |
| Other | - | - | - |
| Commercial loans with installment facility –FC | 25,401 | - | 25,401 |
| Business Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | 25,401 | - | 25,401 |
| Other | - | - | - |
| Corporate Credit Cards-TL | 207,745 | - | 207,745 |
| With Installments | 73,631 | - | 73,631 |
| Without Installments | 134,114 | - | 134,114 |
| Corporate Credit Cards-FC | 996 | - | 996 |
| With Installments | - | - | - |
| Without Installments | 996 | - | 996 |
| Overdraft Accounts-TL(Legal Entities) | 321,467 | - | 321,467 |
| Overdraft Accounts-FC(Legal Entities) | 7,522 | - | 7,522 |
| Total | 886,092 | 3,512,154 | 4,398,246 |

f) Loans according to borrowers:

| | Current Period | Prior Period |
|--------------|-------------------|-------------------|
| Public | 50,666 | 34,738 |
| Private | 25,392,978 | 11,595,695 |
| Total | 25,443,644 | 11,630,433 |

g) Domestic and foreign loans:

| | Current Period | Prior Period |
|----------------|-------------------|-------------------|
| Domestic loans | 25,212,413 | 11,454,413 |
| Foreign loans | 231,231 | 176,020 |
| Total | 25,443,644 | 11,630,433 |

h) Loans granted to subsidiaries and associates:

| | Current Period | Prior Period |
|---|----------------|--------------|
| Direct loans granted to subsidiaries and associates | 337 | 275 |
| Indirect loans granted to subsidiaries and associates | - | - |
| Total | 337 | 275 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the 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 | 9,910 | 4,833 |
| Loans and receivables with doubtful collectability | 24,806 | 21,608 |
| Uncollectible loans and receivables | 482,802 | 210,812 |
| Total | 517,518 | 237,253 |

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 |
|---|--|--|---|
| (Gross amount before specific provisions) | | | |
| Non-performing loans and receivables which are restructured | - | - | - |
| Non-performing loans and receivables which are rescheduled | 7,599 | 4,022 | 10,943 |

j.2) 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 | 34,203 | 59,874 | 265,998 |
| Additions (+) (*) | 265,470 | 44,780 | 338,376 |
| Transfers from other categories of non-performing loans (+) | 10 | 189,740 | 180,132 |
| Transfers to other categories of non-performing loans (-) | 191,484 | 178,398 | - |
| Collections (-) | 44,081 | 46,575 | 135,189 |
| Write-offs (-) (**) | 12 | 76 | 56,469 |
| Corporate and commercial loans | - | 75 | 54,491 |
| Retail loans | 12 | 1 | 101 |
| Credit cards | - | - | 1,877 |
| Other | - | - | - |
| Current period end balance | 64,106 | 69,345 | 592,848 |
| Specific provision (-) | 9,910 | 24,806 | 482,802 |
| Net Balances on Balance Sheet | 54,196 | 44,539 | 110,046 |

(*) Increase due to the merger is TL 388,400.

(**) TL 55,484 of the non-performing loans portfolio of the Bank with TL 54,078 provision has been sold to LBT Varlık Yönetim A.Ş. for TL 4,250. This balance has been collected as of 12 January 2011 with the completion of the necessary procedures, and the related non-performing loans have been written off from the records.

j.3) Information on foreign currency non-performing loans and other receivables: None.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Assets (continued)

5. Information on loans: (continued)

j.4) Information regarding gross and net amounts of non-performing loans with respect 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 Real Persons and Legal Entities (Gross) | 64,106 | 69,345 | 587,879 |
| Specific Provision (-) | 9,910 | 24,806 | 482,802 |
| Loans to Real Persons and Legal Entities (Net) | 54,196 | 44,539 | 105,077 |
| Banks (Gross) | - | - | 4,969 |
| Specific Provision (-) | - | - | - |
| Banks (Net) | - | - | 4,969 |
| Other Loans and Receivables (Gross) | - | - | - |
| Specific Provision (-) | - | - | - |
| Other Loans and Receivables (Net) | - | - | - |
| Prior Period (Net) | | | |
| Loans to Real Persons and Legal Entities (Gross) | 34,203 | 59,874 | 265,998 |
| Specific Provision (-) | 4,833 | 21,608 | 210,812 |
| Loans to Real Persons and Legal Entities (Net) | 29,370 | 38,266 | 55,186 |
| Banks (Gross) | - | - | - |
| Specific Provision (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | - | - | - |
| Specific Provision (-) | - | - | - |
| Other Loans and Receivables (Net) | - | - | - |

k) Main principles of liquidating non-performing loans and receivables:

According to the “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published on Official Gazette No. 26333 dated 1 November 2006; loans and other receivables for which the collection is believed to be impossible are classified as nonperforming loans by complying with the requirements of the Tax Procedural Law in accordance with the decision of the upper management of the Bank.

l) Explanations on write-off policy:

Unrecoverable non-performing loans can be written off with the decision of the Board of Directors.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Assets (continued)

5. Information on loans: (continued)

m) Other explanations and disclosures:

| Current Period | Commercial | Consumer | Credit Cards | Total |
|---|-------------------|------------------|---------------------|-------------------|
| Neither past due nor impaired | 16,968,403 | 5,998,435 | 1,212,389 | 24,179,227 |
| Past due not impaired | 626,522 | 476,613 | 161,282 | 1,264,417 |
| Individually impaired | 434,626 | 115,757 | 175,916 | 726,299 |
| Total gross | 18,029,551 | 6,590,805 | 1,549,587 | 26,169,943 |
| Less: allowance for individually impaired loans | 272,744 | 86,849 | 157,925 | 517,518 |
| Total allowance for impairment | 272,744 | 86,849 | 157,925 | 517,518 |
| Total net | 17,756,807 | 6,503,956 | 1,391,662 | 25,652,425 |
| Prior Period | Commercial | Consumer | Credit Cards | Total |
| Neither past due nor impaired | 8,100,720 | 2,491,312 | 504,616 | 11,096,648 |
| Past due not impaired | 385,634 | 82,858 | 65,293 | 533,785 |
| Individually impaired | 284,242 | 21,706 | 54,127 | 360,075 |
| Total gross | 8,770,596 | 2,595,876 | 624,036 | 11,990,508 |
| Less: allowance for individually impaired loans | 179,867 | 12,721 | 44,665 | 237,253 |
| Total allowance for impairment | 179,867 | 12,721 | 44,665 | 237,253 |
| Total net | 8,590,729 | 2,583,155 | 579,371 | 11,753,255 |

Based on classification, movement of allowance for loan losses and other receivables is presented as follows:

| | Commercial | Consumer | Credit Cards | Total |
|---------------------------|-------------------|-----------------|---------------------|----------------|
| 1 January 2011 | 179,867 | 12,721 | 44,665 | 237,253 |
| Charge for the period (*) | 193,559 | 77,102 | 131,620 | 402,281 |
| Recoveries | (48,275) | (2,974) | (16,689) | (67,938) |
| Amounts written off (**) | (52,407) | - | (1,671) | (54,078) |
| 31 December 2011 | 272,744 | 86,849 | 157,925 | 517,518 |
| | Commercial | Consumer | Credit Cards | Total |
| 1 January 2010 | 151,236 | 33,985 | 54,618 | 239,839 |
| Charge for the period | 137,042 | (4,282) | 36,831 | 169,591 |
| Recoveries | (36,468) | (6,708) | (14,672) | (57,848) |
| Amounts written off (***) | (71,943) | (10,274) | (32,112) | (114,329) |
| 31 December 2010 | 179,867 | 12,721 | 44,665 | 237,253 |

(*) Includes the provision amount of TL 285,101 transferred from Fortis Bank A.Ş.

(**) TL 55,484 of the non-performing loans portfolio of the Bank with TL 54,078 provision has been sold to LBT Varlık Yönetim A.Ş. for TL 4,250 which has been collected as of 12 January 2011 with the completion of the necessary procedures, and the related non-performing loans have been written off from the records.

(***) TL 39,957 of the non-performing loans portfolio of the Bank with TL 39,321 provision has been sold to Standart Varlık A.Ş. for TL 4,125 which has been collected as of 31 March 2010 with the completion of the necessary procedures, and the related non-performing loans have been written off from the records.

TL 75,008 of the non-performing loans portfolio of the Bank with TL 75,008 provision has been sold to LBT Varlık Yönetim A.Ş. for TL 6,500 which has been collected as of 28 June 2010 with the completion of the necessary procedures, and the related non-performing loans have been written off from the records.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Assets (continued)

5. Information on loans: (continued)

m) Other explanations and disclosures: (continued)

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank holds relating to loans individually determined to be impaired at 31 December 2011 is TL 202,442 (31 December 2010: TL 113,515).

The fair value of collaterals, capped with the respective outstanding loan balance relating to loans individually determined to be impaired:

| | Current Period | Prior Period |
|--------------|-----------------------|---------------------|
| Mortgage | 161,744 | 91,408 |
| Vehicle | 25,151 | 15,820 |
| Cash | 5,270 | 7 |
| Other | 10,277 | 6,280 |
| Total | 202,442 | 113,515 |

As of 31 December 2011 and 31 December 2010, detail of commodities and properties held for sale related to loan receivables of the Bank is as follows:

| 31 December 2011 | Commercial | Consumer | Total |
|--|-------------------|-----------------|---------------|
| Residential, commercial or industrial property | 57,498 | 8,685 | 66,183 |
| Financial assets | - | - | - |
| Other | 866 | - | 866 |
| Total | 58,364 | 8,685 | 67,049 |

| 31 December 2010 | Commercial | Consumer | Total |
|--|-------------------|-----------------|---------------|
| Residential, commercial or industrial property | 30,550 | 2,988 | 33,538 |
| Financial assets | - | - | - |
| Other | 444 | - | 444 |
| Total | 30,994 | 2,988 | 33,982 |

Aging analysis of past due but not impaired loans per classes of financial statements is as follows:

| 31 December 2011 | Less than 30 Days | 31-60 Days | 61-90 Days | Total |
|-------------------------|--------------------------|-------------------|-------------------|------------------|
| Loans and Receivables | | | | |
| Commercial Loans | 443,549 | 111,018 | 71,955 | 626,522 |
| Consumer Loans | 293,542 | 136,847 | 46,224 | 476,613 |
| Credit Cards | 150,805 | 1,973 | 8,504 | 161,282 |
| Total | 887,896 | 249,838 | 126,683 | 1,264,417 |

| 31 December 2010 | Less than 30 Days | 31-60 Days | 61-90 Days | Total |
|-------------------------|--------------------------|-------------------|-------------------|----------------|
| Loans and Receivables | | | | |
| Commercial Loans | 280,829 | 64,185 | 40,620 | 385,634 |
| Consumer Loans | 35,662 | 36,151 | 11,045 | 82,858 |
| Credit Cards | 59,836 | 412 | 5,045 | 65,293 |
| Total | 376,327 | 100,748 | 56,710 | 533,785 |

Of the total aggregate amount of gross past due but not yet impaired loans and advances to customers, the fair value of collaterals, capped with the respective outstanding total loan balance of the customer, that the Bank held as at 31 December 2011 is TL 908,408 (31 December 2010: TL 201,268).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Assets (continued)

5. Information on loans: (continued)

m) Other explanations and disclosures: (continued)

The fair value of collaterals, capped with the respective outstanding loan balance relating to those that are past due but not impaired:

| | Current Period | Prior Period |
|--------------|-----------------------|---------------------|
| Mortgage | 653,862 | 159,122 |
| Vehicle | 118,348 | 24,017 |
| Cash | 23,094 | 2,134 |
| Other | 113,104 | 15,995 |
| Total | 908,408 | 201,268 |

Explanations on the loans and other receivables of the Bank for which the payment schedules are revised as per the agreement:

Based on the Article 4 of the Communiqué “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”, the number of loans, total amount and extension periods for which the payment schedules are revised after 28 May 2011 are as follows:

(i) Loans for which the payment schedules are revised for once

| | | Extension Period | | | | | |
|-------|--------|-------------------------|-------------------|--------------------|------------------|---------------------|--------------|
| | | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Total |
| Loans | Number | 229 | 938 | 3,217 | 8,888 | 86 | 13,358 |
| | Amount | 6,274 | 13,350 | 43,250 | 119,424 | 5,347 | 187,645 |

(ii) Loans for which the payment schedules are revised for twice:

| | | Extension Period | | | | | |
|-------|--------|-------------------------|-------------------|--------------------|------------------|---------------------|--------------|
| | | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Total |
| Loans | Number | 1 | 117 | 19 | 10 | 2 | 149 |
| | Amount | 1 | 2,523 | 189 | 1,178 | 155 | 4,046 |

(iii) Loans for which the payment schedules are revised more than twice:

| | | Extension Period | | | | | |
|-------|--------|-------------------------|-------------------|--------------------|------------------|---------------------|--------------|
| | | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Total |
| Loans | Number | - | 1 | 1 | 1 | 1 | 4 |
| | Amount | - | 3 | 62 | 55 | 74 | 194 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Assets (continued)

6. Information on held-to-maturity investments:

Following the merger with Fortis Bank A.Ş., the Bank revised its risk management policies. As a result held to maturity investments amounting to TL 261,199 are classified as financial assets available for sale in accordance with TAS 39.

a.1) Information on held to maturity debt securities:

| | Current Period | Prior Period |
|-------------------------------------|-----------------------|---------------------|
| Government bonds | - | 217,604 |
| Treasury bills | - | - |
| Other public sector debt securities | - | - |
| Total | - | 217,604 |

a.2) Information on held to maturity investments:

| | Current Period | Prior Period |
|----------------------------|-----------------------|---------------------|
| Debt securities | | |
| Quoted on a stock exchange | - | 217,604 |
| Unquoted | - | - |
| Impairment provision(-) | - | - |
| Total | - | 217,604 |

a.3) Information on held-to-maturity investments given as collateral or blocked:

| | Current Period | | Prior Period | |
|--|-----------------------|-----------|---------------------|-----------|
| | TL | FC | TL | FC |
| Share Certificates | - | - | - | - |
| Bond, Treasury bill and similar securities | - | - | 68,245 | - |
| Other | - | - | - | - |
| Total | - | - | 68,245 | - |

a.4) Held-to-maturity investments subject to repurchase agreements:

| | Current Period | | Prior Period | |
|--------------------------------------|-----------------------|-----------|---------------------|-----------|
| | TL | FC | TL | FC |
| Government bonds | - | - | 70,042 | - |
| Treasury bills | - | - | - | - |
| Other public sector debt securities | - | - | - | - |
| Bank bonds and bank guaranteed bonds | - | - | - | - |
| Asset backed securities | - | - | - | - |
| Other | - | - | - | - |
| Total | - | - | 70,042 | - |

There is no unrestricted financial assets held-to maturity (31 December 2010: TL 79,317).

b) Movement of public sector debt investments held-to-maturity:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Beginning balance | 217,604 | 880,803 |
| Foreign currency differences on monetary assets | - | - |
| Purchases during the year(*) | 149,187 | 9,403 |
| Disposals through sales and redemptions | (366,791) | (672,602) |
| Impairment provision (-) | - | - |
| Change in income on redeemed cost adjustments | - | - |
| Closing Balance | - | 217,604 |

(*) Accruals are included in purchases during the year.

(**) Includes assets amounting to TL 138,203 transferred from Fortis Bank A.Ş.

(***) Classified in portfolio of securities available for sale as mentioned above.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Assets (continued)

7. Information on associates (Net):

- a.1) Information on the unconsolidated associates: None (31 December 2010: None).
b.1 and 2) Information on the consolidated associates: None (31 December 2010: None).
b.3) Valuation of consolidated associates: None (31 December 2010: None).
b.4) Consolidated associates which are quoted on the stock exchange: None (31 December 2010: None).

8. Information on subsidiaries (Net):

- a) Information on the unconsolidated subsidiaries: None (31 December 2010: None).
b) Information on the consolidated subsidiaries:
b.1) Information on the consolidated subsidiaries:

| Description | Address (City/ Country) | Bank's share percentage- If different voting percentage(%) | Other shareholders' share percentage (%) |
|--------------------------------------|----------------------------|--|---|
| The Economy Bank N.V. | Netherlands | 100.00 | - |
| TEB Faktoring A.Ş. | İstanbul/Turkey | 100.00 | - |
| TEB Yatırım Menkul Değerler A.Ş. (*) | İstanbul/Turkey | 96.62 | 3.38 |
| TEB Portföy Yönetimi A.Ş. (**) | İstanbul/Turkey | 25.60 | 29.14 |

Information on the consolidated subsidiaries with the order as presented in the table above:

| | Total Assets | Shareholders' Equity | Total Fixed Assets | Interest Income | Income from Marketable Securities Portfolio | Current Period Profit / Loss | Prior Period Profit / Loss (***) | Fair Value |
|------|-----------------|----------------------|-----------------------|--------------------|--|------------------------------------|--|---------------|
| (i) | 1,611,290 | 246,507 | 9,499 | 72,428 | 3,600 | 19,701 | 15,771 | - |
| (ii) | 868,679 | 38,462 | 1,815 | 68,744 | - | 10,247 | 8,355 | - |
| (ii) | 84,305 | 78,190 | 1,940 | 9,017 | 122 | 6,054 | 9,603 | - |
| (ii) | 31,200 | 28,765 | 841 | 1,527 | 319 | 3,218 | 4,309 | - |

- (*) As explained in the Material Event Disclosure on 24 March 2011, the followings are concluded in regards to the transfer of Fortis Yatırım Menkul Değerler A.Ş. ("Fortis Yatırım") in which TEB has 99.998% participation, with all of its assets and liabilities without any dissolution to TEB Yatırım Menkul Değerler A.Ş. ("TEB Yatırım") in which TEB has a direct share of 92.481%:

The transfer of Fortis Yatırım to TEB Yatırım and the related transfer agreement are approved in the Extraordinary General Meeting of TEB Yatırım and Fortis Yatırım held on 21 June 2011.

In relation to the transfer, Article 6 "Capital and Share Types" set out in the articles of association of TEB Yatırım is decided to be amended upon the approval of the CMB no: B.02.1.SPK.0.16-205.01.02/714-6076 issued on 14 June 2011 and the permit no: B.14.0.İTG.0.10.00.01/351-02-56082-72593-3267 given by the Domestic Trade Administration of the Ministry of Trade and Industry of Turkish Republic on 14 June 2011, and the capital of TEB Yatırım is decided to be increased from TL 12,950 to TL 28,794 in relation to the transfer transaction accordingly to the extent that shareholders of Fortis Yatırım are granted with shares that represent the increased capital.

The transfer was finalized on 24 June 2011 upon the registry of the resolutions issued in the TEB Yatırım and Fortis Yatırım's Extraordinary General Meeting held on 21 June 2011 to the İstanbul Trade Registry.

Following the transfer, TEB's direct participation in TEB Yatırım has increased to 96.617%.

- (**) As explained in the Material Event Disclosure dated 13 September 2011, the followings are concluded in regards to the transfer of Fortis Portföy Yönetimi A.Ş. ("Fortis Portföy") with all of its assets and liabilities without any dissolution to TEB Portföy Yönetimi A.Ş. ("TEB Portföy") in which the Bank has a direct and indirect share of 100%;

The transfer of Fortis Portföy to TEB Portföy and the related transfer agreement approved by the Capital Markets Board are approved in the Extraordinary General Meeting of TEB Portföy and Fortis Portföy held on 16 December 2011.

In relation to the transfer, Article 9 "Share Capital" and Article 14 "Board of Directors" set out in the articles of association of TEB Portföy are decided to be amended upon the approval of the CMB no: B.02.1.SPK.0.15.335.06-1088-11331 issued on 12 December 2011 and the permit no: B.21.0.İTG.0.03.01.00/351.02-57834-264712-2918/2466 given by the Domestic Trade Administration of the Ministry of Trade and Industry of Turkish Republic on 13 December 2011, and the capital of TEB Portföy is decided to be increased from TL 2,410 to TL 4,402 in relation to the transfer transaction accordingly to the extent that shareholders of Fortis Portföy are granted with shares that represent the increased capital at the Extraordinary General Assembly Meeting of TEB Portföy.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Assets (continued)

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

The transfer was finalized on 22 December 2011 upon the registry of the resolutions issued in the TEB Portföy and Fortis Portföy's Extraordinary General Meetings held on 16 December 2011 to the İstanbul Trade Registry.

Following the transfer, TEB's direct participation in TEB Portföy has decreased to 25.604%.

(***) Represents the amounts in the financial statements as of 31 December 2010.

(i) Represents financial figures of foreign currency statutory financial statements translated at period end foreign exchange rates for balance sheet and nine months' average rates for profit and loss as of 31 December 2011. The Economy Bank NV has two consolidated subsidiaries named Stichting Effecten Dienstverlening and Kronenburg Vastgoed B.V.

(ii) Represents financial figures based on BRSA as of 31 December 2011.

b.2) Information on consolidated subsidiaries:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Balance at the beginning of the period | 119,690 | 153,921 |
| Movements during the period | 48,171 | (34,231) |
| Purchases (*),(**),(***) | 48,171 | 5,959 |
| Bonus shares obtained | - | - |
| Share in current year income | - | - |
| Sales (****) | - | (40,190) |
| Revaluation increase | - | - |
| Provision for impairment | - | - |
| Balance at the end of the period | 167,861 | 119,690 |
| Capital commitments | - | - |
| Share percentage at the end of the period (%) | - | - |

(*) The Bank has transferred 17.54% of the shares of TEB Finansal Kiralama A.Ş. in TEB Yatırım Menkul Değerler A.Ş. amounting to TL 2,271 in exchange for TL 5,959 and payment for the related transfer was made after the completion of required procedures as at 29 September 2010.

(**) Fortis Yatırım Menkul Değerler A.Ş., the subsidiary of Fortis Bank A.Ş. transferred with the merger is included in the purchases as the net of the transfer amount of TL 44,745 and the reversal of the revaluation increase of TL 6,574.

(***) The share capital increase of TEB Faktoring A.Ş. in the amount of TL 10,000 is presented in the "purchases" line with the completion of the required procedures as at 29 July 2011.

(****) The Bank sold 90.01% shares of its subsidiary TEB Finansal Kiralama A.Ş. to Fortis Finansal Kiralama A.Ş. in consideration of TL 113,345. The sale amount was received after the completion of the necessary procedures as of 30 September 2010. The profit amounting to TL 77,173 resulting from this sale is presented under the "Income on Discontinued Operations" in the current year income statement. The remaining 9.99% shares are classified as "Financial Assets Available for Sale".

b.3) Sectoral information on the consolidated subsidiaries and the related carrying amounts:

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Banks/The Economy Bank N.V. | 61,254 | 61,254 |
| Factoring Companies/TEB Faktoring A.Ş. | 34,037 | 24,037 |
| Other Financial Subsidiaries/TEB Yatırım Men.Değ. A.Ş. (*) | 70,512 | 32,341 |
| TEB Portföy Yönetimi A.Ş. | 2,058 | 2,058 |
| Total | 167,861 | 119,690 |

(*) As explained in the Material Event Disclosure on 24 March 2011, the followings are concluded in regards to the transfer of Fortis Yatırım Menkul Değerler A.Ş. ("Fortis Yatırım") in which TEB has 99.998% participation, with all of its assets and liabilities without any dissolution to TEB Yatırım Menkul Değerler A.Ş. ("TEB Yatırım") in which TEB has a direct share of 92.481%.

b.4) Consolidated subsidiaries quoted on the stock exchange: None (31 December 2010: None).

9. Information on entities under common control (joint ventures):

| Description | Address (City/ Country) | Bank's share percentage-If different voting percentage(%) | Other shareholders' share percentage (%) |
|---|-------------------------|---|--|
| Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. | İstanbul/Türkiye | 0.1 | 33.3 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Assets (continued)

10. Information on finance lease receivables (Net): None (31 December 2010: None).

11. Information on derivative financial assets for hedging purposes:

| | Current Period | | Prior Period | |
|---|----------------|-----------|---------------|-----------|
| | TL | FC | TL | FC |
| Fair value hedge | 9,524 | 13 | 11,114 | 43 |
| Cash flow hedge | 13,263 | - | - | - |
| Hedge of net investment in foreign operations | - | - | - | - |
| Total | 22,787 | 13 | 11,114 | 43 |

12. Information on tangible assets :

| | Opening Balance 31 December 2010 | | | | Ending Balance 31 December 2011 | |
|---------------------------------------|--|-----------------|-----------------|------------------|---------------------------------------|------------------|
| | | Additions | Disposals | Other(*) | | |
| Cost: | | | | | | |
| Land and buildings | 9,637 | 5,000 | (450) | 106,862 | | 121,049 |
| Leased tangible assets | 48,616 | - | (1,165) | 8,770 | | 56,221 |
| Other | 270,256 | 62,941 | (77,430) | 411,233 | | 667,000 |
| Total Cost | 328,509 | 67,941 | (79,045) | 526,865 | | 844,270 |
| | | | | | | |
| | Opening Balance 31 December 2010 | | | | Ending Balance 31 December 2011 | |
| | Period Charge | Disposals | Other(*) | | | |
| Accumulated Depreciation: | | | | | | |
| Land and buildings | (3,737) | (1,792) | 243 | (26,717) | | (32,003) |
| Leased tangible assets | (43,292) | (4,493) | 1,164 | (7,731) | | (54,352) |
| Other | (171,974) | (75,028) | 76,347 | (332,927) | | (503,582) |
| Total Accumulated Depreciation | (219,003) | (81,313) | 77,754 | (367,375) | | (589,937) |
| Net Book Value | 109,506 | | | | | 254,333 |

(*) Tangible assets transferred from Fortis Bank A.Ş. are presented in "Other" column.

- a) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.
- b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

13. Information on intangible assets:

| | Opening Balance 31 December 2010 | | | | Ending Balance 31 December 2011 | |
|---------------------------------------|-------------------------------------|-----------------|-----------|-----------------|------------------------------------|-----------------|
| | | Additions | Disposals | Other(*) | | |
| Cost: | | | | | | |
| Other intangible assets | 42,083 | 9,480 | - | 51,103 | | 102,666 |
| Total Cost | 42,083 | 9,480 | - | 51,103 | | 102,666 |
| | | | | | | |
| | Opening Balance 31 December 2010 | | | | Ending Balance 31 December 2011 | |
| | Period Charge | Disposals | Other(*) | | | |
| Accumulated Amortization: | | | | | | |
| Other intangible assets | (31,927) | (10,559) | - | (42,958) | | (85,444) |
| Total Accumulated Amortization | (31,927) | (10,559) | - | (42,958) | | (85,444) |
| Net Book Value | 10,156 | | | | | 17,222 |

(*) Intangible assets transferred from Fortis Bank A.Ş. are presented in "Other" column.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Assets (continued)

13. Information on intangible assets: (continued)

- a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.
- b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition : None.
- d) The book value of intangible fixed assets that are pledged or restricted for use: None.
- e) Amount of purchase commitments for intangible fixed assets: None.
- f) Information on revalued intangible assets according to their types: None.
- g) Amount of total research and development expenses recorded in income statement within the period if any: None.
- h) Positive or negative consolidation goodwill on entity basis: Not applicable for the unconsolidated financial statements.
- i) Information on Goodwill:

Following announcement of the Banking Regulation and Supervision Agency approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, 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 with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Registered shares to be issued 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. shares for each Fortis Bank A.Ş. share having a nominal value of TL 1. The related transaction has been accounted for in accordance with the requirements of TFRS 3 “Business Combination”, since the merging banks were not under common control of the same parties before and after the merger. In this merger transaction, Fortis Bank A.Ş. was determined as the acquiree, and with the merger, the fair value of the equity shares exchanged as of 14 February 2011 was considered as the fair value of consideration transferred, and the difference between this value and the fair value of identifiable net asset value of Fortis Bank A.Ş. is accounted as goodwill.

Main principles related with the merger transaction are summarized as follows:

- All prior period financial statements of the Bank as of 31 December 2010 remained same with the publicly announced figures, and effect of the merger was not reflected to the prior period financials.
- Identifiable assets and liabilities of Fortis Bank A.Ş. were measured at fair value as of 14 February 2011. The difference between the fair value of the identifiable net assets and the fair value of equity shares exchanged is accounted as goodwill.
- Fair value of the equity shares exchanged as of the merger date is based on an independent appraisal report in which “discounted dividend” method was used.
- The difference resulting from the transactions described above is accounted under “Other Capital Reserves”.
- The net profit and net interest income of the acquiree Fortis Bank A.Ş. was realized as TL 64 and TL 90,147, respectively, for the period 1 January 2011- 14 February 2011 before the merger. The stated amounts were accounted under retained earnings in the accompanying financial statements. If the merger had been completed as of 1 January 2011, the net profit and net interest income of the merged Bank would have been realized as TL 206,739 and TL 1,465,149 respectively.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Assets (continued)

13. Information on intangible assets: (continued)

Information related to the calculation of the goodwill related to the merger is as follows:

| | 14 February 2011 |
|---|-------------------------|
| Fair value of equity shares exchanged | 2,385,482 |
| Fair value of the identifiable net assets of Fortis Bank A.Ş. | 1,964,358 |
| Goodwill | 421,124 |

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

| | 14 February 2011 |
|---|-------------------------|
| | Fair Value (*) |
| Cash and balances with Central Bank and money market placements | 2,133,269 |
| Marketable securities | 1,438,043 |
| Loans and receivables | 8,062,707 |
| Tangible and intangible assets | 170,696 |
| Deferred tax asset | 56,650 |
| Other receivables and other assets | 325,384 |
| Deposits | (6,195,402) |
| Funds borrowed and money market balances | (2,990,035) |
| Other liabilities | (1,036,954) |
| Net assets acquired | 1,964,358 |

(*) Fair value differences arise mainly from loans and receivables, marketable securities, fixed assets and funds borrowed.

j) Movements on goodwill in the current period:

| | Current Period | Prior Period |
|------------------------------|-----------------------|---------------------|
| Beginning balance | - | - |
| Foreign exchange differences | - | - |
| Additions | 421,124 | - |
| Ending balance | 421,124 | - |

14. Information on investment property: None (31 December 2010: None).

15. Explanations on deferred tax asset:

- As of 31 December 2011, deferred tax asset computed on the temporary differences and reflected to the balance sheet is TL 66,748 (31 December 2010: TL 13,093). There are no tax exemptions or deductions over which deferred tax asset is computed.
- Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
- Allowance for deferred tax and deferred tax assets from reversal of allowance: None.
- Movement of deferred tax:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| At January 1, | 13,093 | 7,869 |
| Other(*) | 56,694 | 144 |
| Deferred tax (charge)/benefit | (48,791) | 21,004 |
| Deferred tax accounted for under equity | 45,752 | (15,924) |
| Deferred Tax Asset | 66,748 | 13,093 |

(*) Deferred tax asset transferred from Fortis Bank A.Ş. is presented in "Other" column.

16. Information on assets held for sale and discontinued operations: None (31 December 2010: None).

17. Information on other assets:

Other Assets item of the balance sheet amounting to TL 717,885 (31 December 2010: TL 458,722) does not exceed 10% of the total amount of balance sheet except for off-balance sheet commitments.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION FIVE

II. Explanations and Disclosures Related to the Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period:

| | Demand | 7 Day Call Accounts | Up to 1 Month | 1-3 Months | 3-6 Months | 6 Month-1 Year | 1 Year and Over | Accumulated Deposits | Total |
|-----------------------------|------------------|---------------------|------------------|-------------------|----------------|----------------|-----------------|----------------------|-------------------|
| Saving deposits | 677,566 | - | 604,592 | 5,631,960 | 169,620 | 63,647 | 46,739 | 4,172 | 7,198,296 |
| Foreign currency deposits | 1,235,245 | - | 1,918,095 | 3,976,757 | 90,209 | 71,772 | 10,360 | 546 | 7,302,984 |
| Residents in Turkey | 1,159,672 | - | 1,835,883 | 3,864,739 | 80,750 | 47,641 | 2,626 | 546 | 6,991,857 |
| Residents abroad | 75,573 | - | 82,212 | 112,018 | 9,459 | 24,131 | 7,734 | - | 311,127 |
| Public sector deposits | 58,356 | - | 13,547 | 545,826 | 113 | - | 97 | - | 617,939 |
| Commercial deposits | 1,400,902 | - | 1,318,090 | 2,214,703 | 84,385 | 45,656 | 112 | 31 | 5,063,879 |
| Other institutions deposits | 22,167 | - | 91,553 | 954,176 | 1,719 | 45,545 | 529 | - | 1,115,689 |
| Precious metals deposits | 438,959 | - | 90,677 | 97,962 | 22,062 | 10,656 | - | - | 660,316 |
| Interbank deposits | 192,895 | - | 723,075 | 7,403 | - | 2,068 | 2,068 | - | 927,509 |
| Central Bank of Turkey | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 12 | - | 196,111 | - | - | - | 2,068 | - | 198,191 |
| Foreign Banks | 43,974 | - | 526,964 | 7,403 | - | 2,068 | - | - | 580,409 |
| Special finance houses | 148,909 | - | - | - | - | - | - | - | 148,909 |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 4,026,090 | - | 4,759,629 | 13,428,787 | 368,108 | 239,344 | 59,905 | 4,749 | 22,886,612 |

a.2) Prior period:

| | Demand | 7 Day Call Accounts | Up to 1 Month | 1-3 Months | 3-6 Months | 6 Month-1 Year | 1 Year and Over | Accumulated Deposits | Total |
|-----------------------------|------------------|---------------------|------------------|------------------|----------------|----------------|-----------------|----------------------|-------------------|
| Saving deposits | 345,594 | - | 700,447 | 2,274,948 | 243,706 | 80,810 | 372 | 6,381 | 3,652,258 |
| Foreign currency deposits | 831,419 | - | 1,364,222 | 1,158,564 | 17,907 | 22,452 | 3,134 | 1,256 | 3,398,954 |
| Residents in Turkey | 773,216 | - | 1,300,345 | 1,130,108 | 17,294 | 19,105 | 715 | 1,256 | 3,242,039 |
| Residents abroad | 58,203 | - | 63,877 | 28,456 | 613 | 3,347 | 2,419 | - | 156,915 |
| Public sector deposits | 121,698 | - | 1,208 | 3,315 | 43 | - | - | - | 126,264 |
| Commercial deposits | 917,353 | - | 1,086,547 | 1,230,715 | 34,832 | 45,413 | - | 30 | 3,314,890 |
| Other institutions deposits | 13,730 | - | 8,707 | 140,554 | 2,670 | 116 | 2 | - | 165,779 |
| Precious metals deposits | 108,512 | - | 14,962 | 4,384 | 1,160 | 356 | - | - | 129,374 |
| Interbank deposits | 98,280 | - | 1,084,434 | 22,725 | 3,036 | - | 3,156 | - | 1,211,631 |
| Central Bank of Turkey | - | - | - | - | - | - | - | - | - |
| Domestic Banks | - | - | 28,022 | - | - | - | - | - | 28,022 |
| Foreign Banks | 18,307 | - | 1,056,412 | 22,725 | 3,036 | - | 3,156 | - | 1,103,636 |
| Special finance houses | 79,973 | - | - | - | - | - | - | - | 79,973 |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 2,436,586 | - | 4,260,527 | 4,835,205 | 303,354 | 149,147 | 6,664 | 7,667 | 11,999,150 |

b) Information on saving deposits under the guarantee of saving deposit insurance:

b.1) Saving deposits exceeding the limit of insurance:

i) Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

| Saving Deposits | Under the Guarantee of Insurance(*) | | Exceeding the limit of Insurance(*) | |
|--|-------------------------------------|------------------|-------------------------------------|------------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| Saving deposits | 2,651,608 | 1,451,750 | 4,438,751 | 2,119,857 |
| Foreign currency saving deposits | 610,562 | 348,999 | 2,442,750 | 1,233,522 |
| Other deposits in the form of saving deposits | 243,165 | 12,876 | 356,186 | 113,771 |
| Foreign branches' deposits under foreign authorities' insurance | - | - | - | - |
| Off-shore banking regions' deposits under foreign authorities' insurance | - | - | - | - |
| Total | 3,505,335 | 1,813,625 | 7,237,687 | 3,467,150 |

(*) According to the BRSA's circular no 1584 dated on 23 February 2005, accruals are included in the saving deposit amounts.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Liabilities (continued)

b.2) Information on the saving deposits of the bank with head office abroad, if the saving deposits in the branches of the bank located in Turkey are under the guarantee of saving deposit insurance in that country abroad: None.

b.3) Saving deposits not guaranteed by insurance:

i) Deposits of real persons not under the guarantee of saving deposit insurance:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Deposits and accounts in branches abroad | 130,879 | 74,905 |
| Deposits of ultimate shareholders and their close families | 163,139 | 251,356 |
| Deposits of chairman and members of the Board of Directors and their close families | 15,913 | 10,805 |
| Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated 26 September 2004. | - | - |
| Saving deposits in banks established in Turkey exclusively for off shore banking activities | - | - |

2. Information on derivative financial liabilities:

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

| | Current Period | | Prior Period | |
|----------------------|-----------------------|---------------|---------------------|---------------|
| | TL | FC | TL | FC |
| Forward Transactions | 10,756 | 13,860 | 4,156 | 8,708 |
| Swap Transactions | 84,742 | 50,581 | 37,448 | 7,963 |
| Futures Transactions | - | - | - | 6,168 |
| Options | 62,210 | 27,808 | 22,829 | 8,207 |
| Other | - | - | - | - |
| Total | 157,708 | 92,249 | 64,433 | 31,046 |

3. a) Information on banks and other financial institutions:

| | Current Period | | Prior Period | |
|--|-----------------------|------------------|---------------------|------------------|
| | TL | FC | TL | FC |
| Loans from Central Bank of Turkey | - | - | - | - |
| From Domestic Banks and Institutions | 95,380 | 147,259 | 31,102 | 80,358 |
| From Foreign Banks, Institutions and Funds | 2,299,424 | 4,037,136 | 1,980,136 | 1,512,522 |
| Total | 2,394,804 | 4,184,395 | 2,011,238 | 1,592,880 |

As of 31 December 2011, the Bank has borrowings from its related parties amounting to TL 5,027,873 (31 December 2010: TL 2,634,729).

b) Maturity analysis of borrowings:

| | Current Period | | Prior Period | |
|----------------------|-----------------------|------------------|---------------------|------------------|
| | TL | FC | TL | FC |
| Short-term | 1,824,078 | 2,360,602 | 1,560,219 | 1,316,722 |
| Medium and long-term | 570,726 | 1,823,793 | 451,019 | 276,158 |
| Total | 2,394,804 | 4,184,395 | 2,011,238 | 1,592,880 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Liabilities (continued)

- c) Additional explanation related to the concentrations of the Bank's major liabilities:

Bank diversifies its funding resources by the customer deposits and by the foreign borrowings. As of 31 December 2011, the Bank has a syndication loan of EUR 192,000,000 and USD 115,000,000, obtained on 25 August 2011 with a maturity of 23 August 2012, under foreign borrowings.

Bank makes analysis of its customers that provide the maximum amount of funds within the branches and throughout the Bank, in consideration of profitability. Bank takes short and long term preventive measures to spread its customers on a wider spectrum on the basis of customer concentration in the branches.

Information on funds provided from repurchase agreement transactions:

| | Current Period | | Prior Period | |
|--|------------------|----|---------------|----|
| | TL | FC | TL | FC |
| From domestic transactions | 1,104,748 | - | 74,357 | - |
| Financial institutions and organizations | 1,102,228 | - | 73,565 | - |
| Other institutions and organizations | - | - | - | - |
| Real persons | 2,520 | - | 792 | - |
| From foreign transactions | - | - | - | - |
| Financial institutions and organizations | - | - | - | - |
| Other institutions and organizations | - | - | - | - |
| Real persons | - | - | - | - |
| Total | 1,104,748 | - | 74,357 | - |

Information on debt securities issued:

| | Current Period | | Prior Period | |
|----------------|----------------|----|--------------|----|
| | TL | FC | TL | FC |
| Bank bonds | 249,107 | - | - | - |
| Treasury bills | - | - | - | - |
| Total | 249,107 | - | - | - |

Upon the resolution of the Governing Committee of the Stock Market issued on 22 June 2011, the bonds issued by TEB with a nominal value of TL 300,000 and a maturity of 178 days (starting from 19 July 2011 and ending on 13 January 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"TRQTEBK11215" code starting from 21 July 2011 as required in the Listing Requirements of ISE.

4. **Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total:** None (31 December 2010: None).
5. **Explanations on financial lease obligations (Net):**

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

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

- b) The explanation on modifications in agreements and new obligations resulting from such modifications: None.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Liabilities (continued)

5. Explanations on financial lease obligations (Net): (continued)

- c) Explanation on finance lease payables:

| | Current Period | | Prior Period | |
|-------------------|----------------|----------|--------------|-----------|
| | Gross | Net | Gross | Net |
| Less than 1 Year | 1 | - | 17 | 13 |
| Between 1-4 Years | - | - | - | - |
| More than 4 Years | - | - | - | - |
| Total | 1 | - | 17 | 13 |

- d) Explanations regarding operational leases:

For the period ended 31 December 2011, operational lease expenses amounting to TL 137,760 (31 December 2010: TL 74,975) have been recorded in the profit and loss accounts. The lease periods vary between 1 and 10 years and lease agreements are cancelable subject to a certain period of notice.

- e) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

6. Information on derivative financial liabilities for hedging purposes:

| | Current Period | | Prior Period | |
|---|----------------|----------|---------------|----------|
| | TL | FC | TL | FC |
| Fair value hedge | 23,398 | - | 56,547 | - |
| Cash flow hedge | 27,049 | - | - | - |
| Hedge of net investment in foreign operations | - | - | - | - |
| Total | 50,447 | - | 56,547 | - |

7. Information on provisions:

- a) Information on general provisions:

| | Current Period | Prior Period |
|---|----------------|----------------|
| General Provisions | | |
| Provisions for First Group Loans and Receivables | 223,558 | 85,445 |
| Provisions for Second Group Loans and Receivables | 22,287 | 9,785 |
| Provisions for Non-Cash Loans | 18,269 | 11,564 |
| Other | - | - |
| Total | 264,114 | 106,794 |

- b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: The foreign exchange losses on the foreign currency indexed loans amounting to TL 42,495 (31 December 2010: TL 24,097) is offset from the loans on the balance sheet.

- c) The specific provisions provided for unindemnified non cash loans amount to TL 32,652 (31 December 2010: TL 18,722).

- d) Information on employee termination benefits, premium and unused vacation accrual:

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in the TAS No:19 and reflected this in the financial statements. The actuarial assumptions used for the calculation of the reserve for employee termination benefits are; discount rate of 9.55% (31 December 2010: 10%) and inflation rate of 5.13% (31 December 2010: 5.1%).

As of 31 December 2011, the Bank accrued TL 26,745 (31 December 2010: TL 10,375) for the unused vacations and TL 34,245 (31 December 2010: TL 22,520) for premiums to be paid to the Bank's personnel. Those amounts are classified under "Reserve for Employee Benefits" in the financial statements.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Liabilities (continued)

7. Information on provisions (continued)

d.1) Movement of employee termination benefits

| | Current Period | Prior Period |
|-------------------------|-----------------------|---------------------|
| As of January 1 | 24,178 | 17,556 |
| Increase due to merger | 23,653 | - |
| Service cost | 6,871 | 3,232 |
| Interest cost | 4,327 | 1,875 |
| Settlement cost | - | 905 |
| Actuarial gain / (loss) | 14,794 | 2,895 |
| Benefits paid | (15,866) | (2,285) |
| Total | 57,957 | 24,178 |

(i) Retirement Benefits:

The employees who joined the Bank as a consequence of the merger of TEB and Fortis Bank in 2011 became members of both the “Türk Dış Ticaret Bankası Personnel Pension Fund Foundation” established in accordance with the Social Security Law No.506, Article No.20 and the Security Fund.

The liabilities described in the Retirement Fund Section 3 No. XV “Explanations on Liabilities related to Rights of Employees” which may arise during the transfer have been calculated by the actuary based on the principles of the New Law, whereas the liabilities in connection with other social rights and benefits which will not be undertaken by the SSI after the transfer have been calculated by the actuary based on IAS 19 principles.

In this context, regarding the Retirement Fund, the Bank’s liability regarding the benefits to be transferred to SSI as of the balance sheet date is the approximate payment amount required at the transfer. The actual parameters and outcomes used to measure this amount reflect the New Code’s legal decisions (9.80% real discount rate) regarding the retirement and health benefits to be transferred to SSI.

The technical financial statements of the Pension Fund are prepared by an independent actuary company and the Fund is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared on 31 December 2011. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Furthermore, the Bank management anticipates that the amount of possible obligation arising during the transfer based on the aforementioned fact and after can be compensated with the assets of the Retirement Fund and does not bear any additional burden for the Bank.

Based on the determined assumptions,

- The retirement and health liabilities that are to be transferred to SSI including the total service liabilities, general administration expenses are calculated as TL 323,488 and the future contributions present value is calculated as TL 384,546. As of 31 December 2011, when future contribution payments and the total service liabilities are taken into consideration an excess of TL 61,058 is observed.

| Transferrable Retirement and Health Liabilities: | 31 December 2011 |
|---|-------------------------|
| Net Present Value of Transferrable Retirement Liabilities | (320,285) |
| Net Present Value of Transferrable Retirement and Health Contributing | 384,546 |
| General Administration Expenses | (3,203) |
| Present Value of Transferrable Retirement and Health Liabilities | 61,058 |

- In accordance with the Social Securities and General Health Security Law, additional aid to be provided by the Pension Plan or the Bank after the transfer that is accrued in the context of method and assumptions of IAS 19 is calculated as past service liabilities with the amount of TL 186,875.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Liabilities (continued)

7. Information on provisions (continued)

(i) Retirement Benefits: (continued)

- Based on data provided by the Fund, total amount of the Fund assets is TL 1,067,778.

Distribution of total assets of the Retirement Fund as of 31 December 2011 is presented below:

| | 31 December 2011 |
|--|-------------------------|
| Bank placements | 938,662 |
| Government Bonds and Treasury Bill, Fund and Accrual Interest Income | 58,835 |
| Tangible assets | 65,458 |
| Other | 4,823 |
| Total | 1,067,778 |

Actuarial assumptions used in valuation of liabilities except for transferrable liabilities based on IAS 19 are as follows:

| | 31 December 2011 |
|------------------------------|-------------------------|
| Expected Inflation Rate | 8.75% |
| Discount Rate | 11.55% |
| Increase in expected benefit | 8.75% |

In the valuation as of 31 December 2011, it is assumed that inflation rate of 8.75% in 2012 gradually diminishes to 4.5% within 30 years and after that stays constant; in the same way, discount rate is 11.55% in 2012 while 9.2% is used at the end of the following 30 years and remains constant in the subsequent years whereas medical inflation is more than 40%. In order to represent the expected mortality rates before and after the retirement, CSO 1980 Female/Male mortality table is used.

The actuarial valuation of the second fund, namely "Security Fund", whose members joined to the Bank as a consequence of the merger and which is not within the scope of transfer to SSI pursuant to the Provisional Article 20 of the Social Securities and General Health Security Law numbered 5510 has been performed by an independent advisory firm in accordance with the methods and estimations determined in IAS 19 "Employee Benefits". As of 31 December 2011, the surplus of the Security Fund amounts to TL 60,783.

| Security Fund: | 31 December 2011 |
|------------------------------|-------------------------|
| Present Value of obligations | (266,727) |
| Fair Value of plan assets | 327,510 |
| Total | 60,783 |

Movements in the present value of the defined benefit obligations of the Security Fund and reconciliation of opening and closing balances is as follows: in the current period were as follows:

| | 31 December 2011 |
|--|-------------------------|
| Liabilities transferred due to merger | 224,319 |
| Service Cost | 7,357 |
| Interest Cost | 20,074 |
| Employee Contribution | 4,923 |
| Benefits paid by the Fund | (12,891) |
| Past Service Cost | 6,820 |
| Actuarial Loss / (Gain) | 16,125 |
| Closing Balance | 266,727 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Liabilities (continued)

7. Information on provisions (continued)

(i) Retirement Benefits: (continued)

Reconciliation of opening and closing balance of fair value of Security Fund assets is as below:

| | 31 December 2011 |
|---|-------------------------|
| Assets transferred due to merger | 305,940 |
| Expected return on assets | 26,567 |
| Company contributions | 5,786 |
| Employee contributions | 4,923 |
| Benefits paid | (12,891) |
| Actuarial Gain / (Loss) | (2,815) |
| Closing Balance | 327,510 |

Asset distribution of the Retirement Fund is presented on the table below:

| | 31 December 2011 |
|--------------------------------|-------------------------|
| Bank placements | 258,000 |
| Government bonds | 47,700 |
| Tangible and intangible assets | 18,300 |
| Other | 3,510 |
| Total | 327,510 |

The actual assumptions used are the best approximate estimate regarding the cost of the benefits to be provided by the Bank and are as follows;

| | 31 December 2011 |
|-------------------------------------|-------------------------|
| Discount rate | 9.15% |
| Expected Inflation | 5.00% |
| Rate of Return on plan assets | 9.15% |
| Increase in Social Security Ceiling | 5.00% |
| Medical Inflation | 7.00% |

e) Information on other provisions:

e.1) Provisions for possible losses: None (31 December 2010: None).

e.2) The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Provision for legal cases (*) | 43,577 | - |
| Provision for unindemnified non-cash loans | 32,652 | 18,722 |
| Provision for promotions of credit cards and banking services | 11,926 | 4,990 |
| Other | 14,292 | 3,230 |
| Total | 102,447 | 26,942 |

(*) Includes TL 43,577 litigation provision transferred from Fortis Bank A.Ş.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Liabilities (continued)

8. Explanations on taxes payable:

a) Information on current tax liability:

a.1) Corporate taxes:

| | Current Period | Prior Period |
|-------------------------------|-----------------------|---------------------|
| Provision for corporate taxes | 25,021 | 50,085 |

a.2) Information on taxes payable:

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Taxation on Securities | 20,826 | 6,461 |
| Property Tax | 1,658 | 1,044 |
| Banking Insurance Transaction Tax (BITT) | 23,071 | 10,922 |
| Foreign Exchange Transaction Tax | 14 | 9 |
| Value Added Tax Payable | 1,575 | 1,509 |
| Other (*) | 14,096 | 6,532 |
| Total | 61,240 | 26,477 |

(*) Others include income taxes deducted from wages amounting to TL 12,185 (31 December 2010: TL 6,362) and stamp taxes payable amounting to TL 994 (31 December 2010: TL 732) while prepaid income tax amounting to TL 562 is deducted from other.

b) Information on premiums:

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Social Security Premiums-Employee | 6,057 | 2,537 |
| Social Security Premiums-Employer | 6,861 | 2,700 |
| Bank Social Aid Pension Fund Premium-Employee | - | - |
| Bank Social Aid Pension Fund Premium-Employer | - | - |
| Pension Fund Membership Fees and Provisions-Employee | - | - |
| Pension Fund Membership Fees and Provisions-Employer | - | - |
| Unemployment Insurance-Employee | 652 | 177 |
| Unemployment Insurance-Employer | 853 | 356 |
| Other | - | - |
| Total | 14,423 | 5,770 |

c) Explanations on deferred tax liabilities, if any: None (31 December 2010: None).

9. Information on liabilities regarding assets held for sale and discontinued operations: None (31 December 2010: None).

10. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

The Bank has signed another agreement with the IFC on 27 June 2005, for a subordinated loan. The facility is a USD 50 million subordinated loan, with a maturity of 15 July 2015 and with an interest rate of LIBOR+3.18%.

The Bank has obtained a primary subordinated loan by issuing a bond amounting to USD 100 million as of 31 July 2007. The investor of the bond is IFC. The maturity of the borrowing is indefinite with semi-annually interest payment. The interest rate is defined as LIBOR+3.5% until 31 July 2017. In case the borrowed amount is not repaid at that date, the interest rate will be revised as LIBOR + 5.25%. Notes are issued as perpetual.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Liabilities (continued)

10. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any: (continued)

The Bank has obtained secondary subordinated loans by issuing a bond amounting to EUR 75 million as of 4 November 2011 and a bond amounting to EUR 100 million as of 21 December 2011. The bond issue on 21 December 2011 amounting to EUR 100 million is added up with the first issue of EUR 75 million and together will be followed as EUR 175 million. Since the coupon rate of the issue amounting to EUR 100 million is semi-annual Euribor + 5.25% and two issues stated above will be merged and the merged issue will carry the coupon rate of the first issue (Euribor + 4.75% on an annual basis), the price of EUR 100 million issue has been determined as 96.026% (the price determined as the 12 month interest difference between two issues discounted by new issues semi-annual coupon rate of Euribor + 5.25%). As interest payment periods of the new issue will be same with the first one, 47-day interest accrual amounting to EUR 852,537.78 related to the period between 4 November 2011 and 21 December 2011 was paid to the Bank by the investor purchasing the second issue. On 21 December 2011, total net amount of EUR 96,878,527.78 is transferred to the bank accounts.

Each of the three of the above facilities match BRSA's subordinated loan-capital definitions and contribute to the Bank's capital adequacy ratio in a positive manner, as well as creating long term financing.

a) Information on subordinated loans:

| | Current Period | | Prior Period | |
|----------------------------------|----------------|----------------|--------------|----------------|
| | TL | FC | TL | FC |
| From Domestic Banks | - | - | - | - |
| From Other Domestic Institutions | - | - | - | - |
| From Foreign Banks | - | - | - | - |
| From Other Foreign Institutions | - | 712,346 | - | 472,542 |
| Total | - | 712,346 | - | 472,542 |

11. Information on Shareholders' Equity:

a) Presentation of Paid-in Capital:

| | Current Period | Prior Period |
|-----------------|----------------|--------------|
| Common stock | 2,204,390 | 1,100,000 |
| Preferred stock | - | - |

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank if so amount of registered share capital ceiling:

| Capital System | Paid-in capital | Ceiling |
|---------------------------|-----------------|---------|
| Registered Capital System | 2,204,390 | - |

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

Following announcement of the Banking Regulation and Supervision Agency approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two bank by means of transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Due to the merger, ceiling for the registered capital of the Bank is increased from TL 1,400,000, to TL 2,204,390, and the issued capital of the Bank is increased by TL 1,104,390, from TL 1,100,000 to TL 2,204,390.

| Date of Increase | Amount of Increase | Transfer from | | | |
|------------------|--------------------|---------------|------------------|-----------------|------------------|
| | | Cash | Fortis Bank A.Ş. | Profit Reserves | Capital Reserves |
| 14 February 2011 | 1,104,390 | - | 1,050,000 | 54,390 | - |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Liabilities (continued)

11. Information on Shareholders' Equity: (continued)

- d) Information on share capital increases from revaluation funds: None.
- e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None.
- f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

Prior year income, profitability and liquidity of the Bank is closely monitored and reported to Board of Directors, Asset and Liability Committee, and Risk Management by the Budget and Financial Control Group. This group tries to forecast the effects of interest, currency and maturity fluctuations that change these indicators with static and dynamic scenario analysis. Net asset value, which is defined as the difference of fair values of assets and liabilities, is measured. Expectations are made for Bank's future interest income via simulations of net interest income and scenario analysis.

- g) Information on preferred shares:

7% of the Bank's remaining net income after tax subsequent to deducting legal reserves and first dividends, corresponding to the Bank's 0,06 shares of TL 30 (in full TL) is distributed to the founder shares.

- h) Information on marketable securities valuation differences:

| | Current Period | | Prior Period | |
|--|-----------------|-----------------|---------------|--------------|
| | TL | FC | TL | FC |
| From Associates, Subsidiaries, and Entities Under Common Control (Joint Vent.) | - | - | - | - |
| Valuation Difference | (87,265) | (12,005) | 91,976 | (301) |
| Foreign Exchange Difference | - | - | - | - |
| Total | (87,265) | (12,005) | 91,976 | (301) |

| | Current Period | Prior Period |
|--|-----------------|--------------|
| Foreign currency marketable securities valuation differences | (12,005) | (301) |
| Foreign exchange gains resulting from foreign currency associates, subsidiaries, and securities held to maturity related to the above amount | - | - |
| Total | (12,005) | (301) |

Information on legal reserves:

| | Current Period | Prior Period |
|--|----------------|---------------|
| First legal reserves | 101,547 | 39,932 |
| Second legal reserves | 9,786 | 5,536 |
| Other legal reserves appropriated in accordance with special legislation | - | - |
| Total | 111,333 | 45,468 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Liabilities (continued)

11. Information on Shareholders' Equity: (continued)

Other Information on Shareholders' Equity:

Information on extraordinary reserves:

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Reserves appropriated by the General Assembly | 937,628 | 228,530 |
| Retained earnings | - | - |
| Accumulated losses | - | - |
| Foreign currency share capital exchange difference | - | - |
| Total | 937,628 | 228,530 |

The movement of the marketable securities valuation differences is as follows:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| At 1 January | 91,675 | 21,548 |
| Net unrealized gains on available for sale investments | (170,810) | 115,285 |
| Realized gains on available for sale investments recycled to income statement on disposal | - | - |
| Realized losses on available for sale investments recycled to income statement on disposal and impairment | (65,707) | (29,234) |
| Tax effect of net gains on available for sale investments | 45,572 | (15,924) |
| Unrealized gains / (losses) on cash flow hedges | - | - |
| Gains / (losses) on cash flow hedges recycled to income statement | - | - |
| Tax effect of gains on cash flow hedges | - | - |
| At period end | (99,270) | 91,675 |

The detail of the cash flow hedge fund accounted for under equity is as follows:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| As of 1 January | - | - |
| Gains / (losses) on cash flow hedges | 5,631 | - |
| Tax effect of gains on cash flow hedges | (1,126) | - |
| At period end | 4,505 | - |

12. Information on minority shares: None (31 December 2010: None).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION FIVE

III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments: Credit card expenditure limit commitments are TL 2,661,586 and TL 1,152,230; payment commitments for checks are TL 1,455,318 and TL 707,681 as of 31 December 2011 and 31 December 2010, respectively.

b) Possible losses and commitments related to off-balance sheet items:

The Bank, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits:

| | Current Period | Prior Period |
|---------------------|-----------------------|---------------------|
| Letters of Credit | 1,319,224 | 676,829 |
| Bank Acceptances | 342,297 | 55,532 |
| Other Commitments | 756,605 | 279,034 |
| Other Contingencies | 85,162 | 35,496 |
| Total | 2,503,288 | 1,046,891 |

b.2) Guarantees, surety ships, and similar transactions:

| | Current Period | Prior Period |
|-------------------------------------|-----------------------|---------------------|
| Guarantee Letters | 3,995,191 | 2,158,257 |
| Advance Guarantee Letters | 608,580 | 285,114 |
| Temporary Guarantee Letters | 492,886 | 223,055 |
| Guarantee Letters Given for Customs | 249,834 | 211,909 |
| Other Guarantee Letters | 213,003 | 143,157 |
| Total | 5,559,494 | 3,021,492 |

c) c.1) Total amount of non-cash loans:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Non-cash loans given against achieving cash loans | 517,531 | 195,074 |
| With maturity of 1 year or less than 1 year | 116,345 | 29,421 |
| With maturity of more than 1 year | 401,186 | 165,653 |
| Other non-cash loans | 7,545,251 | 3,873,309 |
| Total | 8,062,782 | 4,068,383 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments (continued)

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

c.2) Information on sectoral risk breakdown of non-cash loans:

| | Current Period | | | | Prior Period | | | |
|--------------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| | TL | (%) | FC | (%) | TL | (%) | FC | (%) |
| Agricultural | 56,900 | 1.65 | 75,514 | 1.63 | 30,319 | 1.53 | 14,411 | 0.69 |
| Farming and raising livestock | 43,627 | 1.26 | 74,530 | 1.61 | 23,255 | 1.17 | 2,699 | 0.13 |
| Forestry | 12,644 | 0.37 | 644 | 0.01 | 6,826 | 0.35 | 11,661 | 0.56 |
| Fishery | 629 | 0.02 | 340 | 0.01 | 238 | 0.01 | 51 | - |
| Manufacturing | 1,619,045 | 47.01 | 2,776,865 | 60.12 | 1,060,727 | 53.43 | 1,143,247 | 54.88 |
| Mining | 101,475 | 2.95 | 74,724 | 1.62 | 58,762 | 2.96 | 37,749 | 1.81 |
| Production | 1,463,029 | 42.48 | 2,608,420 | 56.47 | 984,013 | 49.57 | 1,101,093 | 52.86 |
| Electric, gas and water | 54,541 | 1.58 | 93,721 | 2.03 | 17,952 | 0.90 | 4,405 | 0.21 |
| Construction | 848,015 | 24.63 | 549,706 | 11.90 | 374,732 | 18.88 | 305,485 | 14.66 |
| Services | 837,762 | 24.33 | 421,183 | 9.12 | 487,512 | 24.56 | 317,107 | 15.22 |
| Wholesale and retail trade | 378,271 | 10.99 | 56,324 | 1.22 | 178,561 | 9.00 | 44,360 | 2.13 |
| Hotel, food and beverage services | 34,211 | 0.99 | 18,006 | 0.39 | 13,373 | 0.67 | 6,499 | 0.31 |
| Transportation and telecommunication | 181,676 | 5.28 | 174,204 | 3.77 | 133,277 | 6.71 | 207,215 | 9.95 |
| Financial institutions | 49,960 | 1.45 | 59,635 | 1.29 | 40,641 | 2.05 | 31,024 | 1.49 |
| Real estate and renting services | 73,056 | 2.12 | 48,736 | 1.06 | 35,180 | 1.77 | 13,336 | 0.64 |
| Self-employment services | 59,110 | 1.72 | 35,935 | 0.78 | 53,117 | 2.68 | 4,031 | 0.19 |
| Education services | 2,134 | 0.06 | 873 | 0.02 | 461 | 0.02 | 891 | 0.04 |
| Health and social services | 59,344 | 1.72 | 27,470 | 0.59 | 32,902 | 1.66 | 9,751 | 0.47 |
| Other | 81,993 | 2.38 | 795,799 | 17.23 | 31,811 | 1.60 | 303,032 | 14.55 |
| Total | 3,443,715 | 100.00 | 4,619,067 | 100.00 | 1,985,101 | 100.00 | 2,083,282 | 100.00 |

c.3) Information on I st and II nd Group non-cash loans:

| Non-cash loans | I st Group | | II nd Group | |
|-------------------------------------|------------------|------------------|---------------|---------------|
| | TL | FC | TL | FC |
| Letters of guarantee | 2,952,201 | 2,546,315 | 42,277 | 18,701 |
| Bank acceptances | - | 342,297 | - | - |
| Letters of credit | - | 1,318,464 | - | 760 |
| Endorsements | - | - | - | - |
| Underwriting commitments | - | - | - | - |
| Factoring commitments | - | - | - | - |
| Other commitments and contingencies | 445,418 | 390,828 | 3,819 | 1,702 |
| Total | 3,397,619 | 4,597,904 | 46,096 | 21,163 |

The Bank provided a reserve of TL 32,652 (31 December 2010: TL 18,722) for non-cash loans not indemnified yet amounting to TL 44,019 (31 December 2010: TL 25,204).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments (continued)

2. Information related to derivative financial instruments:

| | Derivative transactions according to purposes | | | |
|--|---|-------------------|------------------|----------------|
| | Trading | | Hedging | |
| | Current Period | Prior Period | Current Period | Prior Period |
| Types of trading transactions | | | | |
| Foreign currency related derivative transactions (I): | 28,866,929 | 10,045,989 | - | - |
| Forward transactions | 4,619,076 | 2,030,469 | - | - |
| Swap transactions | 9,637,740 | 3,081,598 | - | - |
| Futures transactions | - | 498,894 | - | - |
| Option transactions | 14,610,113 | 4,435,028 | - | - |
| Interest related derivative transactions (II): | 1,562,582 | 678,409 | - | - |
| Forward rate transactions | - | - | - | - |
| Interest rate swap transactions | 1,163,468 | 413,864 | - | - |
| Interest option transactions | 399,114 | 264,545 | - | - |
| Futures interest transactions | - | - | - | - |
| Marketable securities call-put options (III) | - | 17,678 | - | - |
| Other trading derivative transactions (IV) | - | - | - | - |
| A.Total trading derivative transactions (I+II+III+IV) | 30,429,511 | 10,742,076 | | |
| Types of hedging transactions | | | | |
| Fair value hedges | - | - | 161,558 | 491,053 |
| Cash flow hedges | - | - | 1,918,710 | - |
| Net investment hedges | - | - | - | - |
| B.Total hedging related derivatives | | | 2,080,268 | 491,053 |
| Total Derivative Transactions (A+B) | 30,429,511 | 10,742,076 | 2,080,268 | 491,053 |

Related to agreements of forward transactions and options; the information based on the type of forward and options transactions are disclosed separately, specified with related amounts, type of agreement, purpose of transaction, nature of risk, strategy of risk management, hedging relationship, possible effects on the Bank's financial position, timing of cash flows, reasons of unrealized transactions which previously projected to be realized, income and expenses that could not be linked to income statement in the current period because of the agreements:

Forward foreign exchange and swap transactions are based on protection from interest and currency fluctuations. According to TAS, they do not qualify as hedging instruments and are remeasured at fair value.

i)Derivative instruments for fair value hedging purposes:

As of 1 July 2008, the Bank has started to apply fair value hedge accounting in order to avoid the effects of interest rate fluctuations in the market by matching its swap portfolio with its loan portfolio. As of 31 December 2011, nominal value of derivative instruments for hedging purposes is TL 161,558 (31 December 2010: TL 491,053) and net fair value is TL 13,861 liability (31 December 2010: TL 45,390 liability) while fair value of the hedged item loans is TL 11,554. The Bank accounts TL 18,797 income for derivative instruments for hedging purposes and TL 22,094 expense from hedged item loans in the financial statements. There is no fair value hedge ceased in 2011.

| | Current Period | | | Prior Period | | |
|----------------------|----------------|--------------|---------------|----------------|---------------|---------------|
| | Nominal | Fair Value | | Nominal | Fair Value | |
| | | Asset | Liability | | Asset | Liability |
| Interest Rate Swaps | 60,000 | 1,526 | 4,281 | 200,000 | 3,510 | 17,547 |
| Cross Currency Swaps | 101,558 | 8,011 | 19,117 | 291,053 | 7,647 | 39,000 |
| | 161,558 | 9,537 | 23,398 | 491,053 | 11,157 | 56,547 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments (continued)

2. Information related to derivative financial instruments: (continued)

ii) Derivative instruments for cash flow hedge purposes:

The Bank has adopted cash flow hedge accounting by matching its swap portfolio having total buy-sell nominal amounting to TL 847,130 as of August 2011, TL 571,580 as of October 2011, and TL 500,000 as of November 2011 with the deposit portfolio having maturity of 28-32 days. Effective portion of TL 5,631 accounted for under equity is presented after deduction of its deferred tax effect of TL 1,126 in the financial statements. In 2011, the ineffective portion of TL 422 is accounted as expense in the income statement. There is no cash flow hedge ceased in 2011.

| | Current Period | | | Prior Period | | |
|---------------------|----------------|------------|-----------|--------------|------------|-----------|
| | Nominal | Fair Value | | Nominal | Fair Value | |
| | | Asset | Liability | | Asset | Liability |
| Interest Rate Swaps | 1,918,710 | 13,263 | 27,049 | - | - | - |

3. Explanations on contingent liabilities and assets:

- a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.
- a.2) Share of entity under common control (joint ventures) in its own contingent liabilities: None.
- a.3) The Bank's contingent liabilities resulting from liabilities of other venturers in entities under common control (joint ventures): None.

b) Accounting and presentation of contingent assets and liabilities in the financial statements:

- b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes: As of 31 December 2011, there are no contingent assets that need to be explained (31 December 2010: None).
- b.2) A provision is made for contingent liabilities, if realization is probable and the amount can be reliably determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes:

As of 31 December 2011 one of the loan customers filed a litigation case against the Bank, however, since the case is still in progress for expertise appointment and gathering supporting documents, the Bank could not yet evaluate the probable effects of the case on financial statements.

Following a resolution in favor of the Bank 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 the Bank by Tax Supreme Court. In this context, the Bank acquired the right to deduct accumulated losses amounting to TL 364,501 thousand from the corporate tax base. Related accumulated losses have been deducted from tax base by the Bank between the years 2003 and 2006.

On the other hand, the Tax Office has not taken into consideration the deduction amount of TL 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 TL 15,510 and levied a fine of TL 16,131 to the Bank based on the declaration as of 20 April 2004. In that respect, the Bank has filed a counter case against the Tax Office, and 1st Tax Office decided in favor of the Bank with resolution no: K:2006/974 based on its decision related with 2002/I period explained above .

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments (continued)

3. Explanations on contingent liabilities and assets: (continued)

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, TL 48,557 of loss amount is considered as undeductible in the basis of the resolution. Therefore, the Bank has filed an appeal on 4 October 2010 for the overruling of the related resolution basis and the outcome of the appeal is still in process. As the Bank management foresees no significant risk in relation to the related lawsuits, no provision is provided in the financial statements. The Bank has increased the tax base by TL 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".

4. Custodian and intermediary services:

The Bank provides trading and safe keeping services in the name and account of third parties, which are presented in the statement of contingencies and commitments.

Investment fund participation certificates held in custody which belong to the customers and the portfolio are accounted for with their nominal values. As of 31 December 2011 the total nominal value and number of certificates are TL 2,064,582 and 206,458,233 thousand (31 December 2010: TL 1,143,126 and 114,312,600 thousand) and the total fair value is TL 8,601,613 (31 December 2010: TL 4,885,303).

5. The information on the Bank's rating by the international rating introductions (*):

The results of the ratings performed by Moody's Investor Services and Fitch Ratings are shown below:

Moody's Investor Services: August 2011

| | |
|----------------------------------|----------|
| View | Negative |
| Bank Financial Strength | D+ |
| Foreign Currency Deposits | Ba3/NP |

Fitch Ratings: November 2011

| | |
|-------------------------------------|-----------|
| Foreign Currency Commitments | |
| Long term | BBB- |
| Short term | F3 |
| View | Stable |
| Turkish Lira Commitments | |
| Long term | BBB |
| Short term | F3 |
| View | Stable |
| National | AAA (tur) |
| View | Stable |
| Individual Rating | bb+ |
| Support Points | 2 |

(* Ratings above are not performed based on the "Communiqué for Authorization and Activities of Rating Institutions" published by the Capital Markets Board.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION FIVE

IV. Explanations and Disclosures Related to the Statement of Income

1. a) Information on interest on loans:

| | Current Period | | Prior Period | |
|--|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Interest on loans (*) | | | | |
| Short term loans | 1,205,057 | 124,452 | 612,668 | 72,281 |
| Medium and long term loans | 975,888 | 104,288 | 462,790 | 47,566 |
| Interest on non-performing loans | 36,356 | - | 13,900 | - |
| Premiums received from Resource Utilization Support Fund | - | - | - | - |
| Total | 2,217,301 | 228,740 | 1,089,358 | 119,847 |

(*) Includes fees and commissions obtained from cash loans amounting to TL 102,079 (31 December 2010: TL 50,411).

b) Information on interest received from banks:

| | Current Period | | Prior Period | |
|---------------------------------|----------------|--------------|--------------|--------------|
| | TL | FC | TL | FC |
| The Central Bank of Turkey | - | - | - | - |
| Domestic banks | 4,321 | 113 | 1,569 | 76 |
| Foreign banks | 2,617 | 2,730 | 3,665 | 1,856 |
| Branches and head office abroad | - | - | - | - |
| Total | 6,938 | 2,843 | 5,234 | 1,932 |

c) Interest received from marketable securities portfolio:

| | Current Period | | Prior Period | |
|--|----------------|---------------|----------------|--------------|
| | TL | FC | TL | FC |
| Trading securities | 56,038 | 52,358 | 15,833 | 321 |
| Financial assets at fair value through profit and loss | - | - | - | - |
| Available-for-sale securities | 321,791 | 21,806 | 180,604 | 7,005 |
| Held-to-maturity securities | 2,469 | - | 48,794 | - |
| Total | 380,298 | 74,164 | 245,231 | 7,326 |

d) Information on interest income received from associates and subsidiaries:

| | Current Period | Prior Period |
|--|----------------|--------------|
| Interest received from associates and subsidiaries | 4,120 | 2,508 |

2. a) Information on interest on funds borrowed (*):

| | Current Period | | Prior Period | |
|---------------------------------|----------------|----------------|----------------|---------------|
| | TL | FC | TL | FC |
| Banks | | | | |
| The Central Bank of Turkey | - | - | - | - |
| Domestic banks | 5,939 | 3,089 | 3,240 | 2,551 |
| Foreign banks | 197,265 | 87,330 | 105,568 | 20,219 |
| Branches and head office abroad | - | - | - | - |
| Other financial institutions | - | 32,119 | - | 31,790 |
| Total | 203,204 | 122,538 | 108,808 | 54,560 |

(*) Includes fees and commission expenses of cash loans amounting to TL 12,391 (31 December 2010: TL 5,962).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

IV. Explanations and Disclosures Related to the Statement of Income (continued)

b) Information on interest expense to associates and subsidiaries:

| | Current Period | Prior Period |
|--|----------------|--------------|
| Interest expenses to associates and subsidiaries | 1,539 | 413 |

c) Information on interest expenses to marketable securities issued:

| | Current Period | | Prior Period | |
|---|----------------|----------|--------------|----------|
| | TL | FC | TL | FC |
| Interest expenses on marketable securities issued | 10,089 | - | - | - |
| Total | 10,089 | - | - | - |

d) Distribution of interest expenses on deposits based on maturity of deposits:

| Account Name | Time Deposits | | | | | | Accumulated Deposits | Total |
|---------------------------|-----------------|----------------|----------------|----------------|---------------|------------------|----------------------|------------------|
| | Demand Deposits | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | More than 1 Year | | |
| TL | | | | | | | | |
| Bank deposits | 15 | 15,997 | 471 | 28 | 68 | 101 | - | 16,680 |
| Saving deposits | 12 | 58,718 | 432,703 | 20,606 | 6,294 | 2,373 | 404 | 521,110 |
| Public sector deposits | 1 | 5,180 | 9,984 | 11,560 | - | 3 | - | 26,728 |
| Commercial deposits | 56 | 82,739 | 180,687 | 6,031 | 4,264 | - | - | 273,777 |
| Other deposits | - | 3,761 | 37,342 | 10,512 | 895 | 29 | - | 52,539 |
| 7 days call accounts | - | - | - | - | - | - | - | - |
| Total | 84 | 166,395 | 661,187 | 48,737 | 11,521 | 2,506 | 404 | 890,834 |
| FC | | | | | | | | |
| Foreign currency deposits | 7 | 57,982 | 109,230 | 1,487 | 1,383 | 209 | 13 | 170,311 |
| Bank deposits | 193 | 319 | 243 | 19 | - | - | - | 774 |
| 7 days call accounts | - | - | - | - | - | - | - | - |
| Precious metal deposits | - | 787 | 894 | 267 | 125 | - | - | 2,073 |
| Total | 200 | 59,088 | 110,367 | 1,773 | 1,508 | 209 | 13 | 173,158 |
| Grand Total | 284 | 225,483 | 771,554 | 50,510 | 13,029 | 2,715 | 417 | 1,063,992 |

3. Information on dividend income:

| | Current Period | Prior Period |
|--|----------------|---------------|
| Trading Securities | - | - |
| Financial assets at fair value through profit and loss | - | - |
| Available-for-sale securities | 432 | 5 |
| Other | 17,802 | 14,453 |
| Total | 18,234 | 14,458 |

4. Information on net trading income:

| | Current Period | Prior Period |
|---|------------------|------------------|
| Income | 7,514,039 | 2,211,449 |
| Gains on capital market operations | 200,081 | 40,542 |
| Gains on derivative financial instruments (*) | 1,820,389 | 543,052 |
| Foreign exchange gains (**) | 5,493,569 | 1,627,855 |
| Losses (-) | 7,538,347 | 2,215,383 |
| Losses on capital market operations (*) | 190,147 | 10,432 |
| Losses on derivative financial instruments (**) | 1,772,163 | 753,271 |
| Foreign exchange losses | 5,576,037 | 1,451,680 |

(*) Foreign exchange gains on hedging transactions are TL 7,999 (31 December 2010: TL 4,519), while foreign exchange losses on hedging transactions are TL 4,167 (31 December 2010: TL 25,425).

(**) Foreign exchange gains on derivative financial transactions are TL 173,594 (31 December 2010: TL 6,524 foreign exchange losses).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

IV. Explanations and Disclosures Related to the Statement of Income (continued)

5. Information on other operating income:

The information on the factors affecting the Bank's income including new developments, and the explanation on nature and amount of income earned from such items: None.

6. Provision expenses of banks for loans and other receivables:

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Specific provisions for loans and other receivables | 49,679 | 119,848 |
| III. Group Loans and Receivables | 17,937 | 22,723 |
| IV. Group Loans and Receivables | 19,003 | 35,832 |
| V. Group Loans and Receivables | 12,739 | 61,293 |
| General provision expenses | 85,242 | 31,168 |
| Provision expenses for possible losses | - | - |
| Marketable securities impairment losses | 5,131 | - |
| Financial assets at fair value through profit and loss | 5,131 | - |
| Investment securities available for sale | - | - |
| Impairment provision expense | - | - |
| Associates | - | - |
| Subsidiaries | - | - |
| Entities under common control (Joint Vent.) | - | - |
| Investments held to maturity | - | - |
| Other (*) | (9,210) | - |
| Total | 130,842 | 151,016 |

(*) Reversal of provision for loans under watch-list in the amount of TL17,334 is included in "Other" as of 31 December 2011.

7. Information on other operating expenses:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Personnel expenses | 579,132 | 350,775 |
| Reserve for employee termination benefits | 25,992 | 8,907 |
| Bank social aid fund deficit provision | - | - |
| Impairment expenses of fixed assets | - | - |
| Depreciation expenses of fixed assets (*) | 81,313 | 45,411 |
| Impairment expenses of intangible assets | - | - |
| Impairment expense of goodwill | - | - |
| Amortization expenses of intangible assets | 10,559 | 6,692 |
| Impairment for investments accounted for under equity method | - | - |
| Impairment expenses of assets to be disposed | 743 | 2,197 |
| Depreciation expenses of assets to be disposed | 1,147 | 385 |
| Impairment expenses of assets held for sale and discontinued operations | - | - |
| Other operating expenses | 472,966 | 256,016 |
| Rent expenses | 137,760 | 76,975 |
| Maintenance expenses | 14,137 | 6,757 |
| Advertisement expenses | 43,762 | 23,356 |
| Other expenses | 277,307 | 148,928 |
| Loss on sales of assets | 1,150 | 131 |
| Other (**) | 206,139 | 117,307 |
| Total | 1,379,141 | 787,821 |

(*) Includes restructuring expenses amounting to TL 4,978 (31 December 2010: None).

(**) Included in other TL 17,814 (31 December 2010: TL 11,054) is premiums paid to the Saving Deposit Insurance Fund, TL 71,575 (31 December 2010: TL 41,817) is other taxes and duties paid and TL 62,813 (31 December 2010: TL 25,239) is merger and restructuring costs.

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

Profit before tax of the Bank consists of net interest income and net fees and commission income amounting to TL 1,375,002 (31 December 2010: TL 752,828) and TL 335,848 (31 December 2010: TL 417,730), respectively; while operating expenses are TL 1,379,141 (31 December 2010: TL 787,821).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

IV. Explanations and Disclosures Related to the Statement of Income (continued)

9. Information on tax provision for continued and discontinued operations:

- a) As of 31 December 2011, the current tax charge is TL 27,871 (31 December 2010: TL 87,607), and deferred tax charge is TL 48,791 (31 December 2010: TL 21,004 deferred tax benefit).
- b) Deferred tax charge on temporary differences resulted from continued operations is TL 48,791 (31 December 2010: TL 21,004 deferred tax benefit).
- c) Tax reconciliation:

| | Current Period | Prior Period |
|--------------------------------|-----------------|-----------------|
| Profit before tax | 283,337 | 366,904 |
| Additions | 132,003 | 40,866 |
| Disallowables | 40,165 | 5,495 |
| General loan loss provision | 91,838 | 31,928 |
| Other | - | 3,443 |
| Deductions | (32,030) | (74,755) |
| Dividend income | (18,120) | (14,330) |
| Income on sale of associates | - | (57,880) |
| Other | (13,910) | (2,545) |
| Taxable Profit / (Loss) | 383,310 | 333,015 |
| Corporate tax rate | %20 | %20 |
| Tax calculated | 76,662 | 66,603 |

As of 31 December 2011, current tax charge is TL 27,871 (31 December 2010: TL 87,607) and deferred tax charge on temporary differences is TL 48,791 (31 December 2010: TL 21,004 tax benefit). Net tax charge recognized in the financial statements is TL 76,662 (31 December 2010: TL 66,603).

10. Information on net profit/(loss) from continued and discontinued operations:

The Bank's net profit from continued operations for the year ended 31 December 2011 is TL 206,675 (31 December 2010: TL 226,987).

11. The explanations on net income / loss for the period:

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period: None (31 December 2010: None).
- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (31 December 2010: None).
- c) Profit or loss attributable to minority shares: None (31 December 2010: None).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

IV. Explanations and Disclosures Related to the Statement of Income (continued)

- 12. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items:**

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| <u>Other fees and commissions received</u> | | |
| Credit cards commissions and fees | 284,867 | 174,707 |
| Fund management commissions | 28,901 | 27,349 |
| Insurance commissions | 27,295 | 14,369 |
| Transfer commissions | 20,158 | 8,250 |
| Inquiry and company search fees and commissions | 14,198 | 23,199 |
| Settlement expense provision, eft, swift, agency commissions | 13,673 | 10,926 |
| Commissions and fees earned from correspondent banks | 12,124 | 7,341 |
| Other | 107,682 | 235,732 |
| Total | 508,898 | 501,873 |
| <u>Other fees and commissions given</u> | | |
| Credit cards commissions and fees | 172,721 | 109,132 |
| Commissions and fees paid to correspondent banks | 8,647 | 2,732 |
| Settlement and swift commissions | 4,596 | 4,353 |
| Other | 41,472 | 16,519 |
| Total | 227,436 | 132,736 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION FIVE

V. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity

- a) Decrease resulting from revaluation of financial assets available for sale is TL 196,214 (31 December 2010: TL 70,127 increase).

Gain or loss arising from measurement of financial assets available-for-sale included in shareholders' equity in the current period, excluding those related to hedging: Indicated above.

The amount recycled from equity to net income/loss account if the loss or gain related with measurement at fair value is recorded to equity for the financial assets available-for-sale (excluding the assets related to hedging): TL 65,707 income (31 December 2010: TL 29,234 income).

- b) Increase in cash flow risk hedging items:

The Bank hedges itself against cash flow risk from Turkish Lira short term time deposits through its interest rate swaps. In this context, the effective portion is accounted for under equity in "Hedging Funds" account. The related amount as of 31 December 2011 is TL 5,631 and presented in the financial statements by deducting its deferred tax effect of TL 1,126.

- c) The reconciliation related with foreign exchange amounts in the beginning and end of the period: None.
- d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- e) Dividends per share proposed subsequent to the balance sheet date: Profit appropriation will be resolved in the General Assembly meeting which has not been conducted as of the date of the accompanying financial statements are authorized for issue.
- f) Proposals to General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this: The Board of Directors has not decided for profit appropriation as of the date of the financial statements are authorized for issue.
- g) Amounts transferred to legal reserves: Amount transferred to legal reserves is TL 15,015 in 2011 (31 December 2010: TL 10,509).
- h) Information on shares issued:

The Bank has not recorded any shares issued in "Share Premium" account in the current period.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VI. Explanations and Disclosures Related to Statement of Cash Flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:

“Other items” amounting to TL 1,309,611 (31 December 2010: TL 906,233) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other expenses except for leasing expenses, reserve for employee termination benefits, depreciation charges and taxes paid.

“Net increase/decrease in other liabilities” amounting to TL 95,869 (31 December 2010: TL 132,220) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and interbank money market borrowings. “Net increase/decrease in other assets” with a total amount of TL 79,551 (31 December 2010: TL 166,227) consists of changes in sundry debtors and other assets.

“Other items” amounting to TL 9,480 (31 December 2010: TL 5,938) in “Net cash provided from investing activities” consists of cash paid for purchases of intangible assets.

Effect of change in foreign exchange rate on cash and cash equivalents includes the foreign exchange effect resulting from the translation of cash and cash equivalents in foreign currency by using the foreign exchange rates at the beginning and at the end of the period, and it is TL 166,409 for the year 2011 (31 December 2010: TL 41,105).

2. Cash and cash equivalents at beginning and end of periods:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flow statement:

| Beginning of the period | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Cash | 1,616,646 | 1,250,065 |
| Cash in TL/Foreign Currency | 287,730 | 309,346 |
| Central Bank – Unrestricted amount | 1,301,246 | 922,102 |
| Other | 27,670 | 18,617 |
| Cash equivalents | 703,336 | 1,086,870 |
| Banks | 703,336 | 392,094 |
| Money market placements | - | 694,776 |
| Total cash and cash equivalents | 2,319,982 | 2,336,935 |

| End of the period | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Cash | 2,429,724 | 1,616,646 |
| Cash in TL/Foreign Currency | 487,808 | 287,730 |
| Central Bank – Unrestricted amount | 1,616,648 | 1,301,246 |
| Other | 325,268 | 27,670 |
| Cash equivalents | 817,678 | 703,336 |
| Banks | 307,678 | 703,336 |
| Money market placements | 510,000 | - |
| Total cash and cash equivalents | 3,247,402 | 2,319,982 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VII. Explanations on the Risk Group of the Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

a) Current Period:

| Related Parties | Subsidiaries, associates and entities under common control (Joint Vent.) | | Direct and indirect shareholders of the Bank | | Other entities included in the risk group | |
|--------------------------------|--|----------|--|----------|---|----------|
| | Cash | Non-cash | Cash | Non-cash | Cash | Non-cash |
| Loans and other receivables | | | | | | |
| Balance at beginning of period | 331 | 735 | 38,643 | 40,782 | 142,406 | 114,606 |
| Balance at end of period | 404 | 3,126 | 76,412 | 128,471 | 127,364 | 103,503 |
| Interest and commission income | 4,120 | 41 | 2,911 | 20 | 8,143 | 333 |

Included in the balances above, the Bank has placements in foreign bank accounts amounting to TL 67 from subsidiaries and associates, TL 1,913 under direct and indirect corporate and real person shareholders and TL 12,744 from other entities included in the risk group.

b) Prior Period:

| Related Parties | Subsidiaries, associates and entities under common control (Joint Vent.) | | Direct and indirect Shareholders of the Bank | | Other entities included in the risk group | |
|---|--|----------|--|----------|---|----------|
| | Cash | Non-cash | Cash | Non-cash | Cash | Non-cash |
| Loans and other receivables | | | | | | |
| Balance at beginning of period | 557 | 7,198 | 15,688 | 46,004 | 57,190 | 86,909 |
| Balance at end of period | 331 | 735 | 38,643 | 40,782 | 142,406 | 114,606 |
| Interest and commission income received | 2,508 | 55 | 3,439 | 16 | 5,407 | 750 |

Included in the balances above, the Bank has placements in foreign bank accounts amounting to TL 56 from subsidiaries and associates, TL 14,134 under direct and indirect corporate and real person shareholders and TL 2,293 from other entities included in the risk group.

c.1) Information on related party deposits balances:

| Related parties | Subsidiaries, associates and entities under common control (Joint Vent.) | | Direct and indirect shareholders of the Bank | | Other entities included in the risk group | |
|--------------------------------|--|--------------|--|--------------|---|--------------|
| | Current Period | Prior Period | Current period | Prior period | Current period | Prior period |
| Deposits | | | | | | |
| Balance at beginning of period | 73,452 | 18,591 | 1,024,799 | 282,015 | 336,262 | 127,883 |
| Balance at end of period | 46,466 | 73,452 | 430,246 | 1,024,799 | 372,913 | 336,262 |
| Interest on deposits | 1,539 | 413 | 18,505 | 24,761 | 7,646 | 3,015 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VII. Explanations on the Risk Group of the Bank (continued)

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances: (continued)

c.2) Information on forward and option agreements and other similar agreements made with related parties:

| Related Parties | Subsidiaries, associates and entities under common control (Joint Vent.) | | Direct and indirect shareholders of the Bank | | Other entities included in the risk group | |
|--|--|--------------|--|--------------|---|--------------|
| | Current Period | Prior Period | Current period | Prior period | Current period | Prior Period |
| Financial Assets at Fair Value Through Profit and Loss | | | | | | |
| Beginning of period | - | 32,150 | 2,958,850 | 1,508,190 | 887,840 | 746,942 |
| End of period | - | - | 9,020,778 | 2,958,850 | 178,125 | 887,840 |
| Total income/loss | - | - | (22,025) | (23,146) | 10,671 | 31,147 |
| Hedging transactions purposes | | | | | | |
| Beginning of period | - | - | 201,151 | 306,331 | - | - |
| End of period | - | - | 522,500 | 201,151 | - | - |
| Total income/loss | - | - | (5,836) | (169) | - | - |

d) As of 31 December 2011, the total amount of remuneration and benefits provided for the senior management of the Bank is TL 24,561 (31 December 2010: TL 16,640).

VIII. Explanations on the Bank's Domestic Branches, Agencies and Branches Abroad and Off-shore Branches

1. Explanations on the Bank's domestic branches, agencies and branches abroad and off-shore branches:

| | Number | Employees | | | |
|--------------------|--------|-----------|---------|--------------|---------|
| Domestic branches | 503 | 9,308 | | | |
| Rep-offices abroad | - | - | | | |
| | | | Country | | |
| Branches abroad | 3 | 45 | Cyprus | Total Assets | Capital |
| | | | | 284,656 | 10,000 |
| Off-shore branches | 1 | 3 | Bahrain | 1,294,550 | - |

2. Explanations on Branch and Agency Openings or Closings of the Bank:

In the year 2011, the Bank acquired 269 branches from Fortis Bank and closed 97 of its branches.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations on the Operations of the Bank

None.

SECTION SEVEN

INDEPENDENT AUDITOR'S REPORT

I. Explanations on the Independent Auditor's Report

The unconsolidated financial statements of the Bank were audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditor's report dated 15 February 2012 is presented preceding the financial statements.

II. Other Footnotes and Explanations Prepared by the Independent Auditors

None.

SECTION 4 - CONSOLIDATED FINANCIAL STATEMENTS

**TÜRK EKONOMİ BANKASI ANONİM ŞİRKET AND ITS FINANCIAL SUBSIDIARIES INDEPENDENT
AUDITOR'S REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED
DECEMBER 31, 2011**

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

**TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
AND ITS FINANCIAL SUBSIDIARIES**

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR 1 JANUARY 2011 – 31 DECEMBER 2011**

We have audited the accompanying consolidated balance sheet of Türk Ekonomi Bankası A.Ş. and its financial subsidiaries (the "Group") as at 31 December 2011, and the related consolidated statements of income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with the regulation on "Procedures And Principles Regarding Banks' Accounting Practices And Maintaining Documents" published in the Official Gazette dated 1 November 2006 and numbered 26333 and Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by Banking Regulation and Supervision Agency ("BRSA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "Licensing and Operations of Audit Firms in Banking" published in the Official Gazette no: 26333 on 1 November 2006 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Articles 37 and 38 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by BRSA.

Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Banks's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

İstanbul, 15 February 2012

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

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Özlem Gören Güçdemir
Partner

**THE CONSOLIDATED FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.
FOR THE YEAR ENDED 31 DECEMBER 2011**

Address : Saray Mahallesi Sokullu Caddesi No: 7/A – 7/B
Ümraniye 34768 - İstanbul
Telephone : (0 216) 635 35 35
Fax : (0 216) 636 36 36
Web Site : www.teb.com.tr
E-mail Address : investor.relations@teb.com.tr

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

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR'S REPORT

The subsidiaries, associates and jointly controlled entities, financial statements of which are consolidated within the framework of the reporting package are as follows:

| | Subsidiaries | Associates | Jointly Controlled Entities |
|----|------------------------------------|-------------------|------------------------------------|
| 1. | The Economy Bank N.V. | - | - |
| 2. | Stichting Effecten Dienstverlening | - | - |
| 3. | Kronenburg Vastgoed B.V. | - | - |
| 4. | TEB Yatırım Menkul Değerler A.Ş. | - | - |
| 5. | TEB Faktoring A.Ş. | - | - |
| 6. | TEB Portföy Yönetimi A.Ş. | - | - |

The consolidated financial statements and the explanatory footnotes and disclosures, unless otherwise indicated, are prepared in **thousands of Turkish Lira**, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, have been independently audited and presented as attached.

| | | | | | |
|--------------|-------------------|---------------|-----------------|------------------------|--------------------|
| | Jean - Milan | | | | |
| | Charles Dominique | Dr. Akın | | | |
| Yavuz Canevi | Givadinovitch | Akbaygil | Varol Civil | M. Aşkın Dolaştır | Gökhan Kazcılar |
| Chairman of | Chairman | Vice Chairman | General Manager | Assistant General | Director |
| the Board of | of the Audit | of the Audit | | Manager Responsible of | Responsible of |
| Directors | Committee | Committee | | Financial Reporting | General Accounting |

Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname / Title: Çiğdem Başaran / Investor Relations Manager

Telephone Number: (0216) 635 24 63

Fax Number: (0216) 636 36 36

INDEX

Page Number

SECTION ONE General Information

| | | |
|------|--|---|
| I. | History of the Parent Bank, Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status, if any | 1 |
| II. | Explanation on the Parent Bank's Capital Structure, Shareholders of the Parent Bank who are in Charge of the Management and/or Auditing of the Parent Bank Directly or Indirectly, Changes in These Matters (if any), and the Group the Parent Bank Belongs to | 1 |
| III. | Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Shares of the Parent Bank They Possess | 3 |
| IV. | Information About the Persons and Institutions That Have Qualified Shares in the Parent Bank | 4 |
| V. | Summary on the Parent Bank's Functions and Areas of Activity | 4 |

SECTION TWO Consolidated Financial Statements

| | | |
|------|---|----|
| I. | Consolidated Balance Sheet | 5 |
| II. | Consolidated Statement of Off Balance Sheet Contingencies and Commitments | 7 |
| III. | Consolidated Statement of Income | 8 |
| IV. | Consolidated Statement of Profit and Loss Accounted for Under Equity | 9 |
| V. | Consolidated Statement of Changes in Shareholders' Equity | 10 |
| VI. | Consolidated Statement of Cash Flows | 12 |
| VII. | Consolidated Profit Distribution Table | 13 |

SECTION THREE Accounting Principles

| | | |
|--------|---|----|
| I. | Basis of Presentation | 14 |
| II. | Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions | 14 |
| III. | Information about the Parent Bank and its Consolidated Subsidiaries | 15 |
| IV. | Explanations on Forward and Option Contracts and Derivative Instruments | 16 |
| V. | Explanations on Interest Income and Expenses | 17 |
| VI. | Explanations on Fees and Commission Income and Expenses | 17 |
| VII. | Explanations on Financial Assets | 18 |
| VIII. | Explanations on Impairment of Financial Assets | 20 |
| IX. | Explanations on Offsetting of Financial Assets and Liabilities | 20 |
| X. | Explanations on Sales and Repurchase Agreements and Lending of Securities | 20 |
| XI. | Explanations on Assets Held For Sale, Discontinued Operations and Liabilities Related to Those Assets | 21 |
| XII. | Explanations on Goodwill and Other Intangible Assets | 21 |
| XIII. | Explanations on Tangible Fixed Assets | 22 |
| XIV. | Explanations on Leasing Transactions | 23 |
| XV. | Explanations on Provisions and Contingent Liabilities | 23 |
| XVI. | Explanations on Liabilities Regarding Employee Benefits | 23 |
| XVII. | Explanations on Taxation | 25 |
| XVIII. | Additional Explanations on Borrowings | 25 |
| XIX. | Explanations on Issued Share Certificates | 26 |
| XX. | Explanations on Acceptances | 26 |
| XXI. | Explanations on Government Incentives | 26 |
| XXII. | Explanations on Reporting According to Segmentation | 26 |
| XXIII. | Explanations on Other Matters | 27 |

SECTION FOUR Information on Consolidated Financial Structure

| | | |
|-------|--|----|
| I. | Explanations Related to Consolidated Capital Adequacy Standard Ratio | 28 |
| II. | Explanations Related to Consolidated Credit Risk | 31 |
| III. | Explanations Related to Consolidated Market Risk | 36 |
| IV. | Explanations Related to Consolidated Operational Risk | 37 |
| V. | Explanations Related to Consolidated Currency Risk | 37 |
| VI. | Explanations Related to Consolidated Interest Rate Risk | 40 |
| VII. | Explanations Related to Consolidated Liquidity Risk | 44 |
| VIII. | Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value | 47 |
| IX. | Explanations Related to Transactions Carried out on Behalf of Other Parties and Fiduciary Assets | 48 |

SECTION FIVE Explanations and Disclosures on Consolidated Financial Statements

| | | |
|-------|--|----|
| I. | Explanations and Disclosures Related to the Consolidated Assets | 49 |
| II. | Explanations and Disclosures Related to the Consolidated Liabilities | 68 |
| III. | Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Contingencies and Commitments | 79 |
| IV. | Explanations and Disclosures Related to the Consolidated Statement of Income | 84 |
| V. | Explanations and Disclosures Related to the Consolidated Statement of Changes in Shareholders' Equity | 90 |
| VI. | Explanations and Disclosures Related to the Consolidated Statement of Cash Flows | 91 |
| VII. | Explanations on the Risk Group of the Parent Bank | 92 |
| VIII. | Explanations on the Parent Bank's Domestic Branches, Agencies and Branches Abroad and Off-shore Branches | 93 |

SECTION SIX Other Explanations

| | | |
|----|---|----|
| I. | Explanations on the Operations of the Parent Bank | 94 |
|----|---|----|

SECTION SEVEN Independent Auditor's Report

| | | |
|-----|---|----|
| I. | Explanations on the Independent Auditor's Report | 94 |
| II. | Other Footnotes and Explanations Prepared by Independent Auditors | 94 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION ONE

GENERAL INFORMATION

I. History of the Parent Bank, Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status, if any

Türk Ekonomi Bankası Anonim Şirketi (the “Bank” or “TEB”), which had been a local bank incorporated in Kocaeli in 1927 under the name of Kocaeli Halk Bankası T.A.Ş., was acquired by the Çolakoğlu Group in 1982. Its title was changed as Türk Ekonomi Bankası A.Ş. and its headquarters moved to İstanbul.

II. Explanation on the Parent Bank’s Capital Structure, Shareholders of the Parent Bank who are in Charge of the Management and/or Auditing of the Parent Bank Directly or Indirectly, Changes in These Matters (if any), and the Group the Parent Bank Belongs to

Following announcement of the Banking Regulation and Supervision Agency (the “BRSA”) approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two bank by means of transfer of all rights, receivables, liabilities and obligations to the Parent Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Due to the merger, ceiling for the registered capital of the Parent Bank is increased from TL 1,400,000 to TL 2,204,390 and the issued capital of the Parent Bank is increased by TL 1,104,390 from TL 1,100,000 to TL 2,204,390.

Issued registered shares 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. (the “Bank”) shares for each Fortis Bank A.Ş. share having a nominal value of TL 1.

As a consequence of the merger, Fortis Bank SA/NV became shareholder of TEB with a shareholding percentage of 47.15% and BNP Paribas SA’s indirect ownership increased to 51.086% due to its 75% ownership in Fortis Bank SA/NV and 50% share in TEB Mali Yatırımlar A.Ş. whose ownership percentage became 42.043% in TEB following the merger transaction.

As declared in the public disclosure dated 3 June 2010 and the following public disclosures, and within the framework of the agreement between BNP Paribas Group and Çolakoğlu Group, restructuring procedures to allow TEB Mali Yatırımlar A.Ş. to continue being the majority shareholder of the Parent Bank and to allow each of Çolakoğlu Group and BNP Paribas Group to hold 50% of the shares in TEB Mali Yatırımlar A.Ş. following the merger, subject to the required approvals of the regulatory authorities. Accordingly, as a result of the above mentioned restructuring procedures, which include a capital increase in TEB Mali Yatırımlar A.Ş. and several share transfers, TEB Mali Yatırımlar A.Ş.’s shareholding ratio in the Parent Bank is aimed to be increased to 55%, and the shareholding ratios of each of Çolakoğlu Group and BNP Paribas Group in TEB Mali Yatırımlar A.Ş. are aimed to be 50%-50%, subject to the required approvals of the regulatory authorities.

At the Extraordinary General Assembly of TEB Mali Yatırımlar A.Ş., held on 25 March 2011, it was resolved to change the trade name of the company to “TEB Holding A.Ş.”; to increase its share capital from TL 500,000 to TL 590,863 through the issuance of 90,863,380 shares.

BNP Paribas Fortis Yatırımlar Holding A.Ş., one of the shareholders of TEB Holding A.Ş., subscribed to 88,423,113 newly-issued shares with respect to the mentioned capital increase; and as a result of this capital increase, shareholding ratio of BNP Paribas Fortis Yatırımlar Holding A.Ş. in TEB Holding A.Ş., has been increased from 50.00% to 57.28%.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanation on the Parent Bank’s Capital Structure, Shareholders of the Parent Bank who are in Charge of the Management and/or Auditing of the Parent Bank Directly or Indirectly, Changes in These Matters (if any), and the Group the Parent Bank Belongs to (continued)

In addition, following the above-mentioned transactions, for Çolakoğlu Group and BNP Paribas Group to have equal shareholding in TEB Holding A.Ş. (50% each), BNP Paribas Fortis Yatırımlar Holding A.Ş.’s 7.28% shares in TEB Holding A.Ş. were transferred to Galata Yatırım Holding A.Ş., which is owned by the Çolakoğlu Group, on 31 March 2011. After the share transfer, both Çolakoğlu Group and BNP Paribas Group have 50% of share participation each in TEB Holding A.Ş. as in the share structure before the merger.

On 30 March 2011, upon the permissions granted by the BRSA and the Capital Markets Board (the “CMB”), 12.72% of TEB shares held by Fortis Bank SA/NV and 0.24% of TEB shares held by the Çolakoğlu Group were transferred to TEB Holding A.Ş. for a total consideration of TL 616,935. Following the share transfer, TEB Holding A.Ş.’s direct participation in TEB has been increased from 42.04% to 55%.

20.35% of shares in TEB, having a total nominal value of TL 448,512 held by Fortis Bank SA/NV, were transferred to BNPP Yatırımlar Holding A.Ş. for a consideration of TL 865,440; and 14.08% of shares in TEB, having a total nominal value of TL 310,480, held by Fortis Bank SA/NV, were transferred to BNP Paribas Fortis Yatırımlar Holding A.Ş. for a consideration of TL 670,636.

Consequently, BNPP Yatırımlar Holding A.Ş., which has no participation in TEB, eventually has 20.35% of shares in TEB, while BNPP Paribas Fortis Yatırımlar Holding A.Ş. has 14.05% of direct shareholding in TEB.

Upon the resolution no: 16/475 of the CMB issued on 27 May 2011, BNP Paribas Fortis Yatırımlar Holding A.Ş. and BNPP Yatırımlar Holding A.Ş. initiated a public call on 2 June 2011 for the acquisition of Türk Ekonomi Bankası A.Ş.’s 227,730,437.91 shares with a nominal per value of TL 1 at TL 2.21 under the call requirements set out in the CMB’s Communiqué Serial: IV, No:44 “Principles of Gathering Equity Interests Through Public Call”. The public call intermediated by TEB Yatırım Menkul Değerler A.Ş. was finalized at 17:00 on 17 June 2011.

a) Total nominal value and capital percentage before the call:

-BNP Paribas Fortis Yatırımlar Holding A.Ş. TL 310,480 (14.085%)
 -BNPP Yatırımlar Holding A.Ş. TL 448,512 (20.346%)

b) Total nominal value and capital percentage after the call:

-BNP Paribas Fortis Yatırımlar Holding A.Ş. TL 376,584 (17.083%)
 -BNPP Yatırımlar Holding A.Ş. TL 514,616 (23.345%)

As of 31 December 2011 and 31 December 2010 the shareholders’ structure and their respective ownerships are summarized as follows:

| Name of shareholders | As of 31 December 2011 | | As of 31 December 2010 | |
|--|------------------------|---------------|------------------------|---------------|
| | Paid in capital | % | Paid in capital | % |
| TEB Holding 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 |
| | 2,204,390 | 100.00 | 1,100,000 | 100.00 |

As of 31 December 2011, Parent Bank’s paid-in-capital consists of 2,204,390,000 shares of TL 1.00 (full TL) nominal each.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Shares of the Parent Bank They Possess

| <u>Name</u> | <u>Title</u> |
|---|--|
| Board of Directors; | |
| Yavuz Canevi | Chairman of the Board of Directors |
| Dr.Akın Akbaygil | Vice Chairman of the Board of Directors and Vice Chairman of the Audit Committee |
| Jean-Milan Charles Dominique Givadinovitch | Member of the Board of Directors, Chairman of the Audit Committee |
| Jean Paul Sabet | Vice Chairman of the Board of Directors |
| Yves Paul Henri Martrenchar | Member of the Board of Directors |
| Ayşe Aşardağ | Member of the Board of Directors |
| Varol Civil | General Manager and In Charge Member of the Board of Directors |
| Musa Erden | Member of the Board of Directors |
| Alain Georges Auguste Fonteneau | Member of the Board of Directors |
| Jean Yves Fillon | Member of the Board of Directors |
| Assistant General Managers; | |
| Mustafa Aşkın Dolaştır | Assistant General Manager Responsible from Financial Control |
| Gökhan Mendi | Assistant General Manager Responsible from Consumer Banking and Private Banking |
| Levent Çelebioğlu | Assistant General Manager Responsible from Corporate Banking |
| Dr. Nilsen Altıntaş | Assistant General Manager Responsible from Human Resources |
| Nuri Tuncalı | Assistant General Manager Responsible from SME Loans |
| Saniye Telci | Assistant General Manager Responsible from Banking Operations |
| Turgut Boz | Assistant General Manager Responsible from SME Banking |
| Ümit Leblebici | Assistant General Manager Responsible from Asset Liability Management and Treasury |
| Melis Coşan Baban | Chief Legal Counsel and Secretary of the Board of Directors |
| Osman Durmuş | Assistant General Manager Responsible from Consumer Loans and Business Loans |
| Gökhan Özdil | Assistant General Manager Responsible from Corporate Loans |
| Başar Ordukaya | Assistant General Manager Responsible from Large Corporate Customers |
| Arnaud Denis Jean Sebastien Tellier | Assistant General Manager Responsible from Corporate Investment Banking |
| Mehmet Ali Cer | Assistant General Manager Responsible from Information Technologies |
| Akil Özçay(*) | Assistant General Manager Responsible from Financial Markets |
| Group Heads | |
| Ayşe Korkmaz | Head of Compliance and Internal Control |
| Didier Albert Nicole Van Hecke | Chief Risk Officer |
| Inspection Committee and Statutory Auditors; | |
| Hakan Tıraşın | Chairman of the Inspection Committee |
| Esra Peri Aydoğan | Statutory Auditor |
| Cihat Madanoğlu | Statutory Auditor |

(*) Akil Özçay was appointed as the Assistant General Manager responsible from Financial Markets as of 21 November 2011.

Shares of the Bank owned by the above stated Chairman and Members of Board of Directors, General Manager and Assistants are negligible.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

IV. Information About the Persons and Institutions That Have Qualified Shares in the Parent Bank

| Name / Commercial Name | Share Amount | Share Ratio | Paid up Shares | Unpaid Shares |
|--|--------------|-------------|----------------|---------------|
| TEB Holding A.Ş. | 1,212,414 | 55.00% | 1,212,414 | - |
| BNP Yatırımlar Holding A.Ş. | 514,616 | 23.34% | 514,616 | - |
| BNP Paribas Fortis Yatırımlar Holding A.Ş. | 376,584 | 17.08% | 376,584 | - |

TEB Holding A.Ş. is the controlling party of the Parent Bank's capital having both direct and indirect qualified shares. TEB Holding A.Ş. is a member of both Çolakoğlu and BNP Paribas groups. 50% of the shares of TEB Holding A.Ş. are controlled by BNP Paribas, while the remaining 50% is controlled by Çolakoğlu Group. As of 25 October 2010, BNP Paribas S.A. transferred 50% of its shares in TEB Holding A.Ş. to BNP Paribas Fortis Yatırımlar Holding A.Ş. BNP Paribas Fortis Yatırımlar Holding A.Ş. is controlled by Fortis Bank SA/NV whose shareholders are BNP Paribas S.A. and the Belgium State by 75% and 25% shares, respectively. 100% of the shares of BNP Yatırımlar Holding is controlled by BNP Paribas S.A. The Belgium State has 10.7% shares in BNP Paribas S.A.

V. Summary on the Parent Bank's Functions and Areas of Activity

The Parent Bank's operating areas include, corporate, retail and private banking as well as project finance, fund management and custody operations. Besides the ordinary banking operations, the Parent Bank is handling agency functions through its branches on behalf of TEB Yatırım Menkul Değerler A.Ş., Zurich Sigorta A.Ş., Cardif Hayat Sigorta A.Ş., Fortis Emeklilik ve Hayat A.Ş. As of 31 December 2011, the Parent Bank has 503 local branches and 4 foreign branches (31 December 2010: 331 local branches, 4 foreign branches).

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet
- II. Consolidated Statement of Off-Balance Sheet Contingencies and Commitments
- III. Consolidated Statement of Income
- IV. Consolidated Statement of Profit and Loss Accounted for Under Equity
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flows
- VII. Consolidated Profit Distribution Table

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2011 AND 2010

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

I. CONSOLIDATED BALANCE SHEET – ASSETS (STATEMENT OF FINANCIAL POSITION)

| | Note Ref. | Audited Current Period 31.12.2011 | | | Audited Prior Period 31.12.2010 | | |
|---|-------------|--------------------------------------|-------------------|-------------------|------------------------------------|------------------|-------------------|
| | | TL | FC | Total | TL | FC | Total |
| I. CASH AND BALANCES WITH THE CENTRAL BANK | (1) | 1,500,361 | 2,517,896 | 4,018,257 | 786,645 | 1,240,651 | 2,027,296 |
| II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net) | (2) | 860,882 | 415,909 | 1,276,791 | 187,771 | 28,417 | 216,188 |
| 2.1 Financial assets held for trading | | 860,882 | 415,909 | 1,276,791 | 187,771 | 28,417 | 216,188 |
| 2.1.1 Public sector debt securities | | 596,824 | 357,553 | 954,377 | 106,786 | 5,878 | 112,664 |
| 2.1.2 Share certificates | | - | - | - | - | - | - |
| 2.1.3 Derivative financial assets held for trading | | 264,058 | 58,356 | 322,414 | 80,985 | 22,539 | 103,524 |
| 2.1.4 Other marketable securities | | - | - | - | - | - | - |
| 2.2 Financial assets classified at fair value through profit and loss | | - | - | - | - | - | - |
| 2.2.1 Public sector debt securities | | - | - | - | - | - | - |
| 2.2.2 Share certificates | | - | - | - | - | - | - |
| 2.2.3 Loans | | - | - | - | - | - | - |
| 2.2.4 Other marketable securities | | - | - | - | - | - | - |
| III. BANKS | (3) | 152,232 | 453,606 | 605,838 | 507,449 | 515,376 | 1,022,825 |
| IV. MONEY MARKET PLACEMENTS | | 523,574 | - | 523,574 | 238 | - | 238 |
| 4.1 Interbank money market placements | | - | - | - | - | - | - |
| 4.2 Istanbul Stock Exchange money market placements | | 12,599 | - | 12,599 | - | - | - |
| 4.3 Receivables from reverse repurchase agreements | | 510,975 | - | 510,975 | 238 | - | 238 |
| V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net) | (4) | 4,103,629 | 594,316 | 4,697,945 | 2,999,258 | 515,748 | 3,515,006 |
| 5.1 Share certificates | | 19,619 | 4,318 | 23,937 | 14,603 | 2,256 | 16,859 |
| 5.2 Public sector debt securities | | 4,082,934 | 582,630 | 4,665,564 | 2,982,109 | 507,298 | 3,489,407 |
| 5.3 Other marketable securities | | 1,076 | 7,368 | 8,444 | 2,546 | 6,194 | 8,740 |
| VI. LOANS AND RECEIVABLES | (5) | 20,511,045 | 6,452,442 | 26,963,487 | 9,368,590 | 3,557,575 | 12,926,165 |
| 6.1 Loans and receivables | | 20,302,264 | 6,446,621 | 26,748,885 | 9,245,768 | 3,552,988 | 12,798,756 |
| 6.1.1 Loans to Risk Group of the Bank | | 113,800 | 75,319 | 189,119 | 141,923 | 22,708 | 164,631 |
| 6.1.2 Public sector debt securities | | - | - | - | - | - | - |
| 6.1.3 Other | | 20,188,464 | 6,371,302 | 26,559,766 | 9,103,845 | 3,530,280 | 12,634,125 |
| 6.2 Non-performing loans | | 726,299 | 29,379 | 755,678 | 360,075 | 15,399 | 375,474 |
| 6.3 Specific provisions (-) | | 517,518 | 23,558 | 541,076 | 237,253 | 10,812 | 248,065 |
| VII. FACTORING RECEIVABLES | | 516,926 | 302,085 | 819,011 | 412,868 | 189,451 | 602,319 |
| VIII. HELD TO MATURITY INVESTMENTS (Net) | (6) | - | 21,224 | 21,224 | 217,604 | 17,415 | 235,019 |
| 8.1 Public sector debt securities | | - | 21,224 | 21,224 | 217,604 | 17,415 | 235,019 |
| 8.2 Other marketable securities | | - | - | - | - | - | - |
| IX. INVESTMENTS IN ASSOCIATES (Net) | (7) | - | - | - | - | - | - |
| 9.1 Accounted for under equity method | | - | - | - | - | - | - |
| 9.2 Unconsolidated associates | | - | - | - | - | - | - |
| 9.2.1 Financial investments | | - | - | - | - | - | - |
| 9.2.2 Non-financial investments | | - | - | - | - | - | - |
| X. INVESTMENTS IN SUBSIDIARIES (Net) | (8) | - | - | - | - | - | - |
| 10.1 Unconsolidated financial subsidiaries | | - | - | - | - | - | - |
| 10.2 Unconsolidated non-financial subsidiaries | | - | - | - | - | - | - |
| XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net) | (9) | 5 | - | 5 | 5 | - | 5 |
| 11.1 Consolidated under equity method | | - | - | - | - | - | - |
| 11.2 Unconsolidated | | 5 | - | 5 | 5 | - | 5 |
| 11.2.1 Financial subsidiaries | | - | - | - | - | - | - |
| 11.2.2 Non-financial subsidiaries | | 5 | - | 5 | 5 | - | 5 |
| XII. FINANCE LEASE RECEIVABLES | (10) | - | - | - | - | - | - |
| 12.1 Finance lease receivables | | - | - | - | - | - | - |
| 12.2 Operating lease receivables | | - | - | - | - | - | - |
| 12.3 Other | | - | - | - | - | - | - |
| 12.4 Unearned income (-) | | - | - | - | - | - | - |
| XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES | (11) | 22,787 | 13 | 22,800 | 11,114 | 43 | 11,157 |
| 13.1 Fair value hedge | | 9,524 | 13 | 9,537 | 11,114 | 43 | 11,157 |
| 13.2 Cash flow hedge | | 13,263 | - | 13,263 | - | - | - |
| 13.3 Hedge of net investment risks in foreign operations | | - | - | - | - | - | - |
| XIV. TANGIBLE ASSETS (Net) | (12) | 255,711 | 8,600 | 264,311 | 110,334 | 7,234 | 117,568 |
| XV. INTANGIBLE ASSETS (Net) | (13) | 440,358 | 899 | 441,257 | 13,020 | 921 | 13,941 |
| 15.1 Goodwill | | 421,124 | - | 421,124 | 1,205 | - | 1,205 |
| 15.2 Other | | 19,234 | 899 | 20,133 | 11,815 | 921 | 12,736 |
| XVI. INVESTMENT PROPERTIES (Net) | (14) | - | - | - | - | - | - |
| XVII. TAX ASSET | (15) | 71,555 | 2,581 | 74,136 | 15,514 | 2,119 | 17,633 |
| 17.1 Current tax asset | | 561 | - | 561 | - | - | - |
| 17.2 Deferred tax asset | | 70,994 | 2,581 | 73,575 | 15,514 | 2,119 | 17,633 |
| XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net) | (16) | - | - | - | - | - | - |
| 18.1 Held for sale | | - | - | - | - | - | - |
| 18.2 Discontinued operations | | - | - | - | - | - | - |
| XIX. OTHER ASSETS | (17) | 626,835 | 98,976 | 725,811 | 396,835 | 71,024 | 467,859 |
| TOTAL ASSETS | | 29,585,900 | 10,868,547 | 40,454,447 | 15,027,245 | 6,145,974 | 21,173,219 |

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2011 AND 2010

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

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)

| | Note Ref. | Audited Current Period 31.12.2011 | | Audited Prior Period 31.12.2010 | | Total |
|--|-----------|---|-------------------|---------------------------------------|-------------------|-------------------|
| | | TL | FC | TL | FC | |
| I. DEPOSITS | (1) | 14,799,179 | 9,298,271 | 24,097,450 | 8,486,701 | 13,163,871 |
| 1.1 Deposits from Risk Group of the Bank | | 569,023 | 264,370 | 833,393 | 1,164,992 | 1,416,143 |
| 1.2 Other | | 14,230,156 | 9,033,901 | 23,264,057 | 7,321,709 | 11,747,728 |
| II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING | (2) | 157,708 | 116,091 | 273,799 | 64,433 | 96,768 |
| III. FUNDS BORROWED | (3) | 2,853,408 | 4,596,346 | 7,449,754 | 2,512,012 | 4,401,988 |
| IV. MONEY MARKET BALANCES | | 1,104,748 | - | 1,104,748 | 86,665 | 86,665 |
| 4.1 Interbank money market takings | | - | - | - | - | - |
| 4.2 Istanbul Stock Exchange money market takings | | - | - | - | 12,308 | 12,308 |
| 4.3 Funds provided under repurchase agreements | | 1,104,748 | - | 1,104,748 | 74,357 | 74,357 |
| V. MARKETABLE SECURITIES ISSUED (Net) | | 249,107 | - | 249,107 | - | - |
| 5.1 Bills | | 249,107 | - | 249,107 | - | - |
| 5.2 Asset backed securities | | - | - | - | - | - |
| 5.3 Bonds | | - | - | - | - | - |
| VI. FUNDS | | - | - | - | - | - |
| 6.1 Borrower funds | | - | - | - | - | - |
| 6.2 Other | | - | - | - | - | - |
| VII. SUNDRY CREDITORS | | 774,717 | 66,939 | 841,656 | 318,596 | 343,405 |
| VIII. OTHER LIABILITIES | (4) | 622,004 | 2,884 | 624,888 | 304,061 | 305,415 |
| IX. FACTORING PAYABLES | | 4,259 | 2,251 | 6,510 | - | - |
| X. FINANCE LEASE PAYABLES | (5) | - | 8 | 8 | - | 16 |
| 10.1 Finance lease payables | | - | 9 | 9 | - | 21 |
| 10.2 Operating lease payables | | - | - | - | - | - |
| 10.3 Other | | - | - | - | - | - |
| 10.4 Deferred finance lease expenses (-) | | - | 1 | 1 | - | 5 |
| XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES | (6) | 50,447 | - | 50,447 | 56,547 | 56,547 |
| 11.1 Fair value hedge | | 23,398 | - | 23,398 | 56,547 | 56,547 |
| 11.2 Cash flow hedge | | 27,049 | - | 27,049 | - | - |
| 11.3 Hedge of net investment in foreign operations | | - | - | - | - | - |
| XII. PROVISIONS | (7) | 496,852 | 10,256 | 507,108 | 176,979 | 205,204 |
| 12.1 General loan loss provisions | | 266,177 | 7,232 | 273,409 | 88,034 | 114,113 |
| 12.2 Restructuring reserve | | 2,663 | - | 2,663 | 228 | 228 |
| 12.3 Reserve for employee benefits | | 125,025 | 2,278 | 127,303 | 60,738 | 62,884 |
| 12.4 Insurance technical reserves (Net) | | - | - | - | - | - |
| 12.5 Other provisions | | 102,987 | 746 | 103,733 | 27,979 | 27,979 |
| XIII. TAX LIABILITY | (8) | 104,811 | 1,037 | 105,848 | 86,463 | 87,544 |
| 13.1 Current tax liability | | 104,811 | 1,037 | 105,848 | 86,463 | 87,544 |
| 13.2 Deferred tax liability | | - | - | - | - | - |
| XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net) | (9) | - | - | - | - | - |
| 14.1 Held for sale | | - | - | - | - | - |
| 14.2 Discontinued operations | | - | - | - | - | - |
| XV. SUBORDINATED LOANS | (10) | - | 712,346 | 712,346 | - | 472,542 |
| XVI. SHAREHOLDERS' EQUITY | (11) | 4,314,992 | 115,786 | 4,430,778 | 1,837,787 | 1,953,254 |
| 16.1 Paid-in capital | | 2,204,390 | - | 2,204,390 | 1,100,000 | 1,100,000 |
| 16.2 Supplementary capital | | 684,228 | (11,466) | 672,762 | 86,999 | 86,176 |
| 16.2.1 Share premium | | 2,565 | - | 2,565 | 2,227 | 2,227 |
| 16.2.2 Share cancellation profits | | - | - | - | - | - |
| 16.2.3 Marketable securities valuation differences | | (94,021) | (11,466) | (105,487) | 83,846 | 83,023 |
| 16.2.4 Tangible assets revaluation differences | | 100,483 | - | 100,483 | - | - |
| 16.2.5 Intangible assets revaluation differences | | - | - | - | - | - |
| 16.2.6 Investment properties revaluation differences | | - | - | - | - | - |
| 16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.) | | 527 | - | 527 | - | - |
| 16.2.8 Hedging funds (Effective portion) | | 4,505 | - | 4,505 | - | - |
| 16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations | | - | - | - | - | - |
| 16.2.10 Other capital reserves | | 670,169 | - | 670,169 | 926 | 926 |
| 16.3 Profit reserves | | 1,179,294 | 127,252 | 1,306,546 | 378,169 | 494,459 |
| 16.3.1 Legal reserves | | 130,033 | - | 130,033 | 60,825 | 60,825 |
| 16.3.2 Status reserves | | - | - | - | - | - |
| 16.3.3 Extraordinary reserves | | 945,641 | 127,252 | 1,072,893 | 271,563 | 387,853 |
| 16.3.4 Other profit reserves | | 103,620 | - | 103,620 | 45,781 | 45,781 |
| 16.4 Profit or loss | | 234,061 | - | 234,061 | 272,619 | 272,619 |
| 16.4.1 Prior years' income/ (loss) | | 9,497 | - | 9,497 | - | - |
| 16.4.2 Current year income/ (loss) | | 224,564 | - | 224,564 | 272,619 | 272,619 |
| 16.5 Minority shares | (12) | 13,019 | - | 13,019 | - | - |
| TOTAL LIABILITIES AND EQUITY | | 25,532,232 | 14,922,215 | 40,454,447 | 13,930,244 | 21,173,219 |

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND
COMMITMENTS AS OF 31 DECEMBER 2011 AND 2010

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

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND
COMMITMENTS

| | Note Ref. | Audited Current Period 31.12.2011 | | | Audited Prior Period 31.12.2010 | | |
|--|-----------|---|-------------------|--------------------|---------------------------------------|-------------------|-------------------|
| | | TL | FC | Total | TL | FC | Total |
| A. OFF BALANCE SHEET CONTINGENCIES AND | | | | | | | |
| COMMITMENTS (I+II+III) | | 23,399,719 | 27,196,827 | 50,596,546 | 9,679,137 | 10,767,919 | 20,447,056 |
| I. GUARANTEES | (1), (3) | 3,443,715 | 4,928,178 | 8,371,893 | 1,985,101 | 2,431,209 | 4,416,310 |
| 1.1 Letters of guarantee | | 2,994,478 | 2,615,011 | 5,609,489 | 1,754,833 | 1,297,973 | 3,052,806 |
| 1.1.1 Guarantees subject to State Tender Law | | 149,521 | 47,724 | 197,245 | 85,204 | 15,287 | 100,491 |
| 1.1.2 Guarantees given for foreign trade operations | | 231,520 | 98,260 | 329,780 | 202,716 | 48,580 | 251,296 |
| 1.1.3 Other letters of guarantee | | 2,613,437 | 2,469,027 | 5,082,464 | 1,466,913 | 1,234,106 | 2,701,019 |
| 1.2 Bank loans | | - | 342,297 | 342,297 | 345 | 55,187 | 55,532 |
| 1.2.1 Import letter of acceptance | | - | 148,980 | 148,980 | 345 | 54,407 | 54,752 |
| 1.2.2 Other bank acceptances | | - | 193,317 | 193,317 | - | 780 | 780 |
| 1.3 Letters of credit | | - | 1,578,340 | 1,578,340 | 493 | 992,949 | 993,442 |
| 1.3.1 Documentary letters of credit | | - | 1,077,679 | 1,077,679 | 493 | 870,224 | 870,717 |
| 1.3.2 Other letters of credit | | - | 500,661 | 500,661 | - | 122,725 | 122,725 |
| 1.4 Prefinancing given as guarantee | | - | - | - | - | - | - |
| 1.5 Endorsements | | - | - | - | - | - | - |
| 1.5.1 Endorsements to the Central Bank of Turkey | | - | - | - | - | - | - |
| 1.5.2 Other endorsements | | - | - | - | - | - | - |
| 1.6 Securities issue purchase guarantees | | - | - | - | - | - | - |
| 1.7 Factoring guarantees | | - | - | - | - | - | - |
| 1.8 Other guarantees | | 447,251 | 309,354 | 756,605 | 228,526 | 50,508 | 279,034 |
| 1.9 Other collaterals | | 1,986 | 83,176 | 85,162 | 904 | 34,592 | 35,496 |
| II. COMMITMENTS | (1), (3) | 6,645,551 | 1,563,069 | 8,208,620 | 3,342,461 | 430,708 | 3,773,169 |
| 2.1 Irrevocable commitments | | 6,645,551 | 1,563,069 | 8,208,620 | 3,342,461 | 430,708 | 3,773,169 |
| 2.1.1 Forward asset purchase commitments | | 157,738 | 1,461,274 | 1,619,012 | 463 | 363,776 | 364,239 |
| 2.1.2 Forward deposit purchase and sales commitments | | - | - | - | - | - | - |
| 2.1.3 Share capital commitment to associates and subsidiaries | | 4,000 | - | 4,000 | 2,000 | - | 2,000 |
| 2.1.4 Loan granting commitments | | 2,284,108 | 110 | 2,284,218 | 1,410,868 | 86 | 1,410,954 |
| 2.1.5 Securities underwriting commitments | | - | - | - | - | - | - |
| 2.1.6 Commitments for reserve deposit requirements | | - | - | - | - | - | - |
| 2.1.7 Payment commitment for checks | | 1,455,318 | - | 1,455,318 | 707,681 | - | 707,681 |
| 2.1.8 Tax and fund liabilities from export commitments | | 10,380 | - | 10,380 | 15,565 | - | 15,565 |
| 2.1.9 Commitments for credit card expenditure limits | | 2,661,586 | - | 2,661,586 | 1,152,230 | 1,319 | 1,153,549 |
| 2.1.10 Commitments for promotions related with credit cards and banking activities | | 7,608 | - | 7,608 | 2,986 | - | 2,986 |
| 2.1.11 Receivables from short sale commitments | | - | - | - | - | - | - |
| 2.1.12 Payables for short sale commitments | | - | - | - | - | - | - |
| 2.1.13 Other irrevocable commitments | | 64,813 | 101,685 | 166,498 | 50,668 | 65,527 | 116,195 |
| 2.2 Revocable commitments | | - | - | - | - | - | - |
| 2.2.1 Revocable loan granting commitments | | - | - | - | - | - | - |
| 2.2.2 Other revocable commitments | | - | - | - | - | - | - |
| III. DERIVATIVE FINANCIAL INSTRUMENTS | (2) | 13,310,453 | 20,705,580 | 34,016,033 | 4,351,575 | 7,906,002 | 12,257,577 |
| 3.1 Derivative financial instruments for hedging purposes | | 2,025,490 | 54,778 | 2,080,268 | 343,443 | 147,610 | 491,053 |
| 3.1.1 Fair value hedge | | 106,780 | 54,778 | 161,558 | 343,443 | 147,610 | 491,053 |
| 3.1.2 Cash flow hedge | | 1,918,710 | - | 1,918,710 | - | - | - |
| 3.1.3 Hedge of net investment in foreign operations | | - | - | - | - | - | - |
| 3.2 Held for trading transactions | | 11,284,963 | 20,650,802 | 31,935,765 | 4,008,132 | 7,758,392 | 11,766,524 |
| 3.2.1 Forward foreign currency buy/sell transactions | | 1,583,321 | 3,063,986 | 4,647,307 | 465,316 | 1,665,347 | 2,130,663 |
| 3.2.1.1 Forward foreign currency transactions-buy | | 480,076 | 1,836,452 | 2,316,528 | 140,871 | 1,015,658 | 1,156,529 |
| 3.2.1.2 Forward foreign currency transactions-sell | | 1,103,245 | 1,227,534 | 2,330,779 | 324,445 | 649,689 | 974,134 |
| 3.2.2 Swap transactions related to f.c. and interest rates | | 3,896,066 | 8,380,897 | 12,276,963 | 1,437,182 | 2,980,975 | 4,418,157 |
| 3.2.2.1 Foreign currency swap-buy | | 1,582,082 | 3,759,774 | 5,341,856 | 665,827 | 1,243,992 | 1,909,819 |
| 3.2.2.2 Foreign currency swap-sell | | 1,913,984 | 3,401,573 | 5,315,557 | 438,855 | 1,608,351 | 2,047,206 |
| 3.2.2.3 Interest rate swaps-buy | | 200,000 | 609,775 | 809,775 | 166,250 | 64,316 | 230,566 |
| 3.2.2.4 Interest rate swaps-sell | | 200,000 | 609,775 | 809,775 | 166,250 | 64,316 | 230,566 |
| 3.2.3 Foreign currency, interest rate and securities options | | 5,805,576 | 9,205,919 | 15,011,495 | 2,104,075 | 2,613,176 | 4,717,251 |
| 3.2.3.1 Foreign currency options-buy | | 2,227,449 | 5,121,384 | 7,348,833 | 861,455 | 1,377,898 | 2,239,353 |
| 3.2.3.2 Foreign currency options-sell | | 3,368,127 | 3,895,421 | 7,263,548 | 978,075 | 1,217,600 | 2,195,675 |
| 3.2.3.3 Interest rate options-buy | | 110,000 | 94,557 | 204,557 | 264,545 | - | 264,545 |
| 3.2.3.4 Interest rate options-sell | | 100,000 | 94,557 | 194,557 | - | - | - |
| 3.2.3.5 Securities options-buy | | - | - | - | - | - | - |
| 3.2.3.6 Securities options-sell | | - | - | - | - | 17,678 | 17,678 |
| 3.2.4 Foreign currency futures | | - | - | - | - | 498,894 | 498,894 |
| 3.2.4.1 Foreign currency futures-buy | | - | - | - | - | 246,626 | 246,626 |
| 3.2.4.2 Foreign currency futures-sell | | - | - | - | - | 252,268 | 252,268 |
| 3.2.5 Interest rate futures | | - | - | - | - | - | - |
| 3.2.5.1 Interest rate futures-buy | | - | - | - | - | - | - |
| 3.2.5.2 Interest rate futures-sell | | - | - | - | - | - | - |
| 3.2.6 Other | | - | - | - | 1,559 | - | 1,559 |
| B. CUSTODY AND PLEDGED ITEMS (IV+V+VI) | | 86,276,517 | 22,413,492 | 108,690,009 | 31,256,234 | 7,628,600 | 38,884,834 |
| IV. ITEMS HELD IN CUSTODY | | 16,402,569 | 1,447,233 | 17,849,802 | 8,327,805 | 615,870 | 8,943,675 |
| 4.1 Assets under management | | 2,064,803 | 419 | 2,065,222 | 1,143,167 | 228 | 1,143,395 |
| 4.2 Investment securities held in custody | | 7,021,897 | 321,785 | 7,343,682 | 3,484,273 | 158,537 | 3,642,810 |
| 4.3 Checks received for collection | | 6,991,767 | 738,754 | 7,730,521 | 3,527,213 | 323,800 | 3,851,013 |
| 4.4 Commercial notes received for collection | | 323,682 | 132,614 | 456,296 | 171,883 | 60,274 | 232,157 |
| 4.5 Other assets received for collection | | 321 | 253,661 | 253,982 | 1,170 | 73,031 | 74,201 |
| 4.6 Assets received for public offering | | - | - | - | - | - | - |
| 4.7 Other items under custody | | 99 | - | 99 | 99 | - | 99 |
| 4.8 Custodians | | - | - | - | - | - | - |
| V. PLEDGED ITEMS | | 69,742,283 | 20,935,121 | 90,677,404 | 22,887,915 | 7,004,752 | 29,892,667 |
| 5.1 Marketable securities | | 2,358,907 | 44,266 | 2,403,173 | 548,824 | 10,852 | 559,676 |
| 5.2 Guarantee notes | | 37,625,367 | 13,099,850 | 50,725,217 | 11,722,942 | 5,498,932 | 17,221,874 |
| 5.3 Commodity | | 11,732 | 342,758 | 354,490 | 38,558 | 106,280 | 144,838 |
| 5.4 Warranty | | - | - | - | - | - | - |
| 5.5 Properties | | 25,335,727 | 6,590,324 | 31,926,051 | 9,094,941 | 877,281 | 9,972,222 |
| 5.6 Other pledged items | | 4,410,550 | 857,923 | 5,268,473 | 1,482,650 | 511,407 | 1,994,057 |
| 5.7 Pledged items-depository | | - | - | - | - | - | - |
| VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES | | 131,665 | 31,138 | 162,803 | 40,514 | 7,978 | 48,492 |
| TOTAL OFF BALANCE SHEET ACCOUNTS (A+B) | | 109,676,236 | 49,610,319 | 159,286,555 | 40,935,371 | 18,396,519 | 59,331,890 |

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED
31 DECEMBER 2010 AND 2009

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

III. CONSOLIDATED STATEMENT OF INCOME

| | Note Ref | Audited Current Period 01.01-31.12.2011 | Audited Prior Period 01.01-31.12.2010 |
|---|----------|---|---|
| I. INTEREST INCOME | (1) | 3,060,933 | 1,595,817 |
| 1.1 Interest on loans | | 2,520,299 | 1,261,224 |
| 1.2 Interest received from reserve deposits | | - | 14,539 |
| 1.3 Interest received from banks | | 13,421 | 10,686 |
| 1.4 Interest received from money market placements | | 1,811 | 2,186 |
| 1.5 Interest received from marketable securities portfolio | | 458,503 | 256,635 |
| 1.5.1 Held-for-trading financial assets | | 109,573 | 17,548 |
| 1.5.2 Financial assets at fair value through profit and loss | | - | - |
| 1.5.3 Available-for-sale financial assets | | 345,388 | 189,239 |
| 1.5.4 Investments held-to-maturity | | 3,542 | 49,848 |
| 1.6 Finance lease Income | | - | - |
| 1.7 Other interest income | | 66,899 | 50,547 |
| II. INTEREST EXPENSE | (2) | 1,605,768 | 779,838 |
| 2.1 Interest on deposits | | 1,093,976 | 518,351 |
| 2.2 Interest on funds borrowed | | 363,048 | 191,278 |
| 2.3 Interest on money market borrowings | | 108,875 | 49,658 |
| 2.4 Interest on securities issued | | 10,089 | - |
| 2.5 Other interest expense | | 29,780 | 20,551 |
| III. NET INTEREST INCOME/EXPENSE (I - II) | | 1,455,165 | 815,979 |
| IV. NET FEES AND COMMISSIONS INCOME/EXPENSE | | 384,777 | 458,439 |
| 4.1 Fees and commissions received | | 620,065 | 597,089 |
| 4.1.1 Non-cash loans | | 68,348 | 54,715 |
| 4.1.2 Other | | 551,717 | 542,374 |
| 4.2 Fees and commissions paid | | 235,288 | 138,650 |
| 4.2.1 Non-cash loans | | 1,133 | 1,275 |
| 4.2.2 Other | | 234,155 | 137,375 |
| V. DIVIDEND INCOME | (3) | 454 | 17 |
| VI. NET TRADING INCOME | (4) | (24,524) | (7,099) |
| 6.1 Securities trading gains/ (losses) | | 9,986 | 31,696 |
| 6.2 Gains/ (losses) from derivative financial instruments | | 24,285 | (203,315) |
| 6.3 Foreign exchange gains/ (losses) | | (58,795) | 164,520 |
| VII. OTHER OPERATING INCOME | (5) | 85,770 | 45,068 |
| VIII. NET OPERATING INCOME (III+IV+V+VI+VII) | | 1,901,642 | 1,312,404 |
| IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-) | (6) | 144,778 | 156,343 |
| X. OTHER OPERATING EXPENSES (-) | (7) | 1,443,424 | 837,379 |
| XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X) | | 313,440 | 318,682 |
| XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER | | - | - |
| XIII. GAIN / (LOSS) ON EQUITY METHOD | | - | - |
| XIV. GAIN / (LOSS) ON NET MONETARY POSITION | | - | - |
| XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV) | (8) | 313,440 | 318,682 |
| XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±) | (9) | 87,420 | 72,537 |
| 16.1 Provision for current income taxes | | 41,478 | 94,355 |
| 16.2 Provision for deferred taxes | | 45,942 | (21,818) |
| XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI) | (10) | 226,020 | 246,145 |
| XVIII. INCOME ON DISCONTINUED OPERATIONS | | - | 88,990 |
| 18.1 Income on assets held for sale | | - | - |
| 18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint vent.) | | - | 18,244 |
| 18.3 Income on other discontinued operations | | - | 70,746 |
| XIX. LOSS FROM DISCONTINUED OPERATIONS (-) | | - | 61,672 |
| 19.1 Loss from assets held for sale | | - | - |
| 19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.) | | - | - |
| 19.3 Loss from other discontinued operations | | - | 61,672 |
| XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX) | (8) | - | 27,318 |
| XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±) | (9) | - | 844 |
| 21.1 Provision for current income taxes | | - | 4,969 |
| 21.2 Provision for deferred taxes | | - | (4,125) |
| XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI) | (10) | - | 26,474 |
| XXIII. NET PROFIT/LOSS (XVII+XXII) | (11) | 226,020 | 272,619 |
| 23.1 Group's profit/loss | | 224,564 | 272,619 |
| 23.2 Minority shares | | 1,456 | - |
| Earnings per share | | 0.1086 | 0.2478 |

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF PROFIT AND LOSS ACCOUNTED FOR
UNDER EQUITY FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

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

IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

| | Audited Current Period 01.01-31.12.2011 | Audited Prior Period 01.01-31.12.2010 |
|--|---|---|
| I. Additions to marketable securities valuation differences for available for sale financial assets | (169,355) | 106,840 |
| II. Tangible assets revaluation differences | - | - |
| III. Intangible assets revaluation differences | - | - |
| IV. Foreign exchange differences for foreign currency transactions | 36,835 | (6,856) |
| V. Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences) | 5,631 | - |
| VI. Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences) | - | - |
| VII. The effect of corrections of errors and changes in accounting policies | - | - |
| VIII. Other profit loss items accounted for under equity due to TAS | - | - |
| IX. Deferred tax of valuation differences | 45,271 | (15,239) |
| X. Total Net Profit/Loss accounted for under equity (I+II+...+IX) | (81,618) | 84,745 |
| XI. Profit/Loss | (64,246) | (30,401) |
| 11.1 Change in fair value of marketable securities (Transfer to Profit/Loss) | (64,246) | (30,401) |
| 11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement | - | - |
| 11.3 Transfer of hedge of net investments in foreign operations to Income Statement | - | - |
| 11.4 Other | - | - |
| XII. Total Profit/Loss accounted for the Period (X±XI) | (145,864) | 54,344 |

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| Audited | Note Ref | Paid-in Capital | Effect of Inflation Accounting on Capital and Other Reserves | Share Premium | Share Cancellation Profits | Legal Reserves | Statutory Reserves | Extraordinary Reserves | Other Reserves | Current Period Net Income/ (Loss) | Prior Period Net Income/ (Loss) | Marketable Securities Valuation Differences | Tangible and Intangible Assets Revaluation Differences | Bonus shares obtained from Associates | Hedging Funds | Acc. val. diff. from assets held for sale and from disc. op. | Equity Attributable to the Parent | Minority Shares | Total Equity | |
|--|--------------|------------------|--|---------------|----------------------------|----------------|--------------------|------------------------|----------------|-----------------------------------|---------------------------------|---|--|---------------------------------------|---------------|--|-----------------------------------|-----------------|------------------|---|
| I. Prior Period – 01.01.-30.09.2010 | | | | | | | | | | | | | | | | | | | | |
| Beginning Balance – 31.12.2009 | III-1 | 1,100,000 | 926 | 2,227 | - | 57,519 | - | 362,822 | 20,087 | - | 267,904 | 21,823 | - | - | - | - | 1,833,308 | - | 1,833,308 | |
| II. Corrections according to TAS 8 | | | | | | | | | | | | | | | | | | | | |
| 2.1 The effect of corrections of errors | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 The effects of changes in accounting policy | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. New Balance (I+II) | III-1 | 1,100,000 | 926 | 2,227 | - | 57,519 | - | 362,822 | 20,087 | - | 267,904 | 21,823 | - | - | - | - | 1,833,308 | - | 1,833,308 | |
| Changes in period | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IV. Increase/Decrease related to merger | | | | | | | | | | | | | | | | | | | | |
| V. Marketable securities valuation differences | | | | | | | | | | | | 61,200 | | | | | 61,200 | | 61,200 | |
| VI. Hedging Funds (Effective Portion) | | | | | | | | | | | | | | | | | | | | |
| 6.1 Cash-flow hedge | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6.2 Hedge of net investment in foreign operations | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. Tangible assets revaluation differences | | | | | | | | | | | | | | | | | | | | |
| VIII. Intangible assets revaluation differences | | | | | | | | | | | | | | | | | | | | |
| IX. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint vent.) | | | | | | | | | | | | | | | | | | | | |
| X. Foreign exchange differences | | | | | | | | | | | | | | | | | | | | |
| XI. The disposal of assets | | | | | | | | | | | | | | | | | | | | |
| XII. The reclassification of assets | | | | | | | | | | | | | | | | | | | | |
| XIII. The effect of change in associate's equity | | | | | | | | | | | | | | | | | | | | |
| XIV. Capital increase | | | | | | | | | | | | | | | | | | | | |
| 14.1 Cash | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 14.2 Internal sources | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XV. Share premium | | | | | | | | | | | | | | | | | | | | |
| XVI. Share cancellation profits | | | | | | | | | | | | | | | | | | | | |
| XVII. Inflation adjustment to paid-in capital | | | | | | | | | | | | | | | | | | | | |
| XVIII. Other | | | | | | | | | | | | | | | | | | | | |
| XIX. Period net income/(loss) | | | | | | | | | | 272,619 | | | | | | | 272,619 | | 272,619 | |
| XX. Profit distribution | | | | | | | | | | | | | | | | | | | | |
| 20.1 Dividends distributed | | - | - | - | - | 3,306 | - | 25,031 | 32,550 | - | (267,904) | - | - | - | - | - | (207,017) | - | (207,017) | |
| 20.2 Transfers to reserves | | - | - | - | - | 3,306 | - | 232,048 | 32,550 | - | (267,904) | - | - | - | - | - | (207,017) | - | (207,017) | |
| 20.3 Other | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Closing Balance 31.12.2010 | | | | | | | | | | | | | | | | | | | | |
| (III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII+XIX+XX) | | 1,100,000 | 926 | 2,227 | - | 60,825 | - | 387,853 | 45,781 | 272,619 | - | 83,023 | - | - | - | - | 1,953,254 | - | 1,953,254 | |

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
31 DECEMBER 2011 AND 2010

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note Ref | Audited Current Period 01.01-31.12.2011 | Audited Prior Period 01.01-31.12.2010 |
|---|----------|---|---|
| A. CASH FLOWS FROM BANKING OPERATIONS | | | |
| 1.1 Operating profit before changes in operating assets and liabilities | | 250,322 | 466,562 |
| 1.1.1 Interest received | | 3,050,250 | 1,541,762 |
| 1.1.2 Interest paid | | (1,543,193) | (740,976) |
| 1.1.3 Dividend received | | 454 | 17 |
| 1.1.4 Fees and commissions received | | 627,397 | 602,603 |
| 1.1.5 Other income | | 91,365 | 279,887 |
| 1.1.6 Collections from previously written off loans | | 68,503 | 144,095 |
| 1.1.7 Payments to personnel and service suppliers | | (617,972) | (383,793) |
| 1.1.8 Taxes paid | | (95,619) | (47,489) |
| 1.1.9 Others | (1) | (1,330,863) | (929,544) |
| 1.2 Changes in operating assets and liabilities | | (690,071) | 683,866 |
| 1.2.1 Net (increase) decrease in financial assets held for trading | | (315,258) | 29,897 |
| 1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss | | - | - |
| 1.2.3 Net (increase) decrease in due from banks and other financial institutions | | 56,665 | (46,353) |
| 1.2.4 Net (increase) decrease in loans | | (6,027,214) | (3,150,057) |
| 1.2.5 Net (increase) decrease in other assets | | (295,334) | (423,542) |
| 1.2.6 Net increase (decrease) in bank deposits | | (216,831) | 272,752 |
| 1.2.7 Net increase (decrease) in other deposits | | 5,790,667 | 1,535,621 |
| 1.2.8 Net increase (decrease) in funds borrowed | | 216,242 | 2,334,177 |
| 1.2.9 Net increase (decrease) in matured payables | | - | - |
| 1.2.10 Net increase (decrease) in other liabilities | (1) | 100,992 | 131,371 |
| I. Net cash provided from banking operations | | (439,749) | 1,150,428 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| II. Net cash provided from investing activities | | (311,869) | (1,018,606) |
| 2.1 Cash paid for purchase of entities under common control, associates and subsidiaries (Joint Vent.) | | - | (4) |
| 2.2 Cash obtained from sale of entities under common control, associates and subsidiaries (Joint Vent.) | | - | 113,345 |
| 2.3 Fixed assets purchases | | (69,232) | (20,537) |
| 2.4 Fixed assets sales | | 6,064 | 237 |
| 2.5 Cash paid for purchase of financial assets available for sale | | (3,889,046) | (4,504,164) |
| 2.6 Cash obtained from sale of financial assets available for sale | | 3,545,824 | 2,732,698 |
| 2.7 Cash paid for purchase of investment securities | | (1,243) | (9,400) |
| 2.8 Cash obtained from sale of investment securities | | 106,227 | 676,868 |
| 2.9 Others | | (10,463) | (7,649) |
| | (1) | | |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| III. Net cash provided from financing activities | | 484,677 | (215,646) |
| 3.1 Cash obtained from funds borrowed and securities issued | | 719,999 | - |
| 3.2 Cash used for repayment of funds borrowed and securities issued | | (235,287) | (8,613) |
| 3.3 Capital increase | | - | - |
| 3.4 Dividends paid | | - | (207,017) |
| 3.5 Payments for finance leases | | (35) | (16) |
| 3.6 Other | | - | - |
| | (1) | | |
| IV. Effect of change in foreign exchange rate on cash and cash equivalents | (1) | 199,750 | 48,270 |
| V. Net increase / (decrease) in cash and cash equivalents | (1) | (67,191) | (35,554) |
| VI. Cash and cash equivalents at beginning of the period (*) | | 3,579,825 | 2,666,213 |
| VII. Cash and cash equivalents at end of the period | | 3,512,634 | 2,630,659 |

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

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
CONSOLIDATED PROFIT DISTRIBUTION TABLES FOR THE YEARS ENDED
31 DECEMBER 2011 AND 2010

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

VII. CONSOLIDATED PROFIT DISTRIBUTION TABLE

| | (*) Audited Current Period 31.12.2011 | Audited Prior Period 31.12.2010 |
|---|---|---------------------------------------|
| I. DISTRIBUTION OF CURRENT YEAR INCOME | | |
| 1.1 CURRENT YEAR INCOME | - | - |
| 1.2 TAXES AND DUTIES PAYABLE (-) | - | - |
| 1.2.1 Corporate tax (Income tax) | - | - |
| 1.2.2 Income withholding tax | - | - |
| 1.2.3 Other taxes and duties | - | - |
| A. NET INCOME FOR THE YEAR (1.1-1.2) | - | - |
| 1.3 PRIOR YEARS' LOSSES (-) | - | - |
| 1.4 FIRST LEGAL RESERVES (-) | - | - |
| 1.5 OTHER STATUTORY RESERVES (-) | - | - |
| B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))] | - | - |
| 1.6 FIRST DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.6.1 To owners of ordinary shares | - | - |
| 1.6.2 To owners of preferred shares | - | - |
| 1.6.3 To owners of preferred shares (preemptive rights) | - | - |
| 1.6.4 To profit sharing bonds | - | - |
| 1.6.5 To holders of profit and loss sharing certificates | - | - |
| 1.7 DIVIDENDS TO PERSONNEL (-) | - | - |
| 1.8 DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| 1.9 SECOND DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.9.1 To owners of ordinary shares | - | - |
| 1.9.2 To owners of preferred shares | - | - |
| 1.9.3 To owners of preferred shares (preemptive rights) | - | - |
| 1.9.4 To profit sharing bonds | - | - |
| 1.9.5 To holders of profit and loss sharing certificates | - | - |
| 1.10 SECOND LEGAL RESERVES (-) | - | - |
| 1.11 STATUTORY RESERVES (-) | - | - |
| 1.12 EXTRAORDINARY RESERVES | - | - |
| 1.13 OTHER RESERVES | - | - |
| 1.14 SPECIAL FUNDS | - | - |
| II. DISTRIBUTION OF RESERVES | | |
| 2.1 DISTRIBUTED RESERVES | - | - |
| 2.2 SECOND LEGAL RESERVES (-) | - | - |
| 2.3 DIVIDENDS TO SHAREHOLDERS (-) | - | - |
| 2.3.1 To owners of ordinary shares | - | - |
| 2.3.2 To owners of preferred shares | - | - |
| 2.3.3 To owners of preferred shares (preemptive rights) | - | - |
| 2.3.4 To profit sharing bonds | - | - |
| 2.3.5 To holders of profit and loss sharing certificates | - | - |
| 2.4 DIVIDENDS TO PERSONNEL (-) | - | - |
| 2.5 DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| III. EARNINGS PER SHARE | | |
| 3.1 TO OWNERS OF ORDINARY SHARES | - | - |
| 3.2 TO OWNERS OF ORDINARY SHARES (%) | - | - |
| 3.3 TO OWNERS OF PREFERRED SHARES | - | - |
| 3.4 TO OWNERS OF PREFERRED SHARES (%) | - | - |
| IV. DIVIDEND PER SHARE | | |
| 4.1 TO OWNERS OF ORDINARY SHARES | - | - |
| 4.2 TO OWNERS OF ORDINARY SHARES (%) | - | - |
| 4.3 TO OWNERS OF PREFERRED SHARES | - | - |
| 4.4 TO OWNERS OF PREFERRED SHARES (%) | - | - |

(*) Based on the local regulations, no profit is distributed from the consolidated income.

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION THREE
ACCOUNTING PRINCIPLES

I. Basis of Presentation

The Parent Bank prepares its financial statements and notes according to Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS), other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by Banking Regulation and Supervision Agency (BRSA), Turkish Commercial Code and Tax Legislation.

The prior period financial statements are prepared in line with the principles of TAS No:1 "Fundamentals of Preparing and Presenting Financial Statements" published in the Official Gazette on 16 January 2005 with No: 25702, and in accordance with Turkish Accounting Standards and Turkish Financial Reporting Standards; and other principles, methods and explanations about accounting and financial reporting issued by the BRSA. Certain reclassifications have been made to the prior year financial statements in order to comply with the current year presentation whenever required. For comparison purposes, "Marketable Securities Impairment Losses" have been reclassified from "Provision for Loan Losses and Other Receivables" to "Interest Received from Marketable Securities Portfolio" in the income statement. (31 December 2011: TL 15,081). As of 31 December 2010 TL 43,805 which will not be subject to profit distribution in 31 December 2010 financial statements has been reclassified from "Extraordinary Reserves" to "Other Profit Reserves" and also TL 46,651 loan customers of TEB Yatırım has been reclassified from "Other Assets" to "Loans and Receivables".

As explained in Note XXIII. "Other Issues", transfer of all rights, receivables, liabilities and obligations to the Parent Bank by dissolution of Fortis Bank A.Ş. has been effectuated as of 14 February 2011. The related transaction has been accounted for in accordance with the requirements of TFRS 3 "Business Combination", and prior period balances presented in the financial statements and notes to the financial statements do not include any balances or figures related to Fortis Bank A.Ş.

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Group aims to develop and promote products for the financial needs of each customer such as SMEs, multinational companies and even small individual investors in line with banking legislation. The primary objective of the Parent Bank is to increase profitability with optimum liquidity and minimum risk while fulfilling customer needs.

The Group aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of risk management strategy of the Group, risk bearing short term positions of currency, interest or price movements is performed only by the Treasury Asset-Liability Management using the limits defined by the Board of Directors. The Asset-Liability Committee of the Parent Bank manages the maturity mismatches while deciding the short, medium and long term strategies as well as adopting the principle of positive balance sheet margin as a pricing policy.

The Board of Directors of the Parent Bank allows a purchase risk in treasury operations and individual limits are defined by the Board of Directors for each product.

The Parent Bank's hedging activities for the currency risk due to foreign currency available-for-sale equity instruments are described under the Currency Risk section; and the Parent Bank's hedging activities from interest rate risk arising from fixed interest rate deposits and floating interest rate borrowings are described in detail under Interest Rate Risk section.

The Parent Bank's Asset-Liability Committee approves the trading of various derivative instruments such as currency swaps, forwards and similar derivatives to hedge interest and currency exchange risks in line with the Parent Bank's balance sheet structure

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

III. Information about the Parent Bank and its Consolidated Subsidiaries

Türk Ekonomi Bankası Anonim Şirketi and its financial institutions, The Economy Bank N.V. (Economy Bank), Stichting Effecten Dienstverlening (Stichting), Kronenburg Vastgoed B.V. (Kronenburg), TEB Finansal Kiralama A.Ş. (TEB Leasing), TEB Faktoring A.Ş. (TEB Faktoring), TEB Yatırım Menkul Değerler A.Ş. (TEB Yatırım) and TEB Portföy Yönetimi A.Ş. (TEB Portföy) are included in the accompanying consolidated financial statements by line-by-line consolidation method. The sale of TEB Finansal Kiralama A.Ş. has been finalized as of 30 September 2010.

As explained in the Material Event Disclosure on 24 March 2011, the followings are concluded in regards to the transfer of Fortis Yatırım Menkul Değerler A.Ş. ("Fortis Yatırım") in which TEB has 99.998% participation, with all of its assets and liabilities without any dissolution to TEB Yatırım Menkul Değerler A.Ş. ("TEB Yatırım") in which TEB has a direct share of 92.481%:

The transfer of Fortis Yatırım to TEB Yatırım and the related transfer agreement are approved in the Extraordinary General Meeting of TEB Yatırım and Fortis Yatırım held on 21 June 2011.

In relation to the transfer, Article 6 "Capital and Share Types" set out in the articles of association of TEB Yatırım is decided to be amended upon the approval of the CMB no: B.02.1.SPK.0.16-205.01.02/714-6076 issued on 14 June 2011 and the permit no: B.14.0.İTG.0.10.00.01/351-02-56082-72593-3267 given by the Domestic Trade Administration of the Ministry of Trade and Industry of Turkish Republic on 14 June 2011, and the capital of TEB Yatırım is decided to be increased from TL 12,950 to TL 28,794 in relation to the transfer transaction accordingly to the extent that shareholders of Fortis Yatırım are granted with shares that represent the increased capital.

The transfer was finalized on 24 June 2011 upon the registry of the resolutions issued in the TEB Yatırım and Fortis Yatırım's Extraordinary General Meeting held on 21 June 2011 to the İstanbul Trade Registry.

Following the transfer, TEB's direct participation in TEB Yatırım has increased to 96.617%.

As explained in the Material Event Disclosure dated 13 September 2011, the followings are concluded in regards to the transfer of Fortis Portföy Yönetimi A.Ş. ("Fortis Portföy") with all of its assets and liabilities without any dissolution to TEB Portföy Yönetimi A.Ş. ("TEB Portföy") in which the Bank has a direct and indirect share of 100%;

The transfer of Fortis Portföy to TEB Portföy and the related transfer agreement approved by the Capital Markets Board are approved in the Extraordinary General Meeting of TEB Portföy and Fortis Portföy held on 16 December 2011.

In relation to the transfer, Article 9 "Share Capital" and Article 14 "Board of Directors" set out in the articles of association of TEB Portföy are decided to be amended upon the unqualified opinion of the CMB no: B.02.1.SPK.0.15.335.06-1088-11331 issued on 12 December 2011 and the permit no: B.21.O.İTG.0.03.01.00/351.02-57834-264712-2918/2466 given by the Domestic Trade Administration of the Ministry of Trade and Industry of Turkish Republic on 13 December 2011, and the capital of TEB Portföy is decided to be increased from TL 2,410 to TL 4,402 in relation to the transfer transaction accordingly to the extent that shareholders of Fortis Portföy are granted with shares that represent the increased capital at the Extraordinary General Assembly Meeting of TEB Portföy.

The transfer was finalized on 22 December 2011 upon the registry of the resolutions issued in the TEB Portföy and Fortis Portföy's Extraordinary General Meetings held on 16 December 2011 to the İstanbul Trade Registry.

Following the transfer, TEB's direct participation in TEB Portföy has decreased to 25.604%.

The changes in shareholder's equity related with TEB Portföy regarding the merger is shown in XVI. "Other" line in the consolidated statement of changes in shareholders' equity.

The accompanying consolidated financial statements are prepared in accordance with "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated November 8, 2006 numbered 26340. The Parent Bank and the entities included in the consolidation are referred to as "the Group" in this report.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

III. Information about the Parent Bank and its Consolidated Subsidiaries (continued)

The financial statements of the subsidiaries, which were prepared in accordance with the prevailing principles and rules regarding financial accounting and reporting standards in their respective country of incorporation and the Turkish Commercial Code and/or Financial Leasing Law and/or communiqués of the Capital Market Board, are duly adjusted in order to present their financial statements in accordance with TAS and TFRS.

Explanations on Consolidation Method and Scope

The commercial names of the entities included in consolidation and the locations of the head offices of these institutions:

| <u>Commercial Name</u> | <u>Head Office</u> |
|------------------------|--------------------|
| Economy Bank | Netherlands |
| Stichting | Netherlands |
| Kronenburg | Netherlands |
| TEB Faktoring | Turkey |
| TEB Yatırım | Turkey |
| TEB Portföy | Turkey |

Line-by-line consolidation method is used for all the financial institutions included in the consolidation.

When there are differences between the accounting policies of the subsidiaries and the Parent Bank, the financial statements are adjusted in accordance with the principle of materiality. The financial statements of the subsidiaries are prepared as of 31 December 2011 and 31 December 2010.

The transactions and balances between the consolidated entities and the Parent Bank are eliminated.

Explanations on Foreign Currency Transactions

Gains or losses arising from foreign currency transactions realized during the year are reflected to the income statement. Foreign currency assets and liabilities at each period-end are translated into Turkish lira at the period-end foreign exchange buying rates and the resulting foreign exchange gains or losses are recorded in the income statement as foreign exchange gain or loss. The EUR exchange rate used for translating foreign currency transactions into Turkish Lira and reflecting these to consolidated financial statements as of 31 December 2011, is TL 2.4438 ,in full TL, while the USD exchange rate is TL 1.8889, in full TL (31 December 2010: EUR: TL 2.0551, in full TL, USD: 1.5376 TL, in full TL).

There are no capitalized foreign exchange differences.

The information regarding the principles of foreign currency risk management are stated in Section Four, Note V.

There are no debt securities issued. Foreign exchange gains and losses arising from translating monetary financial assets are reflected to “Foreign Exchange Gains / (Losses) in the income statement.

The foreign currency net investment in consolidated foreign subsidiaries are translated into Turkish Lira using the exchange rate prevailing at the balance sheet date for their assets and liabilities and twelve months average exchange rate for their income statement items. The currency translation gain arising from the consolidated subsidiaries’ inflation and devaluation differences amounting to TL 38,811 (31 December 2010: TL 1,976 currency translation gain) has been recorded in “Other Profit Reserves” under shareholders’ equity.

IV. Explanations on Forward and Option Contracts and Derivative Instruments

Fair values of foreign currency forward and swap transactions are determined by comparing the period end Bank foreign exchange rates with the contractual forward rates discounted to the balance sheet date with the prevailing current market rates. The resulting gain or loss is reflected to the income statement.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

IV. Explanations on Forward and Option Contracts and Derivative Instruments (continued)

In the assessment of fair value of interest rate swap instruments, interest amounts to be paid or to be received due to/from the fixed rate on the derivative contract are discounted to the balance sheet date with the current applicable fixed rate in the market that is prevailing between the balance sheet date and the interest payment date, whereas interest amounts to be paid or to be received due to/from the floating rate on the derivative contract are recalculated with the current applicable market rates that are prevailing between the balance sheet date and the interest payment date and are discounted to the balance sheet date again with the current applicable market rates that are prevailing between the balance sheet date and the interest payment date. The differences between the fixed rate interest amounts and floating rate interest amounts to be received/paid are recorded in the profit/loss accounts in the current period.

The fair value of call and put option agreements are measured at the valuation date by using the current premium values of all option agreements, and the differences between the contractual premiums received/paid and the current premiums measured at valuation date are recognized in the statement of income.

Futures transactions are valued on a daily basis by the primary market prices and related unrealized gains or losses are reflected in the income statement.

The valuation of CDS transactions are based on the differences between the existing and recalculated payment plans discounted to the valuation date with current CDS interest rates.

As of 1 July 2008, the Parent Bank has adopted fair value hedge accounting in order to avoid the effects of interest rate changes in the market by matching a portion of its swap portfolio with its loan portfolio. As of August 2011, the Bank has also adopted cash flow hedge accounting by matching a portion of its swap portfolio with its deposit basis. The details of the hedge accounting are explained in Section Five Note III.2 i.

While the Parent Bank recognizes the fair value changes of the hedged items in the “other interest income” and “other interest expense” accounts, it recognizes the fair value changes of the hedging instruments related to the same period in the “gains/(losses) from derivative financial instruments” account.

Additionally, the difference between the fair value and carrying value of the hedged items as of the application date of hedge accounting is amortized based on their maturities and recognized in “other interest income” and “other interest expense” accounts.

V. Explanations on Interest Income and Expenses

Interest income and expense are recognized in the income statement for all interest bearing instruments whose cash inflows and outflows are known on an accrual basis using the effective interest method. In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

VI. Explanations on Fees and Commission Income and Expenses

Fees for various banking services are recorded as income when collected and prepaid commission income on cash and non-cash loans is recorded as income by using effective interest rate in the related period.

Fees and commissions for funds borrowed paid to other financial institutions, as part of the transaction costs, are recorded as prepaid expenses using the effective interest rate and are expensed on the related periods.

The dividend income is reflected to the financial statements on a cash basis when the profit distribution is realized by the associates and subsidiaries.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VII. Explanations on Financial Assets

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Risks related to these activities form a significant part among total risks the Parent Bank undertakes. Financial instruments affect liquidity, market, and credit risks on the Parent Bank's balance sheet in all respects. The Parent Bank trades these instruments on behalf of its customers and on its own behalf.

Basically, financial assets create the majority of the commercial activities of the Group. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Group. Settlement date accounting requires (a) accounting of the asset when acquired by the institution and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. In case of application of settlement date accounting, the institution accounts for the changes that occur in the fair value of the asset in the period between commercial transaction date and settlement date as in the assets that the institution settles.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are described below.

Cash, Banks, and Other Financial Institutions

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The book value of these assets approximates their fair values.

Financial Assets at Fair Value Through Profit and Loss

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio with a pattern of short-term profit taking.

Trading securities are initially recognized at cost. Transaction costs of the related securities are included in the initial cost. The positive difference between the cost and fair value of such securities is accounted for as interest and income accrual, and the negative difference is accounted for as "Impairment Provision on Marketable Securities".

Held to Maturity Investments and Financial Assets Available for Sale

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability other than loans and receivables.

Available for sale financial assets include all securities other than loans and receivables, securities held to maturity and securities held for trading.

Marketable securities are initially recognized at cost including the transaction costs.

After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Valuation Differences" under the equity. Fair values of debt securities that are traded in an active market are determined based on quoted prices or current market prices. In the absence of prices formed in an active market, fair value of these securities is determined using the prices declared in the Official Gazette or other valuation methods stated in TAS.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VII. Explanations on Financial Assets (continued)

After initial recognition, held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

The interests received from held to maturity investments are recorded as interest income.

Following the merger with Fortis Bank A.Ş., the Parent Bank revised its risk management policies. As a result, held to maturity investments amounting to TL 261,199 are classified as financial assets available for sale in accordance with TAS 39.

There are no financial assets that have been previously classified as held to maturity investments but cannot be currently classified as held to maturity for two years due to “tainting” rule.

The Group classifies its securities as referred to above at the acquisition date of related assets.

The sale and purchase transactions of the held to maturity investments are recorded on a settlement date basis.

Loans and Provisions for Impairment

Loans are financial assets those generated by lending money and exclude those that are held with the intention of trading or selling in the near future.

The Group initially records loans and receivables at cost. In subsequent periods, in accordance with TAS, loans are measured at amortized cost using effective interest rate method.

Provision is set for the loans that may be doubtful and the amount is charged in the current period income statement. The provisioning criteria for non-performing loans are determined by the Group’s management for compensating the probable losses of the current loan portfolio, by evaluating the quality of loan portfolio, risk factors and considering the economic conditions, other facts and related regulations.

Specific reserves are provided for Group III, IV and V loans 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 which was amended with the communiqué published in the Official Gazette No. 27119 dated 23 January 2009. These provisions are reflected in the income statement under “Provision and Impairment Expenses - Special Provision Expense”. The collections made regarding these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables.

The collections made related to loans for which provision is made in the current period are reversed from the “Provision for Loan Losses and Other Receivables” account in the income statement, and related interest income is credited to the “Interest Received from Non-performing Loans” account.

Releases of loan loss provisions are booked in “Other Operating Income” account and reversed from the “Provision and Impairment Expenses - Specific Provision Expense” account in the income statement.

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; the Parent Bank records general loan loss provisions for loans and other receivables. The Parent Bank calculated the general loan provision as 0.5% for cash loans and other receivables, and 0.1% for non-cash loans until 1 November 2006. Subsequent to the change 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 book general loan loss provision of 1% for cash loans and other receivables; and 0.2% for non-cash loans on the increase in the cash and non-cash loan portfolio as compared to their 31 October 2006 balances whereas allocating 0.5% general loan loss provision for cash loans and other receivables, and 0.1% for non-cash loans for the balances as of 31 October 2006. With the change in the same regulation on 6 February 2008, the Parent Bank started to book general loan loss provision of 2% for cash loans under watch-list and 0.4% for non-cash loans under watch-list.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VII. Explanations on Financial Assets (continued)

In accordance with the amendment in the Communiqué “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: 27947 dated 28 May 2011, if the loans and other receivables of the banks classified as standard loans and other receivables meet the required conditions set out in the Communiqué, loan agreement terms can be changed; however, if the change is related to the extension of the first payment schedule in the loan agreement, the general loan loss provision rate is applied as 5% for the related loans and other receivables and for loans and other receivables under watch-list. In accordance with the amendment in the Communiqué “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: 27968 dated 18 June 2011, as the consumer loan portfolio of the Bank is more than 20% of the total loans, the general loan loss provision rate applied by the Bank for consumer loans except for housing and vehicle loans classified under Group 1 shall be 4% whereas the general provision rate applied by the Parent Bank for consumer loans except for housing and vehicle loans classified under Group 2 shall be 8%.

VIII. Explanations on Impairment of Financial Assets

Specific reserves are also provided by TEB Faktoring based on the Communiqué on “Methods and Principles for the Determination of Receivables to be Reserved for and Allocation of Reserves of Financial Institutions, Leasing, and Factoring Firms” published in the Official Gazette No: 26588 on 20 July 2007 which was amended with the communiqué published in the Official Gazette No. 27270 dated 26 June 2009 and based on the Communiqué about “The Amendment in the Communiqué on Methods and Principles for the Determination of Receivables to be Reserved for and Allocation of Reserves of Finance Companies, Leasing, and Factoring Firms” published in the Official Gazette No: 26808 on 6 March 2008.

At each balance sheet date, the Group evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss or not. If any such indication exists, the Group determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence (or nonoccurrence) of one or more than one event (“loss event”) after the first journalization of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses caused by the future events are not journalized.

IX. Explanations on Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset when a party has a legally enforceable right to set off, the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously.

X. Explanations on Sales and Repurchase Agreements and Lending of Securities

The sales and purchase of government securities under repurchase agreements made with the customers are recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts by the Group. Accordingly in the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under securities held for trading, available for sale and held to maturity depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. Funds obtained from repurchase agreements are classified as a separate sub-account under money markets borrowings account in the liabilities.

These transactions are short-term and consist of domestic public sector debt securities.

The income and expenses from these transactions are reflected to the “Interest Income on Marketable Securities” and “Interest Expense on Money Market Borrowings” accounts in the income statement.

As of 31 December 2011, the Group has reverse repo amounting to TL 510,975 (31 December 2010: TL 238).

As of 31 December 2011, the Group does not have any marketable securities lending transaction (31 December 2010: None).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

XI. Explanations on Assets Held for Sale, Discontinued Operations and Liabilities Related to Those Assets

Assets held for sale are those under a plan prepared by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low.

The Group does not have any assets held for sale.

A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately.

XII. Explanations on Goodwill and Other Intangible Assets

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In the merger transaction where acquirer and acquiree exchange equity instruments, it is taken into account the fair value of equity shares exchanged and the difference between such amount and fair value of the acquiree's identifiable net asset value is accounted as goodwill. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized 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 recognized as of that date. During the measurement period, the acquirer shall also recognize 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 shall not exceed one year from the acquisition date.

Goodwill arising on an acquisition of a business or a merger is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. The Bank's policy for goodwill arising on the merger transaction is described in Section Five, Note I-13.

As explained in Note XXIII. "Other Issues", transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated as of 14 February 2011. Within the framework of TFRS 3 "Business Combination", identifiable assets and liabilities acquired at the merger date are measured at their acquisition date fair value. The amount of TL 421,124 which is the difference between the fair value of identifiable net asset value and the fair value of consideration transferred measured in accordance with TFRS 3, is accounted as goodwill in the 31 December 2011 financial statements of the Parent Bank.

With the loss of control of TEB Yatırım on TEB Portföy, the positive difference of TL 1,205 between the acquisition cost and share in the equity of acquired subsidiaries has been derecognized in the accompanying consolidated financial statements as of 31 December 2011.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

XII. Explanations on Goodwill and Other Intangible Assets (continued)

Intangible assets are accounted for at restated cost until 31 December 2004 in accordance with inflation accounting and are amortized with straight-line method, after 31 December 2004 the acquisition cost and any other cost incurred so as to prepare the intangible asset ready for use less reserve for impairment, if any, and are amortized on a straight-line method. The cost of assets subject to amortization is restated after deducting the exchange differences, capitalized financial expenses and revaluation increases, if any, from the cost of the assets.

The other intangible assets of the Group comprise mainly softwares. The useful lives of such assets acquired are determined as 3-5 years by taking into consideration the expected utilization period, technical, technological or any other impairment and maintenance expenses necessary for the economic use of such assets. Softwares used are mainly developed within the Parent Bank by the Bank's personnel and the related expenses are not capitalized.

There are no anticipated changes in the accounting estimates about the amortization rate and amortization method and residual values that would have a significant impact in the current and future periods.

XIII. Explanations on Tangible Fixed Assets

Properties are accounted for at their restated costs until 31 December 2004; afterwards the acquisition cost and any other cost incurred so as to prepare the fixed asset ready for use are reflected, less reserve for impairment, if any. The straight-line method of depreciation is used for buildings and useful life is considered as 50 years.

Other tangible fixed assets are accounted for at their restated costs until 31 December 2004; afterwards the acquisition cost and any other cost incurred so as to prepare the fixed asset ready for use are reflected less reserve for impairment, if any, and depreciated on a straight-line method. Depreciation of assets held less than one year as of the balance sheet date is accounted proportionately. No amendment has been made to the depreciation method in the current period. The annual rates used, which approximate rates based on the estimated economic useful lives of the related assets, are as follows:

| | % |
|---|--------|
| Buildings | 2 |
| Motor vehicles | 10-20 |
| Furniture, fixtures and office equipment and others | 2 – 50 |

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of the related asset. Other maintenance costs are expensed.

There are no pledges, mortgages or other restrictions on the tangible fixed assets.

There are no purchase commitments related to the tangible fixed assets.

There are no anticipated changes in the accounting estimates, which could have a significant impact in the current and future periods.

The Parent Bank employs independent appraisers in determining the current fair values of its real estates when there is any indication of impairment in value of real estates. The impairment on the branches amounting to TL 11,594 is taken over with the transfer of Fortis Bank A.Ş. (31 December 2010: None).

As per the appraisals performed for the real estates held for resale included in "Other Assets" in the financial statements, there is a provision for impairment loss amounting to TL 3,261 (31 December 2010: TL 3,380).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

XIV. Explanations on Leasing Transactions

Tangible fixed assets acquired by financial leases are accounted for in accordance with TAS No:17. In accordance with this standard, the leasing transactions, which consist of only foreign currency liabilities, are translated to Turkish Lira with the exchange rates prevailing at the transaction dates and they are recorded as an asset or a liability. The foreign currency liabilities are translated to Turkish Lira with the Parent Bank's period end exchange rates. The increases/decreases resulting from the differences in the foreign exchange rates are recorded as expense/income in the relevant period. The financing cost resulting from leasing is distributed through the lease period to form a fixed interest rate.

In addition to the interest expense, depreciation expense is recorded for the depreciable leased assets in each period. The depreciation rate is determined in accordance with TAS No:16 "Accounting Standard for Tangible Fixed Assets" by taking the useful lives into account.

Operating lease payments are recognized as expense in the income statement on a straight line basis over the lease term.

The Group does not have any leasing transactions as "Lessor".

XV. Explanations on Provisions and Contingent Liabilities

Provisions are recognized when there is a present obligation, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Group's best expectation of expenses in fulfilling the obligation as of the balance sheet date, and discounted to present value if material.

XVI. Explanations on Liabilities Regarding Employee Benefits

Defined Benefit Plans

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct, and due to marriage, female employees terminating their employments within a year as of the date of marriage, or male employees terminating their employments due to their military service. The Group is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits".

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Group uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are reviewed annually. The carrying value of provision for employee termination benefits as of 31 December 2011 is TL 60,277 (31 December 2010: TL 25,122)

| | 31 December 2011 | 31 December 2010 |
|-----------------------------|-------------------------|-------------------------|
| Discount Rate (%) | 9.55 | 10.00 |
| Expected Inflation Rate (%) | 5.13 | 5.10 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

XVI. Explanations on Liabilities Regarding Employee Benefits (continued)

As presented in detail in Note XXIII. "Explanations on Other Matters", employees transferred to the Bank following the business combination of the Parent Bank and Fortis Bank A.Ş. are the members of "Türk Dış Ticaret Bankası Mensupları Pension Fund Foundation" (the "Pension Fund") which was established in May 1964 under the Provisional Article 20 of Social Insurance Law No: 506. Technical financial statements of the Pension Fund are reviewed by a licensed actuary in accordance with Article 38 of the Insurance Supervisory Law and the "Actuary Regulations" issued based on the same article. As of 31 December 2011, the Pension Fund has 3,203 employees and 828 pensioners (31 December 2010: 4,520 employees and 785 pensioners).

Provisional Article 23 (1) of Banking Law No: 5411 (the "Banking Law") published in the Official Gazette repeated no: 25983 on 1 November 2005 requires the transfer of bank funds to the Social Security Institution (the "SSI") within 3 years after the effective date of the Banking Law and the related paragraph also sets out the basis for the related transfer. However, Article 23 (1) of Banking Law No: 5411 was annulled based on the Constitutional Court's ruling issued on 22 March 2007 and ruled for the stay of execution as of 31 March 2007. The related Court ruling and its basis were published in the Official Gazette No: 26731 on 15 December 2007.

Following the publication of the said decree of the Constitutional Court, the Turkish Grand National Assembly (the "TGNA") initiated its studies on the development of new regulations in regards to the transfer of bank pension participations to the SSI and the related articles of the Social Security Law No: 5754 (the "New Law") that are set out to determine the basis of fund transfers were approved by the general assembly of the TGNA on 17 April 2008 and new regulations became effective with its publication in the Official Gazette No: 26870 on 8 May 2008.

The New Law requires the measurement of the present value of the liabilities in relation to the transferred individuals as of the transfer date by using the technical interest rate of 9.8% by a commission composed of representatives from the SSI, the Department of Finance, the Under secretariat of Treasury, the Secretariat of the State Planning Organization, the BRSA, the SDIF, the banks and funds, considering the income and expense per insurance segments specified under this law and any differences that may arise where pensions and wages paid by funds exceed the amounts specified under SSI regulations, and the new law also requires the completion of the transfer within 3 years starting from 1 January 2008. Upon the Council of Ministers' resolution issued in the Official Gazette, the transfer period has been extended for 2 years as of 14 March 2011.

Under the New Law, all other outstanding social rights and payments of participants (even though they are covered in their respective settlement deed) shall be covered by the companies employing pension fund participants following the transfer of the pension fund participants and/or those that are paid annuities and their beneficiaries to the Social Security Institution.

The technical financial statements of the Pension Fund are prepared by an independent actuary company and the Fund is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared on 31 December 2011. Since the Parent Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Since the Parent Bank management anticipates that any potential liability that may be incurred during or after the transfer within the above-mentioned limits will be likely recoverable, they believe such liabilities will not bring any additional liability to the Parent Bank.

Defined Contribution Plans

The Group pays contributions to Social Security Funds on a mandatory basis. There are no other liabilities related to employee benefits to be provisioned.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

XVII. Explanations on Taxation

Corporate tax

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 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 final tax liability for the year.

75% of participation shares held at least for two years and 75% of sale proceeds of real estate, to the extent that they are included in capital as required in Corporate Tax Law or they are retained in a special fund liability account for 5 years, and 75% of sale proceeds of real estate received from bank receivables are exempt from corporate taxation.

Tax returns are required to be filed between the first and twenty-fifth day of the fourth month following the balance sheet date and paid in one installment until the end of the related month.

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Deferred Tax Liability / Asset

The Group calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

As of 31 December 2011 and 31 December 2010, in accordance with TAS No: 12 "Turkish Accounting Standard on Income Taxes" and the changes in the circular of BRSA numbered BDDK.DZM.2/13/1-a-3 dated 8 December 2004, the Parent Bank calculated deferred tax asset on all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. Deferred tax assets and liabilities are shown in the accompanying financial statements on a net basis in the standalone financial statements of the consolidated subsidiaries.

The net deferred tax asset is included in deferred tax asset and the net deferred tax liability is reflected under deferred tax liability on the balance sheet. The deferred tax charge of TL 45,942 (31 December 2010: TL 25,943 deferred tax charge) is stated under the tax provision in the income statement. The deferred tax of TL 24,566 (31 December 2010: TL 20,706) resulting from differences related to items that are debited or charged directly to equity is netted with relevant account groups consisting of amounts from available-for-sale financial assets and hedge funds amounting to TL 25,692 and TL 1,126, respectively.

Furthermore, as per the above circular of BRSA, deferred tax benefit balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

XVIII. Additional Explanations on Borrowings

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.

All other borrowing costs are recorded to the income statement in the period they are incurred.

Debt securities issued by the Parent Bank are accounted at amortized cost using effective interest rate method. Explanations on debt securities issued by the Parent Bank are described in Section Five, Note II-3.

The Group has not issued convertible bonds.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

XIX. Explanations on Issued Share Certificates

Following announcement of the Banking Regulation and Supervision Agency approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two bank by means of transfer of all rights, receivables, liabilities and obligations to the Parent Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Due to the merger, ceiling for the registered capital of the Parent Bank is increased from TL 1,400,000 to TL 2,204,390, and the issued capital of the Parent Bank is increased by TL 1,104,390 from TL 1,100,000 to TL 2,204,390.

XX. Explanations on Acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in off-balance sheet accounts.

XXI. Explanations on Government Incentives

There are no government incentives utilized by the Group.

XXII. Explanations on Reporting According to Segmentation

The Group mainly operates in retail and corporate banking segments. Due to the merger of the Parent Bank with Fortis Bank A.Ş. and changes in the structure of segments at 14 February 2011, segment reporting of balance sheet and income statement is presented only for the current period.

| Current Period | Retail | Corporate | Treasury/ Head Office | Eliminations | Total |
|--|---------------|------------------|----------------------------------|---------------------|----------------|
| Net interest income | 175,970 | 771,201 | 507,994 | - | 1,455,165 |
| Net fees and commissions income and other operating income | 90,543 | 118,576 | 264,764 | (3,336) | 470,547 |
| Trading profit / loss | 10,464 | 58,013 | (93,045) | 44 | (24,524) |
| Dividend income | - | - | 18,902 | (18,448) | 454 |
| Impairment provision for loans and other receivables (-) | 55,610 | 108,547 | (19,379) | - | 144,778 |
| Other operating expenses (-) | 221,838 | 423,362 | 800,090 | (1,866) | 1,443,424 |
| Profit before taxes | (471) | 415,881 | (82,096) | (19,874) | 313,440 |
| Tax provision (-) | - | 2,758 | 84,662 | - | 87,420 |
| Net profit for the period | (471) | 413,123 | (166,758) | (19,874) | 226,020 |

| Current Period | Retail | Corporate | Treasury/ Head Office | Eliminations | Total |
|--|-------------------|-------------------|----------------------------------|---------------------|-------------------|
| Segment assets | 17,545,982 | 8,537,571 | 14,430,066 | (59,177) | 40,454,442 |
| Investments in associates and subsidiaries and jointly controlled entities | - | - | 173,593 | (173,588) | 5 |
| Total Assets | 17,545,982 | 8,537,571 | 14,603,659 | (232,765) | 40,454,447 |
| Segment liabilities | 12,206,905 | 12,799,061 | 11,076,011 | (58,308) | 36,023,669 |
| Shareholders' equity | - | 28,765 | 4,576,470 | (174,457) | 4,430,778 |
| Total Liabilities | 12,206,905 | 12,827,826 | 15,652,481 | (232,765) | 40,454,447 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

XXIII. Explanations on Other Matters

Following announcement of the Banking Regulation and Supervision Agency approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, 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 with the relevant registration dated 14 February 2011 to İstanbul Trade Registry.

The merger is recognized by using the purchase method under TFRS 3 “Business Combinations”. Under the purchase method, the acquiree’s, Fortis Bank A.Ş., the identifiable assets acquired and identifiable liabilities assumed at the date of the merger are recognized at fair value and classified under the related account items in the financial statements. TL 48,783 of fair value difference is reflected in the related asset and liability items in the financial statements and its equity effect is included in the other capital reserves account. TL 421,124 of positive difference between the fair value of the consideration transferred amounting to TL 2,385,482 and net amount of identifiable assets acquired amounting to TL 1,964,358 is accounted as goodwill in the financial statements and its equity effect is included in the other capital reserves account.

The measurement period for the recognition of the business combination required in Paragraph 45 of TFRS 3 is one year as of the merger date, at maximum. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized 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 recognized as of that date.

The bonds with an ISIN Code of TRQTEBK11215 having nominal value of TL 300,000 with a maturity of 178 days issued by the Parent Bank through the public offering on 19 July 2011 using the book building method at the dates of 13-14-15 July 2011 pursuant to the Board Registration Certificate of the Capital Markets Board dated 7 July 2011 and numbered 15/BB-617 have been matured and redeemed as of 13 January 2012.

As per the decision of the Exchange General Committee’s meeting held on 22 June 2011, the bonds with a nominal value of TL 350,000 having a maturity of 178 days and a compound interest rate of 11.3845% that are issued by the Parent Bank through the public offering made on 19-20 January 2012 have been traded on the Exchange Bonds and Bills Market with the ISIN Code of “TRQTEBK71219” as of 26 January 2012.

Explanation for convenience translation to English

The accounting principles used in the preparation of the accompanying financial statements differ from International Financial Reporting Standards (IFRS). The effects of the differences between these accounting principles and the accounting principles generally accepted in the countries in which the accompanying financial statements are to be used and IFRS have not been quantified in the financial statements.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION FOUR

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP

I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio

The method used for risk measurement in determining consolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", which was published on November 1, 2006 in the Official Gazette numbered 26333 and the Communiqué on "The Amendment in Measurement and Assessment of Capital Adequacy of Banks" published on October 10, 2007 in the Official Gazette numbered 26669. As of 31 December 2011, the Group's consolidated capital adequacy ratio in accordance with the related communiqué is 13.98%. (31 December 2010 – 13.64%).

In the computation of capital adequacy standard ratio, information prepared in accordance with statutory accounting requirements is used. Additionally, the market risk amount is calculated in accordance with the communiqué on the "Measurement and Assessment of Capital Adequacy of Banks" and is taken into consideration in the capital adequacy standard ratio calculation.

The values deducted from the capital base in the shareholders' equity computation are excluded while calculating risk-weighted assets, non-cash loans and contingent liabilities. Assets subject to depreciation and impairment among risk-weighted assets are included in the calculations over their net book values after deducting the relative depreciations and provisions.

While calculating the basis of non-cash loans subject to credit risk, the net receivable amount from the counter parties net of provision amount set in accordance with the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" is multiplied by the loan conversion rates presented in the Article 5, the Clause 1 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", and calculated by applying the risk weights presented in the Capital Adequacy Analysis Form.

Receivables from counter parties from derivative foreign currency and interest rate transactions are multiplied by the loan conversion rates presented in the Article 5, the Clause 2 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", and the related credit risk is calculated by applying the risk weights presented in the Capital Adequacy Analysis Form.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio (continued)

Information related to the consolidated capital adequacy ratio:

| | Consolidated | | | | | | | Parent Bank | | | | | | |
|--|-------------------|-----|------------------|------------------|-------------------|----------------|------------------|-------------------|-----|------------------|------------------|-------------------|----------------|------------------|
| | %0 | %10 | %20 | %50 | %100 | %150 | %200 | %0 | %10 | %20 | %50 | %100 | %150 | %200 |
| Risk Weighted Assets, Liabilities and Non-Cash | | | | | | | | | | | | | | |
| Loans | | | | | | | | | | | | | | |
| Balance Sheet Items (Net) | 10,330,096 | - | 1,395,606 | 7,631,454 | 18,392,999 | 312,374 | 590,677 | 10,132,862 | - | 775,689 | 7,631,454 | 16,860,437 | 312,374 | 590,677 |
| Cash | 813,078 | - | - | - | - | - | - | 813,076 | - | - | - | - | - | - |
| Matured Marketable Securities | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Due From Central Bank of Turkey | 1,616,648 | - | - | - | - | - | - | 1,616,648 | - | - | - | - | - | - |
| Due From Domestic Banks, Foreign Banks, Branches and Head Office Abroad | 149,864 | - | 382,325 | - | 72,577 | - | - | 14,646 | - | 252,877 | - | 72,577 | - | - |
| Interbank Money Market Placements | 12,599 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Receivables From Reverse Repo Transactions | 510,646 | - | - | - | - | - | - | 510,000 | - | - | - | - | - | - |
| Reserve Deposits | 1,588,531 | - | - | - | - | - | - | 1,588,531 | - | - | - | - | - | - |
| Loans(*) | 741,512 | - | 577,268 | 7,549,559 | 17,149,181 | 312,374 | 590,677 | 714,612 | - | 148,676 | 7,549,559 | 15,485,916 | 312,374 | 590,677 |
| Non-performing loans (Net) | - | - | - | - | 215,766 | - | - | - | - | - | - | 208,781 | - | - |
| Financial Lease Receivables | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Available-For-Sale Financial Assets | 4,532,486 | - | 59,086 | - | 30,130 | - | - | 4,529,554 | - | - | - | 30,130 | - | - |
| Held to Maturity Investments | 10,875 | - | - | - | 9,422 | - | - | - | - | - | - | - | - | - |
| Receivables From Installment Sales of Assets | - | - | - | - | 111 | - | - | - | - | - | - | 111 | - | - |
| Sundry Debtors | 22,972 | - | 320,462 | - | 17,567 | - | - | 22,972 | - | 320,411 | - | 17,149 | - | - |
| Interest and Income Accruals | 76,482 | - | 2,851 | 81,895 | 543,710 | - | - | 75,246 | - | 956 | 81,895 | 539,465 | - | - |
| Subsidiaries, Associates and Entities Under Common Control (Joint Vent.) (Net) | - | - | - | - | 5 | - | - | - | - | - | - | 167,866 | - | - |
| Tangible Assets | - | - | - | - | 205,158 | - | - | - | - | - | - | 195,686 | - | - |
| Other Assets | 254,403 | - | 53,614 | - | 149,372 | - | - | 247,577 | - | 52,769 | - | 142,756 | - | - |
| Off-Balance Sheet Items | 205,833 | - | 1,001,560 | - | 5,451,438 | - | - | 204,886 | - | 754,645 | - | 5,403,335 | - | - |
| Guarantees and Commitments | 205,833 | - | 673,559 | - | 5,306,649 | - | - | 204,886 | - | 439,233 | - | 5,258,811 | - | - |
| Derivative Financial Instruments | - | - | 328,001 | - | 144,789 | - | - | - | - | 315,412 | - | 144,524 | - | - |
| Non Risk Weighted Accounts | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Value at Risk | 10,535,929 | - | 2,397,166 | 7,631,454 | 23,844,437 | 312,374 | 590,677 | 10,337,748 | - | 1,530,334 | 7,631,454 | 22,263,772 | 312,374 | 590,677 |
| Total Risk Weighted Assets | - | - | 479,433 | 3,815,727 | 23,844,437 | 468,561 | 1,181,354 | - | - | 306,067 | 3,815,727 | 22,263,772 | 468,561 | 1,181,354 |

(*)Factoring receivables are included.

Summary information related to the consolidated capital adequacy ratio:

| | Consolidated | | Parent Bank | |
|--|----------------|--------------|----------------|--------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| Total Risk Weighted Assets (TRWA) | 29,789,512 | 14,733,306 | 28,035,481 | 13,122,377 |
| Amount Subject to Market Risk (ASMR) | 821,938 | 879,400 | 607,150 | 694,138 |
| Amount Subject to Operational Risk (ASOR) (*) | 3,818,618 | 1,917,590 | 3,628,847 | 1,724,813 |
| Shareholders' Equity | 4,814,419 | 2,390,329 | 4,591,376 | 2,242,780 |
| Shareholders' Equity / (TRWA + ASMR + ASOR) *100 | 13.98 | 13.64 | 14.23 | 14.43 |

TRWA: Total Risk Weighted Assets

ASMR: Amount Subject to Market Risk

ASOR: Amount Subject to Operational Risk

(*) Operational risk has been calculated by using the Basic Indicator Approach.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio (continued)

Information related to the components of shareholders' equity:

| | Consolidated | | Parent Bank | |
|--|------------------|------------------|------------------|------------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| CORE CAPITAL | | | | |
| Paid-in capital | 2,204,390 | 1,100,000 | 2,204,390 | 1,100,000 |
| Nominal capital | 2,204,390 | 1,100,000 | 2,204,390 | 1,100,000 |
| Capital commitments (-) | - | - | - | - |
| Paid-in capital restatement difference | 200,262 | 926 | 200,262 | 926 |
| Share premium | 2,565 | 2,227 | 2,565 | 2,158 |
| Cancellation profits | - | - | - | - |
| Legal reserves | 130,033 | 60,825 | 111,333 | 45,468 |
| First legal reserve (Turkish Commercial Code 466/1) | 109,919 | 47,594 | 101,547 | 39,932 |
| Second legal reserve (Turkish Commercial Code 466/2) | 20,114 | 13,231 | 9,786 | 5,536 |
| Other legal reserve per special legislation | - | - | - | - |
| Statutory reserves | - | - | - | - |
| Other reserves (*) | 524,744 | 45,781 | 485,933 | 43,805 |
| Extraordinary reserves | 1,072,893 | 387,853 | 937,628 | 228,530 |
| Reserves allocated by the General Assembly | 1,072,893 | 387,853 | 937,628 | 228,530 |
| Retained earnings | - | - | - | - |
| Accumulated losses | - | - | - | - |
| Foreign currency share capital exchange difference | - | - | - | - |
| Restatement differences of legal, statutory and extraordinary reserves | - | - | - | - |
| Profit | 234,061 | 272,619 | 216,172 | 300,301 |
| Current period net profit | 224,564 | 272,619 | 206,675 | 300,301 |
| Prior years' profits | 9,497 | - | 9,497 | - |
| Provision for possible losses up to 25% of the Core Capital | - | - | - | - |
| Gains on sale of associates and subsidiaries and properties to be added to capital | 100,483 | - | 100,483 | - |
| Primary subordinated loans up to 15% of the Core Capital | 188,890 | 153,760 | 188,890 | 153,760 |
| Minority Shares | 13,024 | - | - | - |
| Losses (-) (that cannot be covered by reserves) | - | - | - | - |
| Net current period loss | - | - | - | - |
| Prior years' losses | - | - | - | - |
| Leasehold improvements (-) | 59,153 | 35,116 | 58,647 | 34,884 |
| Prepaid expenses (-) | - | 23,357 | - | 22,742 |
| Intangible assets (-) | 20,133 | 12,736 | 438,346 | 10,156 |
| Deferred tax asset exceeding 10% of the Core Capital (-) | - | - | - | - |
| Excess amount in the Article 56, Clause 3 of the Banking Law (-) | - | - | - | - |
| Goodwill (Net) (-) | 421,124 | 1,205 | - | - |
| Total Core Capital | 4,170,935 | 1,951,577 | 3,950,663 | 1,807,166 |
| SUPPLEMENTARY CAPITAL | | | | |
| General Loan Loss Reserves | 273,409 | 114,113 | 264,114 | 106,794 |
| 45% of the revaluation reserve for movable fixed assets | - | - | - | - |
| 45% of the of revaluation reserve for properties | - | - | - | - |
| Bonus shares obtained from associates, subsidiaries and entities under common control | 527 | - | 527 | - |
| Primary subordinated loans excluded in the calculation of the Core Capital | - | - | - | - |
| Secondary subordinated loans | 476,704 | 287,566 | 476,704 | 287,566 |
| 45% of Marketable securities valuation differences | (105,789) | 37,073 | (99,270) | 41,254 |
| Associates and subsidiaries | - | - | - | - |
| Available for sale securities | (105,789) | 37,073 | (99,270) | 41,254 |
| Indexation differences for capital reserves, profit reserves and retained earnings (Except indexation differences for legal reserves, statutory reserves and extraordinary reserves) | - | - | - | - |
| Minority interest | (5) | - | - | - |
| Total Supplementary Capital | 644,846 | 438,752 | 642,075 | 435,614 |
| TIER III CAPITAL | | | | |
| CAPITAL | 4,815,781 | 2,390,329 | 4,592,738 | 2,242,780 |
| DEDUCTIONS FROM THE CAPITAL | 1,362 | - | 1,362 | - |
| Shareholdings in unconsolidated banks and financial institutions | - | - | - | - |
| Secondary subordinated loans granted to Banks and Financial Institutions (Domestic, Foreign) or Qualified Shareholders and placements that possess the nature of their Primary or Secondary Subordinated Debt and Primary and Secondary loans borrowed from them | - | - | - | - |
| 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. | - | - | - | - |
| Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law | 305 | - | 305 | - |
| The net book value of properties exceeding fifty percent 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 | 1,057 | - | 1,057 | - |
| Other | - | - | - | - |
| Total Shareholder's Equity | 4,814,419 | 2,390,329 | 4,591,376 | 2,242,780 |

(*) Value increases due to the merger is included in "other reserves".

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations Related to the Consolidated Credit Risk

Credit risk is the risk that the Group is a party in a contract whereby the counterparty fails to meet its obligation and causes to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Parent Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Parent Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

The credit risks and limits related to treasury activities, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Parent Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

As prescribed in the Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves", the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Most of the statement of accounts for the loans are derived from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

For the forward transactions and other similar positions of the Parent Bank, operational limits are set by the Board of Directors and the transactions take place within these limits.

The fulfillment of the benefits and acquirements related to forward transactions is realized at maturity. However, in order to minimize the risk, counter positions of existing risks are entered into in the market due to necessity.

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Since the volume of the restructured loans is not material to the financial statements, no additional follow up methodology is developed, except as stated in the regulations.

Financial institutions abroad and country risks of the Parent Bank are generally taken for the financial institutions and countries whose investment level is rated by international rating agencies and which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are not material when the financial structure of the Parent Bank is concerned.

The Parent Bank does not have a material credit risk concentration as an active participant in the international banking market when the financial operations of the other financial institutions are concerned.

As of 31 December 2011, the receivables of the Group from its top 100 cash loan customers amount to TL 3,628,071 (31 December 2010: TL 2,236,127) with a share of 13.56% in the total cash loans (31 December 2010: 17.54%).

As of 31 December 2011, the receivables of the Group from its top 100 non-cash loan customers amount to TL 3,008,610 (31 December 2010: TL 1,635,513) with a share of 35.94% in the total non-cash loans (31 December 2010: 37.03%)

The share of cash and non-cash receivables of the Group from its top 100 customers in total balance sheet and off-balance sheet assets is 5.79% as of 31 December 2011 (31 December 2010: 7.44%).

As of 31 December 2011, the general loan loss provision related with the credit risk taken by the Group is TL 273,409 (31 December 2010: TL 114,113).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations Related to the Consolidated Credit Risk (continued)

Credit risk by types of borrowers and geographical concentration:

| | Loans to Real Persons and Legal Entities | | Loans to Banks and Other Financial Institutions | | Marketable Securities* | | Other Loans** | |
|-------------------------------------|--|-------------------|---|------------------|------------------------|------------------|------------------|----------------|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| Loans according to borrowers | | | | | | | | |
| Private Sector | 18,132,923 | 8,942,340 | 482,285 | 383,389 | - | - | 1,175,163 | 819,658 |
| Public Sector | 50,666 | 34,738 | 135,091 | 39,869 | 5,642,240 | 3,837,090 | - | - |
| Banks | - | - | 1,533,047 | 1,446,772 | 7,369 | 6,194 | - | - |
| Retail | 7,746,288 | 3,102,120 | - | - | - | - | - | - |
| Share Certificates | - | - | - | - | 23,937 | 19,405 | 5 | 5 |
| Total | 25,929,877 | 12,079,198 | 2,150,423 | 1,870,030 | 5,673,546 | 3,862,689 | 1,175,168 | 819,663 |

Information according to geographical concentration

| | | | | | | | | |
|---------------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| Domestic | 25,184,498 | 11,469,612 | 1,580,607 | 1,094,151 | 5,582,691 | 3,745,266 | 873,083 | 630,212 |
| European Union Countries | 232,575 | 246,518 | 242,080 | 397,205 | 60,302 | 96,620 | 302,085 | 189,451 |
| OECD Countries*** | 88,288 | 121,100 | 6,132 | 7,431 | 11,232 | 9,075 | - | - |
| Off-shore Banking Regions | 230,403 | 99,025 | 99,871 | 182,563 | 5,117 | 1,197 | - | - |
| USA, Canada | 30,792 | 10,101 | 105,656 | 63,717 | 4,211 | 2,191 | - | - |
| Other Countries | 163,321 | 132,842 | 116,077 | 124,963 | 9,993 | 8,340 | - | - |
| Total | 25,929,877 | 12,079,198 | 2,150,423 | 1,870,030 | 5,673,546 | 3,862,689 | 1,175,168 | 819,663 |

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

** 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.

*** OECD countries other than European Union countries, USA and Canada.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations Related to Consolidated Credit Risk (continued)

Information according to geographical concentration :

| | Assets | Liabilities | Non-Cash Loans | Equity Investments | Net Income/ Loss |
|---|-------------------|--------------------|---------------------------|-------------------------------|---------------------------------|
| Current Period | | | | | |
| Domestic | 38,432,376 | 25,977,637 | 8,040,250 | - | 206,599 |
| European Union Countries | 1,088,813 | 8,549,878 | 119,235 | - | 19,421 |
| OECD Countries (*) | 127,415 | 164,813 | 33,274 | - | - |
| Off-shore Banking Regions | 335,413 | 144,042 | 8,211 | - | - |
| USA, Canada | 181,034 | 696,061 | 36,577 | - | - |
| Other Countries | 289,391 | 491,238 | 134,346 | - | - |
| Associates, Subsidiaries and Entities Under Common Control (Joint Vent.) | - | - | - | 5 | - |
| Unallocated Assets/Liabilities (**) | - | - | - | - | - |
| Total | 40,454,442 | 36,023,669 | 8,371,893 | 5 | 226,020 |
| Prior Period | | | | | |
| Domestic | 19,338,211 | 12,729,463 | 4,071,851 | - | 256,754 |
| European Union Countries | 1,036,112 | 5,390,678 | 147,019 | - | 15,874 |
| OECD Countries (*) | 141,885 | 74,963 | 8,398 | - | - |
| Off-shore Banking Regions | 285,594 | 318,533 | 62,459 | - | - |
| USA, Canada | 105,267 | 457,580 | 6,087 | - | - |
| Other Countries | 266,145 | 248,748 | 120,496 | - | - |
| Associates, Subsidiaries and Entities Under Common Control (Joint Vent.) | - | - | - | 5 | - |
| Unallocated Assets/Liabilities (**) | - | - | - | - | - |
| Total | 21,173,214 | 19,219,965 | 4,416,310 | 5 | 272,619 |

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

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations Related to the Consolidated Credit Risk (continued)

Sector concentrations for cash loans :

| | Current Period | | | | Prior Period | | | |
|--|-------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| | TL | (%) | FC | (%) | TL | (%) | FC | (%) |
| Agricultural | 880,703 | 4.34 | 273,622 | 4.24 | 351,395 | 3.80 | 201,279 | 5.66 |
| Farming and Raising Livestock | 798,178 | 3.93 | 240,247 | 3.73 | 312,455 | 3.38 | 156,640 | 4.41 |
| Forestry, Wood and Paper | 65,509 | 0.32 | 32,639 | 0.51 | 30,259 | 0.33 | 44,470 | 1.25 |
| Fishery | 17,016 | 0.08 | 736 | 0.01 | 8,681 | 0.09 | 169 | - |
| Manufacturing | 6,555,792 | 32.29 | 3,995,540 | 61.98 | 3,184,687 | 34.45 | 2,073,249 | 58.35 |
| Mining and Quarry | 346,748 | 1.71 | 191,632 | 2.97 | 175,602 | 1.90 | 53,291 | 1.5 |
| Production | 6,150,419 | 30.29 | 3,707,032 | 57.50 | 2,997,436 | 32.42 | 1,871,837 | 52.68 |
| Electricity, Gas and Water | 58,625 | 0.29 | 96,876 | 1.50 | 11,649 | 0.13 | 148,121 | 4.17 |
| Construction | 1,068,864 | 5.26 | 243,464 | 3.78 | 410,875 | 4.44 | 90,383 | 2.54 |
| Services | 4,580,608 | 22.56 | 1,729,514 | 26.83 | 1,901,336 | 20.55 | 1,062,413 | 29.91 |
| Wholesale and Retail Trade | 1,240,317 | 6.11 | 237,012 | 3.68 | 480,878 | 5.20 | 55,752 | 1.57 |
| Hotel, Tourism, Food and Beverage Services | 314,928 | 1.55 | 195,578 | 3.03 | 132,639 | 1.43 | 97,859 | 2.75 |
| Transportation and Communication | 733,676 | 3.61 | 284,309 | 4.41 | 335,031 | 3.62 | 161,853 | 4.56 |
| Financial Institutions | 790,516 | 3.89 | 648,698 | 10.06 | 554,128 | 5.99 | 498,353 | 14.03 |
| Real Estate and Renting Services | 315,511 | 1.55 | 320,555 | 4.97 | 143,417 | 1.55 | 237,524 | 6.69 |
| Self-Employment Services | 786,029 | 3.87 | 27,346 | 0.42 | 90,466 | 0.98 | 1,556 | 0.04 |
| Education Services | 96,353 | 0.47 | 141 | - | 11,033 | 0.12 | 277 | 0.01 |
| Health and Social Services | 303,278 | 1.49 | 15,875 | 0.25 | 153,744 | 1.66 | 9,239 | 0.26 |
| Other(*) | 7,216,297 | 35.54 | 204,481 | 3.17 | 3,397,475 | 36.76 | 125,664 | 3.54 |
| Total | 20,302,264 | 100.00 | 6,446,621 | 100.00 | 9,245,768 | 100.00 | 3,552,988 | 100.00 |

(*)Accruals are included in other.

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

| | Current Period | Prior Period |
|---|-------------------|-------------------|
| Central Bank of Turkey | 3,205,179 | 1,711,896 |
| Due from banks | 605,838 | 1,022,825 |
| Other money markets | 523,574 | 238 |
| Trading financial assets | 954,377 | 112,664 |
| Derivative financial instruments held for trading | 322,414 | 103,524 |
| Derivative financial instruments for hedging purposes | 22,800 | 11,157 |
| Financial assets available-for-sale | 4,697,945 | 3,515,006 |
| Held-to-maturity investments | 21,224 | 235,019 |
| Loans (*) | 27,782,498 | 13,528,484 |
| Total | 38,135,849 | 20,240,813 |
| Contingent liabilities | 8,371,893 | 4,416,310 |
| Commitments | 8,208,620 | 3,773,169 |
| Total | 16,580,513 | 8,189,479 |
| Total credit risk exposure | 54,716,362 | 28,430,292 |

(*) Loans include TL 819,011 (31 December 2010: TL 602,319) factoring receivables.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations Related to the Consolidated Credit Risk (continued)

Credit quality per class of financial assets as of 31 December 2011 and 31 December 2010 are as follows:

| Current Period | Neither past due nor impaired | Past due or individually impaired | Total |
|-----------------------|-------------------------------|-----------------------------------|-------------------|
| Loans and receivables | | | |
| Commercial loans | 18,208,166 | 796,226 | 19,004,392 |
| Consumer loans | 6,009,007 | 505,521 | 6,514,528 |
| Credit cards | 1,212,389 | 179,273 | 1,391,662 |
| Other Loans | 52,905 | - | 52,905 |
| Total | 25,482,467 | 1,481,020 | 26,963,487 |

| Prior period | Neither past due nor impaired | Past due or individually impaired | Total |
|-----------------------|-------------------------------|-----------------------------------|-------------------|
| Loans and receivables | | | |
| Commercial loans | 9,187,757 | 506,003 | 9,693,760 |
| Consumer loans | 2,514,540 | 91,843 | 2,606,383 |
| Credit cards | 504,616 | 74,755 | 579,371 |
| Other Loans | 46,651 | - | 46,651 |
| Total | 12,253,564 | 672,601 | 12,926,165 |

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

| | Current Period | Prior Period |
|-----------------------|----------------|----------------|
| Loans and receivables | | |
| Commercial loans | 75,913 | 122,144 |
| Consumer loans | 27,326 | 2,957 |
| Credit cards | 2,741 | 4,162 |
| Total | 105,980 | 129,263 |

Credit Rating System

The credit risk is assessed through the internal rating system of the Parent Bank, by classifying loans from highest grade to lowest grade according to the probability of default. As of 31 December 2011, consumer loans and business loans are excluded from the internal rating system of the Parent Bank and those loans are 35% of total loan portfolio. The risks that are subject to rating models can be allocated as follows:

| Category | Description of Category | Share in the Total % |
|--------------|--|----------------------|
| 1st Category | Case where the borrower has a very strong financial structure | 29.22 |
| 2nd Category | Case where the borrower has a good financial structure | 30.16 |
| 3rd Category | Case where the borrower has an intermediate level of financial structure | 32.53 |
| 4th Category | Case where the financial structure of the borrower has to be closely monitored in the medium run | 8.09 |
| Total | | 100.00 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

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 Parent Bank related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy and the amount subject to VAR, as summarized below, is taken into consideration by the standard method. 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. These results are also reported daily to the management.

a) Information Related to Market Risk

| | Consolidated | Parent Bank |
|--|---------------------|--------------------|
| (I) Capital Requirement to be Employed For General Market Risk - Standard Method | 42,898 | 40,860 |
| (II) Capital Requirement to be Employed For Specific Risk - Standard Method | 2,290 | 2,272 |
| (III) Capital Requirement to be Employed For Currency Risk – Standard Method | 20,563 | 5,436 |
| (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 | 4 | 4 |
| (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) | 65,755 | 48,572 |
| (IX) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII) | 821,938 | 607,150 |

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

| | Current Period | | | Prior Period | | |
|---------------------------------------|-----------------------|------------------|----------------|---------------------|----------------|----------------|
| | Average | Maximum | Minimum | Average | Maximum | Minimum |
| Interest Rate Risk | 65,881 | 80,881 | 41,341 | 30,619 | 49,413 | 18,579 |
| Common Stock Risk | 3,677 | 4,183 | 2,858 | 1,793 | 2,915 | 744 |
| Currency Risk | 21,556 | 24,629 | 20,289 | 17,097 | 18,017 | 17,447 |
| Commodity Risk | - | - | - | - | - | - |
| Settlement Risk | - | - | - | - | - | - |
| Option Risk | 33 | 70 | 4 | 16 | 7 | 9 |
| Total Value Subject to Risk(*) | 1,139,341 | 1,300,750 | 821,938 | 619,063 | 879,400 | 459,738 |

(*) “Total Value Subject to Risk” is calculated as the total amount of capital requirements for the market risk multiplied by 12.5.

Other price risks

The Group is not subject to a significant share price risk due to share certificates.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

IV. Explanations Related to Consolidated Operational Risk

- a) Operational risk has been calculated using the Basic Indicator Approach. Market risk measurements are performed monthly.
- b) The Group does not use the Standard Approach.

V. Explanations Related to the Consolidated Currency Risk

Foreign currency risk indicates the probability of loss that the Group is 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 and value at risk is calculated by using the standard method.

The Board of Directors of the Parent Bank sets limits for the positions, which are followed up daily. Any possible changes in the foreign currency transactions in the Parent Bank's positions are also monitored.

As an element of the Group's risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

The Treasury Department of the Parent Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets within the limits set by the Board of Directors. The monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Parent Bank's Asset-Liability Committee on a weekly basis.

As of 31 December 2011, the Group's net long position is TL 688,436 (31 December 2010: TL 163,216 net long) resulting from short position on the balance sheet amounting to TL 1,597,508 (31 December 2010: TL 123,084 short) and long position on the off-balance sheet amounting to TL 2,285,944 (31 December 2010: TL 286,300 long).

The announced current foreign exchange buying rates of the Parent Bank at 31 December 2011 and the previous five working days in full TL are as follows:

| | 26.12.2011 | 27.12.2011 | 28.12.2011 | 29.12.2011 | 30.12.2011 | 31.12.2011 |
|-------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| USD | 1.8833 | 1.8847 | 1.8897 | 1.9065 | 1.8889 | 1.8889 |
| JPY | 0.0241 | 0.0242 | 0.0243 | 0.0245 | 0.0243 | 0.0243 |
| EURO | 2.4613 | 2.4633 | 2.4702 | 2.4592 | 2.4438 | 2.4438 |

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 Foreign Exchange Rate |
|-------------|--|
| USD | 1.8593 |
| JPY | 0.0238 |
| EURO | 2.4513 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

V. Explanations Related to the Consolidated Currency Risk (continued)

Information on the foreign currency risk of the Group:

| Current Period | EUR | USD | YEN | OTHER | TOTAL |
|---|------------------|------------------|------------------|------------------|--------------------|
| Assets | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | 1,248,265 | 935,914 | 220 | 333,497 | 2,517,896 |
| Banks | 214,379 | 209,239 | 1,441 | 28,547 | 453,606 |
| Financial Assets at Fair Value Through Profit and Loss (*****) | 4,182 | 362,784 | - | 1,070 | 368,036 |
| Money Market Placements | - | - | - | - | - |
| Available-For-Sale Financial Assets | 284,454 | 306,203 | - | 3,659 | 594,316 |
| Loans (**) | 2,971,693 | 4,935,439 | 188,110 | 635,377 | 8,730,619 |
| Subsidiaries, Associates and Entities Under Common Control | - | - | - | - | - |
| Held-To-Maturity Investments | 9,992 | 11,232 | - | - | 21,224 |
| Derivative Financial Assets for Hedging Purposes | - | 13 | - | - | 13 |
| Tangible Assets | 8,600 | - | - | - | 8,600 |
| Intangible Assets | 899 | - | - | - | 899 |
| Other Assets (***) | 155,307 | 251,559 | 25 | 12,926 | 419,817 |
| Total Assets | 4,897,771 | 7,012,383 | 189,796 | 1,015,076 | 13,115,026 |
| Liabilities | | | | | |
| Bank Deposits | 219,868 | 151,190 | 89 | 28,755 | 399,902 |
| Foreign Currency Deposits (*) | 3,207,063 | 4,852,923 | 34,985 | 803,398 | 8,898,369 |
| Money Market Borrowings | - | - | - | - | - |
| Funds Provided From Other Financial Institutions (***) | 2,446,456 | 2,773,591 | 956 | 88,051 | 5,309,054 |
| Marketable Securities Issued | - | - | - | - | - |
| Sundry Creditors | 15,050 | 49,896 | - | 1,993 | 66,939 |
| Derivative Financial Liabilities for Hedging Purposes | - | - | - | - | - |
| Other Liabilities (***) | 8,717 | 28,001 | 334 | 1,218 | 38,270 |
| Total Liabilities | 5,897,154 | 7,855,601 | 36,364 | 923,415 | 14,712,534 |
| Net Balance Sheet Position | (999,383) | (843,218) | 153,432 | 91,661 | (1,597,508) |
| Net Off-Balance Sheet Position | 1,647,059 | 876,693 | (153,071) | (84,737) | 2,285,944 |
| Financial Derivative Assets (****) | 4,703,557 | 6,281,280 | 327,501 | 547,491 | 11,859,829 |
| Financial Derivative Liabilities (****) | 3,056,498 | 5,404,587 | 480,572 | 632,228 | 9,573,885 |
| Non-Cash Loans (*****) | 1,963,272 | 2,817,188 | 5,786 | 141,932 | 4,928,178 |
| Prior Period | | | | | |
| Total Assets | 2,466,448 | 3,938,853 | 20,463 | 527,159 | 6,952,923 |
| Total Liabilities | 3,388,884 | 3,397,521 | 2,555 | 287,047 | 7,076,007 |
| Net Balance Sheet Position | (922,436) | 541,332 | 17,908 | 240,112 | (123,084) |
| Net Off-Balance Sheet Position | 1,210,668 | (694,898) | (18,485) | (210,985) | 286,300 |
| Financial Derivative Assets | 2,081,024 | 1,884,693 | 37,037 | 275,285 | 4,278,039 |
| Financial Derivative Liabilities | 870,356 | 2,579,591 | 55,522 | 486,270 | 3,991,739 |
| Non-Cash Loans (*****) | 713,757 | 1,670,138 | 1,937 | 45,377 | 2,431,209 |

(*) Precious metal accounts amounting to TL 660,316 (31 December 2010: TL 129,374) are included in the foreign currency deposits.

(**) Foreign currency indexed loans amounting to TL 2,278,177 (31 December 2010: TL 782,548) are included in the loan portfolio.

(***) TL 16,175 (31 December 2010: TL 42,054) foreign currency indexed factoring receivables is included in other assets, while TL 87,149 (31 December 2010: TL 30,813) expense accruals from derivative financial instruments, and TL 7,232 (31 December 2010: TL 26,079) provision for general loan losses are deducted from other liabilities and TL 362 (31 December 2010: 5,391) foreign currency indexed liabilities are included in funds provided from other financial institutions. TL 124 (31 December 2010: None) foreign currency indexed factoring payables is included in the other liabilities. TL 5 prepaid expense was deducted from other assets as at 31 December 2010.

(****) Forward asset and marketable securities purchase-sale commitments of TL 383,108 (31 December 2010: TL 181,939) are added to derivative financial assets and TL 345,026 (31 December 2010: TL 181,837) has been added to derivative financial liabilities.

(*****) TL 47,873 (31 December 2010: TL 17,648) income accruals from derivative financial instruments is deducted from Financial Assets at Fair Value Through Profit and Loss.

(*****) There is no effect on the net off-balance sheet position.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

V. Explanations Related to Consolidated Currency Risk (continued)

Foreign currency sensitivity:

The Group is mainly exposed to EUR and USD currencies.

The following table details the Group's sensitivity to a 10% change in the TL against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. A positive number indicates an increase in profit or loss and other equity in the case of short position and a decrease in the case of long position where the TL strengthens against USD and EUR.

| | Change in currency rate in % | Effect on profit or loss | | Effect on equity (*) | |
|-----|---------------------------------|--------------------------|---------------------|----------------------|---------------------|
| | | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| | | USD | 10 increase | 3,336 | (15,357) |
| USD | 10 decrease | (3,336) | 15,357 | (12) | (151) |
| EUR | 10 increase | 65,980 | 28,823 | (1,212) | 11,396 |
| EUR | 10 decrease | (65,980) | (28,823) | 1,212 | (11,396) |

(*) The effect on equity does not include the effect of changes in foreign exchange rate on the income statement.

The Group's sensitivity to foreign currency rates have not changed significantly during the current period. The positions taken in line with market expectations can increase the foreign currency sensitivity from period to period.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VI. Explanations Related to Consolidated Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Parent Bank's position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

The first priority of the risk management department is to protect from interest rate volatility. Duration, maturity and sensitivity analysis performed within this context are 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 budget of the Group.

The Parent Bank management monitors the market interest rates on a daily basis and revises the interest rates of the Parent Bank when necessary.

Since the Group does not allow maturity mismatches or imposes limits on the mismatch, no significant interest rate risk exposure is expected.

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

| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Non-interest Bearing | Total |
|--|--------------------|--------------------|------------------|------------------|------------------|-------------------------|-------------------|
| Current Period | | | | | | | |
| Assets | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | - | - | - | - | - | 4,018,257 | 4,018,257 |
| Banks | 444,370 | 2,105 | 4,185 | - | - | 155,178 | 605,838 |
| Financial Assets at Fair Value Through Profit and Loss | 205,986 | 102,628 | 287,930 | 254,100 | 119,732 | 306,415 | 1,276,791 |
| Money Market Placements | 523,574 | - | - | - | - | - | 523,574 |
| Available-For-Sale Financial Assets | 643,573 | 383,893 | 1,730,785 | 1,501,156 | 413,525 | 25,013 | 4,697,945 |
| Loans and receivables (*) | 9,676,496 | 2,113,963 | 4,306,352 | 8,196,203 | 2,400,559 | 269,914 | 26,963,487 |
| Factoring Receivables | 467,221 | 237,708 | 112,918 | - | - | 1,164 | 819,011 |
| Financial Lease Receivables | - | - | - | - | - | - | - |
| Held-To-Maturity Investments | - | - | 362 | 20,862 | - | - | 21,224 |
| Other Assets | 417 | - | 1,526 | 12,840 | 2,998 | 1,510,539 | 1,528,320 |
| Total Assets | 11,961,637 | 2,840,297 | 6,444,058 | 9,985,161 | 2,936,814 | 6,286,480 | 40,454,447 |
| Liabilities | | | | | | | |
| Bank Deposits | 931,858 | 3,780 | 4,141 | - | - | 192,648 | 1,132,427 |
| Other Deposits | 15,248,433 | 3,389,472 | 404,507 | 102,295 | - | 3,820,316 | 22,965,023 |
| Money Market Borrowings | 25,518 | 1,079,230 | - | - | - | - | 1,104,748 |
| Sundry Creditors | 180,613 | - | - | - | - | 661,043 | 841,656 |
| Marketable Securities Issued | - | - | 249,107 | - | - | - | 249,107 |
| Funds Provided From Other Financial Institutions | 2,224,395 | 2,421,923 | 3,024,009 | 307,383 | 184,390 | - | 8,162,100 |
| Factoring Payables | - | - | - | - | - | 6,510 | 6,510 |
| Other Liabilities | 3,946 | 16,200 | 20,636 | 43,099 | 9,227 | 5,899,768 | 5,992,876 |
| Total Liabilities | 18,614,763 | 6,910,605 | 3,702,400 | 452,777 | 193,617 | 10,580,285 | 40,454,447 |
| Balance Sheet Long Position | - | - | 2,741,658 | 9,532,384 | 2,743,197 | - | 15,017,238 |
| Balance Sheet Short Position | (6,653,126) | (4,070,308) | - | - | - | (4,293,805) | (15,017,238) |
| Off-Balance Sheet Long Position | 40,913 | 60,579 | 380,511 | 1,123,856 | 303,565 | - | 1,909,424 |
| Off-Balance Sheet Short Position | (40,691) | (60,579) | (358,127) | (1,116,079) | (303,565) | - | (1,879,041) |
| Total Position | (6,652,904) | (4,070,308) | 2,764,042 | 9,540,161 | 2,743,197 | (4,293,805) | 30,383 |

(*) Loans with floating interest rates of the Parent Bank amounting to TL 6,134,943 are included in "Up to 1 Month" while mark to market differences from hedged loans amounting to TL 11,554 are included in "1-5 Years".

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VI. Explanations Related to Consolidated Interest Rate Risk (continued)

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

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL 264,311; intangible assets amounting to TL 441,257, assets held for resale amounting to TL 67,049, entities under common control (joint vent.) amounting to TL 5, and the other liabilities line includes the shareholders' equity of TL 4,430,778.

Average interest rates applied to monetary financial instruments:

| | EURO % | USD % | YEN % | TL % |
|---|-----------|----------|----------|---------|
| Current Period | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | - | - | - | - |
| Banks | 0.83 | 0.28 | - | 10.38 |
| Financial Assets at Fair Value Through Profit and Loss | 4.98 | 4.73 | - | 10.20 |
| Money Market Placements | - | - | - | 11.77 |
| Available-For-Sale Financial Assets | 4.55 | 3.34 | - | 9.48 |
| Loans | 5.29 | 5.27 | 2.74 | 13.60 |
| Leasing Receivables | - | - | - | - |
| Factoring Receivables | 3.86 | 2.85 | - | 15.65 |
| Held-To-Maturity Investments | 5.12 | 5.28 | - | - |
| Liabilities | | | | |
| Bank Deposits | 1.11 | 1.25 | - | 5.70 |
| Other Deposits | 4.05 | 4.38 | 0.41 | 10.88 |
| Money Market Borrowings | - | - | - | 6.91 |
| Sundry Creditors | - | - | - | - |
| Marketable Securities Issued | - | - | - | 8.73 |
| Funds Provided From Other Financial Institutions | 3.45 | 2.13 | 2.95 | 8.79 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VI. Explanations Related to Consolidated Interest Rate Risk (continued)

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

| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Non-interest Bearing | Total |
|---|--------------------|--------------------|------------------|------------------|-----------------|-------------------------|-------------------|
| Prior Period | | | | | | | |
| Assets | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | - | - | - | - | - | 2,027,296 | 2,027,296 |
| Banks | 712,855 | 98,323 | - | 7,760 | - | 203,887 | 1,022,825 |
| Financial Assets at Fair Value Through Profit and Loss | 55,476 | 8,026 | 56,349 | 14,033 | 3,799 | 78,505 | 216,188 |
| Money Market Placements | 238 | - | - | - | - | - | 238 |
| Available-For-Sale Financial Assets | 279,828 | 77,008 | 1,001,539 | 1,784,220 | 353,006 | 19,405 | 3,515,006 |
| Loans(*) | 5,459,343 | 1,127,568 | 1,857,960 | 3,652,561 | 639,156 | 189,577 | 12,926,165 |
| Factoring Receivables | 343,666 | 94,842 | 162,566 | - | - | 1,245 | 602,319 |
| Financial Lease Receivables | - | - | - | - | - | - | - |
| Held-To-Maturity Investments | 106,040 | 66,789 | 45,080 | 17,110 | - | - | 235,019 |
| Other Assets | - | 187 | 2,267 | 1,091 | 9 | 624,609 | 628,163 |
| Total Assets | 6,957,446 | 1,472,743 | 3,125,761 | 5,476,775 | 995,970 | 3,144,524 | 21,173,219 |
| Liabilities | | | | | | | |
| Bank Deposits | 1,442,067 | 8,133 | 3,166 | - | - | 97,896 | 1,551,262 |
| Other Deposits | 7,764,734 | 1,215,119 | 289,102 | 13,860 | - | 2,329,794 | 11,612,609 |
| Money Market Borrowings | 86,665 | - | - | - | - | - | 86,665 |
| Sundry Creditors | - | - | - | - | - | 343,405 | 343,405 |
| Marketable Securities Issued | - | - | - | - | - | - | - |
| Funds Provided From Other Financial Institutions | 1,035,571 | 1,614,008 | 1,827,161 | 24,673 | 373,117 | - | 4,874,530 |
| Factoring Payables | - | - | - | - | - | - | - |
| Other Liabilities | 865 | 481 | 22,256 | 40,182 | 28,102 | 2,612,862 | 2,704,748 |
| Total Liabilities | 10,329,902 | 2,837,741 | 2,141,685 | 78,715 | 401,219 | 5,383,957 | 21,173,219 |
| Balance Sheet Long Position | - | - | 984,076 | 5,398,060 | 594,751 | - | 6,976,887 |
| Balance Sheet Short Position | (3,372,456) | (1,364,998) | - | - | - | (2,239,433) | (6,976,887) |
| Off-Balance Sheet Long Position | - | - | 6,356 | 4,008 | - | - | 10,364 |
| Off-Balance Sheet Short Position | - | - | - | - | (2,190) | - | (2,190) |
| Total Position | (3,372,456) | (1,364,998) | 990,432 | 5,402,068 | 592,561 | (2,239,433) | 8,174 |

(*) Loans with floating interest rates of the Parent Bank amounting to TL 3,199,937 are included in "Up to 1 Month" while mark to market differences from hedged loans amounting to TL 33,648 are included in "1-5 Years".

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL 117,568; intangible assets amounting to TL 13,941, assets held for resale amounting to TL 33,982, entities under common control (joint vent.) amounting to TL 5, tax asset amounting to TL 17,633, and the other liabilities line includes the shareholders' equity of TL 1,953,254.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VI. Explanations Related to Consolidated Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments

| | EURO | USD | YEN | TL |
|---|-------------|------------|------------|-----------|
| | % | % | % | % |
| Prior Period | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | - | - | - | 3.75 |
| Banks | 0.24 | 0.16 | - | 6.95 |
| Financial Assets at Fair Value Through Profit and Loss | 3.21 | 4.90 | - | 9.09 |
| Money Market Placements | - | 1.05 | - | 6.41 |
| Available-For-Sale Financial Assets | 3.27 | 5.71 | - | 8.39 |
| Loans | 4.55 | 4.28 | 4.49 | 12.63 |
| Leasing Receivables | - | - | - | - |
| Factoring Receivables | 2.83 | 2.46 | - | 10.00 |
| Held-To-Maturity Investments | 6.59 | 5.70 | - | 12.58 |
| Liabilities | | | | |
| Bank Deposits | 0.80 | 0.30 | - | 5.80 |
| Other Deposits | 2.12 | 2.28 | 0.10 | 7.18 |
| Money Market Borrowings | - | - | - | 6.73 |
| Sundry Creditors | - | - | - | - |
| Marketable Securities Issued | - | - | - | - |
| Funds Provided From Other Financial Institutions | 3.11 | 2.57 | 3.10 | 7.71 |

Interest rate sensitivity:

If interest rates had been changed by 0.5% in TL and FC and all other variables were held constant:

- Net profit of the Group for the year would have changed by TL 22,900 (31 December 2010: TL 5,919).

The interest rate sensitivity the Group is exposed to due to its balance sheet composition is calculated with the net interest income approach. The net interest income is calculated by using the original interest rates until maturity and using market interest curves until the remaining annualized period subject to analysis. This calculation is re-performed by altering the market interest curves based on rate changes accepted by management. The difference between the initial and re-performed calculation is assessed to be the interest sensitivity of the Group.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VII. Explanations Related to Consolidated Liquidity Risk

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely.

Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed quickly at suitable prices and sufficient amounts due to barriers and break-ups at the markets.

The Group's policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context, liquidity problem has not been faced in any period. In order to maintain this, the Board of Directors of the Parent Bank continuously determines standards for the liquidity ratios, and monitors them.

According to the general policies of the Group, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TL and foreign currency assets and liabilities on the balance sheet and their costs. According to this strategy, the Parent Bank manages its maturity risk within the limits determined by Parent Bank's Board of Directors.

When the funding and liquidity sources are considered, the Parent Bank covers majority of its liquidity need by deposits, and in addition to this source, it makes use of pre-financing and syndication products to generate additional sources. Generally the Parent Bank is in a lender position.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The most important of these is to maintain limits on the ratio of the Parent Bank's net liquid assets to customer liabilities, set to reflect market conditions. The ratio realized during the year were as follows:

| | Current Period | Prior Period |
|---------------------------|----------------|--------------|
| | % | % |
| Average during the period | 25 | 20 |
| Highest | 30 | 27 |
| Lowest | 20 | 16 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VII. Explanations Related to Consolidated Liquidity Risk (continued)

Presentation of assets and liabilities according to their remaining maturities:

| Current Period | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Undistributed (*) | Total |
|--|--------------------|--------------------------|--------------------|------------------------|----------------------|-------------------------|------------------------------|-------------------|
| Assets | | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | 2,429,726 | 1,588,531 | - | - | - | - | - | 4,018,257 |
| Banks | 187,352 | 412,196 | 2,105 | 4,185 | - | - | - | 605,838 |
| Financial Assets at Fair Value Through Profit and Loss | - | 247,932 | 166,898 | 456,314 | 272,564 | 133,083 | - | 1,276,791 |
| Money Market Placements | - | 523,574 | - | - | - | - | - | 523,574 |
| Available-For-Sale Financial Assets | 25,013 | 185,245 | 75,948 | 1,305,528 | 2,086,378 | 1,019,833 | - | 4,697,945 |
| Loans(**) | 38,806 | 9,408,476 | 1,634,958 | 4,348,267 | 8,754,358 | 2,564,020 | 214,602 | 26,963,487 |
| Factoring Receivables | - | 467,221 | 237,708 | 112,918 | - | - | 1,164 | 819,011 |
| Financial Lease Receivables | - | - | - | - | - | - | - | - |
| Held-To-Maturity Investments | - | - | - | 362 | 20,862 | - | - | 21,224 |
| Other Assets | 3,775 | 1,953 | 245 | 1,799 | 18,277 | 2,998 | 1,499,273 | 1,528,320 |
| Total Assets | 2,684,672 | 12,835,128 | 2,117,862 | 6,229,373 | 11,152,439 | 3,719,934 | 1,715,039 | 40,454,447 |
| Liabilities | | | | | | | | |
| Bank Deposits | 192,716 | 931,790 | 3,780 | 4,141 | - | - | - | 1,132,427 |
| Other Deposits | 4,286,199 | 14,782,550 | 3,389,472 | 404,507 | 102,295 | - | - | 22,965,023 |
| Funds Provided From Other Financial Institutions | - | 1,831,781 | 1,951,491 | 2,579,528 | 976,785 | 822,515 | - | 8,162,100 |
| Money Market Borrowings | - | 1,104,748 | - | - | - | - | - | 1,104,748 |
| Marketable Securities Issued | - | - | - | 249,107 | - | - | - | 249,107 |
| Factoring Payables | - | 6,510 | - | - | - | - | - | 6,510 |
| Sundry Creditors | 2,538 | 839,104 | - | 14 | - | - | - | 841,656 |
| Other Liabilities | - | 816,637 | 62,340 | 157,261 | 53,676 | 9,227 | 4,893,735 | 5,992,876 |
| Total Liabilities | 4,481,453 | 20,313,120 | 5,407,083 | 3,394,558 | 1,132,756 | 831,742 | 4,893,735 | 40,454,447 |
| Liquidity Gap | (1,796,781) | (7,477,992) | (3,289,221) | 2,834,815 | 10,019,683 | 2,888,192 | (3,178,696) | - |
| Prior Period | | | | | | | | |
| Total Assets | 920,669 | 6,616,639 | 1,380,988 | 2,994,033 | 4,772,022 | 974,610 | 437,288 | 18,096,249 |
| Total Liabilities | 2,749,747 | 8,138,244 | 2,238,730 | 1,953,150 | 469,359 | 490,969 | 2,056,050 | 18,096,249 |
| Liquidity Gap | (1,829,078) | (1,521,605) | (857,742) | 1,040,883 | 4,302,663 | 483,641 | (1,618,762) | - |

(*) The assets which are necessary to provide banking services and could not be liquidated in a short term, such as tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and non-performing loans, are classified as under undistributed.

(**) Loans with floating interest rates of the Parent Bank amounting to TL 5,961,704 (31 December 2010: TL 3,146,930) are included in "Up to 1 Month" while mark to market differences from hedged loans amounting to TL 11,554 (31 December 2010: TL 33,648) are included in "1-5 Years".

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VII. Explanations Related to Consolidated Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturities:

| | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Adjustments | Total |
|--|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| As of 31 December 2011 | | | | | | | | |
| Money market borrowings | - | 1,105,719 | - | - | - | - | (971) | 1,104,748 |
| Other deposits | 4,286,199 | 14,834,731 | 3,423,247 | 418,239 | 110,527 | - | (107,920) | 22,965,023 |
| Bank deposits | 192,716 | 931,943 | 3,780 | 4,314 | - | - | (326) | 1,132,427 |
| Funds provided from other financial institutions | - | 1,853,143 | 2,024,544 | 2,806,047 | 1,238,554 | 1,063,599 | (823,787) | 8,162,100 |
| Total | 4,478,915 | 18,725,536 | 5,451,571 | 3,228,600 | 1,349,081 | 1,063,599 | (933,004) | 33,364,298 |
| As of 31 December 2010 | | | | | | | | |
| Money market borrowings | - | 86,762 | - | - | - | - | (97) | 86,665 |
| Other deposits | 2,779,665 | 7,327,309 | 1,219,961 | 237,211 | 90,360 | - | (41,897) | 11,612,609 |
| Bank deposits | 163,107 | 1,377,497 | 8,187 | 3,281 | - | - | (810) | 1,551,262 |
| Funds provided from other financial institutions | - | 797,907 | 1,612,066 | 1,874,121 | 254,614 | 578,936 | (243,114) | 4,874,530 |
| Total | 2,942,772 | 9,589,475 | 2,840,214 | 2,114,613 | 344,974 | 578,936 | (285,918) | 18,125,066 |

Analysis of contractual expiry by maturity of the Group's derivative financial instruments:

| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Total |
|--|------------------|------------------|------------------|----------------|---------------|-------------------|
| As of 31 December 2011 | | | | | | |
| Derivative financial instruments for hedging purposes | | | | | | |
| Fair value hedge | - | - | 13,723 | 132,443 | - | 146,166 |
| Cash flow hedge | 6,261 | 11,362 | 69,042 | 160,037 | 5,562 | 252,264 |
| Held for trading transactions | | | | | | |
| Foreign exchange forward contracts-sell | 1,095,273 | 501,255 | 553,167 | 181,084 | - | 2,330,779 |
| Currency swaps-sell | 2,338,734 | 1,001,159 | 1,798,633 | 196,565 | - | 5,335,091 |
| Interest rate swaps-sell | 136 | 8,364 | 15,876 | 23,312 | - | 47,688 |
| Foreign currency futures-sell | - | - | - | - | - | - |
| Foreign currency options-sell | 2,438,145 | 1,511,274 | 3,277,327 | 36,802 | - | 7,263,548 |
| Total | 5,878,549 | 3,033,414 | 5,727,768 | 730,243 | 5,562 | 15,375,536 |
| As of 31 December 2010 | | | | | | |
| Derivative financial instruments for hedging purposes | | | | | | |
| Fair value hedge | 290 | 263 | 137,009 | 36,878 | 54,510 | 228,950 |
| Cash flow hedge | - | - | - | - | - | - |
| Held for trading transactions | | | | | | |
| Foreign exchange forward contracts-sell | 389,104 | 274,816 | 302,643 | 7,571 | - | 974,134 |
| Currency swaps-sell | 817,883 | 60,625 | 670,796 | 357,236 | - | 1,906,540 |
| Interest rate swaps-sell | 63 | 9,828 | 8,658 | 43,179 | 5,055 | 66,783 |
| Foreign currency futures-sell | - | 25,076 | 227,192 | - | - | 252,268 |
| Foreign currency options-sell | 549,842 | 530,740 | 1,073,571 | 8,621 | 32,901 | 2,195,675 |
| Total | 1,757,182 | 901,348 | 2,419,869 | 453,485 | 92,466 | 5,624,350 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value

The table below shows the book value and the fair value of the financial assets and liabilities which are not disclosed at their fair value in the financial statements of the Group.

Current period investment securities are comprised of interest-bearing assets held-to-maturity and interest-bearing assets available-for-sale. The fair value of the held to maturity assets is determined by market prices or quoted market prices of other marketable securities which are subject to redemption with same characteristics in terms of interest, maturity and other similar conditions when market prices cannot be determined.

The book value of demand deposits, money market placements with floating interest rate and overnight deposits represents their fair values due to their short-term nature. The estimated fair value of deposits and funds provided from other financial institutions with fixed interest rate is calculated by determining their cash flows discounted by the current interest rates used for other liabilities with similar characteristics and maturity structure. The fair value of loans is calculated by determining the cash flows discounted by the current interest rates used for receivables with similar characteristics and maturity structure. The book value of the sundry creditors reflect their fair values since they are short-term.

| | Book Value | | Fair Value | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| Financial Assets | 33,631,079 | 17,652,602 | 33,256,597 | 18,449,916 |
| Money Market Placements | 523,574 | 238 | 523,574 | 238 |
| Banks | 605,838 | 1,022,825 | 605,838 | 1,022,825 |
| Available-For-Sale Financial Assets | 4,697,945 | 3,515,006 | 4,697,945 | 3,515,006 |
| Held-To-Maturity Investments | 21,224 | 235,019 | 21,713 | 271,796 |
| Loans (**) | 27,782,498 | 13,528,484 | 27,407,527 | 13,640,051 |
| Financial Liabilities | 34,455,061 | 18,468,471 | 34,297,407 | 18,458,902 |
| Bank Deposits | 1,132,427 | 1,551,262 | 1,132,167 | 1,550,402 |
| Other Deposits | 22,965,023 | 11,612,609 | 22,807,961 | 11,603,892 |
| Funds Borrowed From Other Financial Institutions (*) | 9,266,848 | 4,961,195 | 9,266,847 | 4,961,203 |
| Marketable Securities Issued | 249,107 | - | 248,776 | - |
| Sundry Creditors | 841,656 | 343,405 | 841,656 | 343,405 |

(*) Funds provided under repo transactions and interbank money market takings are included in funds borrowed from other financial institutions.

(**) Factoring and lease receivables are included in the loans.

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: The fair value of other financial assets and financial liabilities are determined in accordance with inputs other than quoted prices included within Level 1, that are observable either directly or indirectly in the market.
- Level 3: The fair value of the financial assets and financial liabilities where there is no observable market data.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VIII. Explanations Related to Presentation of Financial Assets and Liabilities by Fair Value
(continued)

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non-observable inputs.

| 31 December 2011 | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|--------------|
| Financial Assets | | | | |
| Financial assets at fair value through profit and loss | 754,577 | 522,214 | - | 1,276,791 |
| <i>Public sector debt securities</i> | 754,577 | 199,800 | - | 954,377 |
| <i>Derivative financial assets held for trading</i> | - | 322,414 | - | 322,414 |
| Derivative financial assets for hedging purposes | - | 22,800 | - | 22,800 |
| Available-for-sale financial assets | 3,679,076 | 1,008,370 | - | 4,687,446 |
| <i>Public sector debt securities</i> | 3,673,789 | 999,143 | - | 4,672,932 |
| <i>Other available-for-sale financial assets (*)</i> | 5,287 | 9,227 | - | 14,514 |
| Financial Liabilities | | | | |
| Derivative financial liabilities held for trading | - | 273,799 | - | 273,799 |
| Derivative financial liabilities for hedging purposes | - | 50,447 | - | 50,447 |

| 31 December 2010 | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|--------------|
| Financial Assets | | | | |
| Financial assets at fair value through profit and loss | 112,664 | 103,524 | - | 216,188 |
| <i>Public sector debt securities</i> | 112,664 | - | - | 112,664 |
| <i>Derivative financial assets held for trading</i> | - | 103,524 | - | 103,524 |
| Derivative financial assets for hedging purposes | - | 11,157 | - | 11,157 |
| Available-for-sale financial assets | 3,500,338 | 12,594 | - | 3,512,932 |
| <i>Public sector debt securities</i> | 3,489,407 | - | - | 3,489,407 |
| <i>Other available-for-sale financial assets(*)</i> | 10,931 | 12,594 | - | 23,525 |
| Financial Liabilities | | | | |
| Derivative financial liabilities held for trading | 6,168 | 90,600 | - | 96,768 |
| Derivative financial liabilities for hedging purposes | - | 56,547 | - | 56,547 |

(*) TL 10,499 (31 December 2010: TL 2,074) carried at cost is not included in the table.

There is no transition between Level 1 and Level 2 in the current year.

IX. Explanations Related to Transactions Carried out on Behalf of Other Parties and Fiduciary Assets

The Group performs trading transactions on behalf of customers, and gives custody, administration and consultancy services.

The Group does not deal with fiduciary transactions.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Consolidated Assets

1. a) Information on Cash and Balances with the Central Bank of Turkey:

| | Current Period | | Prior Period | |
|--|------------------|------------------|----------------|------------------|
| | TL | FC | TL | FC |
| Cash in TL/Foreign Currency | 257,142 | 230,668 | 136,299 | 151,431 |
| Balances with the Central Bank of Turkey | 1,243,219 | 1,961,960 | 650,346 | 1,061,550 |
| Other | - | 325,268 | - | 27,670 |
| Total | 1,500,361 | 2,517,896 | 786,645 | 1,240,651 |

b) Information related to the account of the Central Bank of Turkey:

| | Current Period | | Prior Period | |
|-----------------------------|------------------|------------------|----------------|------------------|
| | TL | FC | TL | FC |
| Unrestricted demand deposit | 1,243,219 | - | 650,346 | - |
| Unrestricted time deposit | - | 373,429 | - | 651,635 |
| Restricted time deposit | - | 1,588,531 | - | 409,915 |
| Total | 1,243,219 | 1,961,960 | 650,346 | 1,061,550 |

TL 373,429 (31 December 2010: TL 651,635) foreign currency unrestricted deposit, TL 1,588,531 (31 December 2010: TL 409,915) foreign currency restricted deposit and TL 1,243,219 (31 December 2010: TL 650,287) TL unrestricted deposit balance comprises of reserve deposits. As of 31 December 2011, the Turkish lira required reserve ratios are determined to be within the range of 5%-11% depending on the maturity structure of deposits denominated in Turkish lira (31 December 2010: 6% for all Turkish lira liabilities), and the required reserve ratios for foreign currency deposits and other liabilities within the range of 6%-11% (31 December 2010: 11% for all foreign currency liabilities).

2. Information on financial assets at fair value through profit and loss (net):

a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked: TL 22,033 (31 December 2010 – None).

a.2) Financial assets at fair value through profit and loss subject to repurchase agreements:

| | Current Period | | Prior Period | |
|--------------------------------------|----------------|----------|--------------|----------|
| | TL | FC | TL | FC |
| Government bonds | 276,889 | - | - | - |
| Treasury bills | - | - | - | - |
| Other public sector debt securities | - | - | - | - |
| Bank bonds and bank guaranteed bonds | - | - | - | - |
| Asset backed securities | - | - | - | - |
| Other | - | - | - | - |
| Total | 276,889 | - | - | - |

Net book value of unrestricted financial assets at fair value through profit and loss is TL 655,455 (31 December 2010: TL 112,664).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

2. Information on financial assets at fair value through profit and loss (net): (continued)

a.3) Positive differences related to derivative financial assets held-for-trading:

| | Current Period | | Prior Period | |
|----------------------|----------------|---------------|---------------|---------------|
| | TL | FC | TL | FC |
| Forward Transactions | 25,636 | 6,771 | 5,286 | 6,574 |
| Swap Transactions | 120,062 | 21,360 | 39,381 | 7,758 |
| Futures Transactions | - | - | - | - |
| Options | 118,360 | 28,302 | 36,318 | 8,207 |
| Other | - | 1,923 | - | - |
| Total | 264,058 | 58,356 | 80,985 | 22,539 |

3. a) Information on banks:

| | Current Period | | Prior Period | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | TL | FC | TL | FC |
| Banks | | | | |
| Domestic | 99,208 | 70,050 | 342,535 | 93,364 |
| Foreign | 53,024 | 383,556 | 164,914 | 422,012 |
| Branches and head office abroad | - | - | - | - |
| Total | 152,232 | 453,606 | 507,449 | 515,376 |

b) Information on foreign bank accounts:

| | Unrestricted Amount | | Restricted Amount | |
|---------------------------|---------------------|----------------|-------------------|--------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| European Union Countries | 215,518 | 354,995 | - | - |
| USA and Canada | 105,656 | 63,717 | - | - |
| OECD Countries(*) | 31,560 | 5,794 | - | - |
| Off-shore banking regions | 71,591 | 162,143 | - | - |
| Other | 12,255 | 277 | - | - |
| Total | 436,580 | 586,926 | - | - |

(*) OECD countries other than European Union countries, USA and Canada.

4. Information on financial assets available-for-sale:

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

| | Current Period | | Prior Period | |
|---|----------------|----------------|----------------|----------------|
| | TL | FC | TL | FC |
| Share certificates | - | - | - | - |
| Bond, Treasury bill and similar investment securities | 581,644 | 162,371 | 243,848 | 125,062 |
| Other | - | - | - | - |
| Total | 581,644 | 162,371 | 243,848 | 125,062 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

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

a.2) Financial assets available-for-sale subject to repurchase agreements:

| | Current Period | | Prior Period | |
|--------------------------------------|----------------|----------|--------------|----------|
| | TL | FC | TL | FC |
| Government bonds | 826,098 | - | - | - |
| Treasury bills | - | - | - | - |
| Other public sector debt securities | - | - | - | - |
| Bank bonds and bank guaranteed bonds | - | - | - | - |
| Asset backed securities | - | - | - | - |
| Other | - | - | - | - |
| Total | 826,098 | - | - | - |

Net book value of unrestricted financial assets available-for-sale is TL 3,127,832 (31 December 2010: TL 3,146,096).

b) Information on financial assets available for sale portfolio:

| | Current Period | Prior Period |
|----------------------------|------------------|------------------|
| Debt securities | 4,672,932 | 3,495,601 |
| Quoted on a stock exchange | 4,672,932 | 3,495,601 |
| Not quoted | - | - |
| Share certificates | 25,013 | 19,405 |
| Quoted on a stock exchange | 5,287 | 4,737 |
| Not quoted (*) | 19,726 | 14,668 |
| Impairment provision(-) | - | - |
| Total | 4,697,945 | 3,515,006 |

(*) After the sale of the Parent Bank's 90.01% shares in TEB Finansal Kiralama A.Ş.; the remaining 9.99% shares are presented as available-for-sale financial assets and accounted for at fair value in accordance with TAS 39. The related amount is TL 12,594. With the sale of the Bank's shares as at 29 September 2011, the related amount became TL 9,227.

All unquoted available for sale equities are recorded at fair value except for the Parent Bank's investment of TL 10,499 which is recorded at cost since its fair value cannot be reliably estimated (31 December 2010: TL 2,074).

5. Information on loans:

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

| | Current Period | | Prior Period | |
|--|----------------|----------------|---------------|----------------|
| | Cash Loans | Non-Cash Loans | Cash Loans | Non-Cash Loans |
| Direct loans granted to shareholders | 74,499 | 128,471 | 24,509 | 40,782 |
| Corporate shareholders | 74,132 | 128,467 | 24,102 | 40,773 |
| Real person shareholders | 367 | 4 | 407 | 9 |
| Indirect loans granted to shareholders | - | - | - | - |
| Loans granted to employees | 43,989 | - | 22,893 | - |
| Total | 118,488 | 128,471 | 47,402 | 40,782 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

5. Information on loans: (continued)

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

| Cash Loans | Standard Loans and Other Receivables | | Loans and Other Receivables Under Close Monitoring (*) | |
|---------------------------------|--------------------------------------|-----------------------------|--|-----------------------------|
| | Loans and Other Receivables | Restructured or Rescheduled | Loans and Other Receivables | Restructured or Rescheduled |
| Non-specialized loans | 25,575,640 | 908 | 1,014,360 | 105,072 |
| Discount notes | 498,904 | - | 28,750 | - |
| Export loans | 2,182,167 | - | 19,382 | - |
| Import loans | - | - | - | - |
| Loans given to financial sector | 900,372 | - | - | - |
| Foreign loans | 837,209 | - | 3,501 | - |
| Consumer loans(**) | 5,988,134 | 713 | 469,999 | 26,613 |
| Credit cards | 1,293,030 | - | 77,900 | 2,741 |
| Precious metal loans | 365,810 | - | 21,426 | - |
| Other | 13,510,014 | 195 | 393,402 | 75,718 |
| Specialized loans | - | - | - | - |
| Other receivables | 52,905 | - | - | - |
| Total | 25,628,545 | 908 | 1,014,360 | 105,072 |

(*) The total principal amount of the loans under close monitoring in accordance with the requirements of the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” amended on 6 February 2008.

(**) TL 11,554 income accrual resulting from the fair value difference of the hedged item loans is included in the loan balance.

c) Loans according to their maturity structure:

| Cash Loans | Standard Loans and Other Receivables | | Loans and Other Receivables Under Close Monitoring | |
|---|--------------------------------------|-----------------------------|--|-----------------------------|
| | Loans and Other Receivables | Restructured or Rescheduled | Loans and Other Receivables | Restructured or Rescheduled |
| Short-term loans and other receivables | 13,438,023 | - | 362,711 | 18,564 |
| Non-specialized loans | 13,385,118 | - | 362,711 | 18,564 |
| Specialized loans | - | - | - | - |
| Other receivables | 52,905 | - | - | - |
| Medium and long-term loans and other receivables | 12,190,522 | 908 | 651,649 | 86,508 |
| Non-specialized loans | 12,190,522 | 908 | 651,649 | 86,508 |
| Specialized loans | - | - | - | - |
| Other receivables | - | - | - | - |
| Total | 25,628,545 | 908 | 1,014,360 | 105,072 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

5. Information on loans: (continued)

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

| | Short Term | Medium and Long Term | Total |
|--|------------------|-------------------------|------------------|
| Consumer Loans-TL | 119,102 | 6,006,041 | 6,125,143 |
| Housing Loans | 2,668 | 3,393,413 | 3,396,081 |
| Vehicle Loans | 12,062 | 583,339 | 595,401 |
| General Purpose Loans | 104,372 | 2,029,289 | 2,133,661 |
| Other | - | - | - |
| Consumer Loans –Indexed to FC | - | 175,056 | 175,056 |
| Housing Loans | - | 160,747 | 160,747 |
| Vehicle Loans | - | 3,269 | 3,269 |
| General Purpose Loans | - | 11,040 | 11,040 |
| Other | - | - | - |
| Consumer Loans-FC (**) | 10,460 | 17,674 | 28,134 |
| Housing Loans | - | 5,122 | 5,122 |
| Vehicle Loans | - | 8,910 | 8,910 |
| General Purpose Loans | 10,460 | 3,642 | 14,102 |
| Other | - | - | - |
| Individual Credit Cards-TL | 1,142,496 | - | 1,142,496 |
| With Installments | 511,240 | - | 511,240 |
| Without Installments | 631,256 | - | 631,256 |
| Individual Credit Cards-FC | 5,129 | - | 5,129 |
| With Installments | - | - | - |
| Without Installments | 5,129 | - | 5,129 |
| Personnel Loans-TL | 3,944 | 20,722 | 24,666 |
| Housing Loans | - | 69 | 69 |
| Vehicle Loans | - | 48 | 48 |
| General Purpose Loans | 3,944 | 20,605 | 24,549 |
| Other | - | - | - |
| Personnel Loans- Indexed to FC | - | - | - |
| Housing Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Personnel Loans-FC | - | - | - |
| Housing Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Personnel Credit Cards-TL | 17,162 | - | 17,162 |
| With Installments | 8,674 | - | 8,674 |
| Without Installments | 8,488 | - | 8,488 |
| Personnel Credit Cards-FC | 143 | - | 143 |
| With Installments | - | - | - |
| Without Installments | 143 | - | 143 |
| Overdraft Accounts-TL(Real Persons) (*) | 131,805 | - | 131,805 |
| Overdraft Accounts-FC(Real Persons) | 655 | - | 655 |
| Total | 1,430,896 | 6,219,493 | 7,650,389 |

(*) Overdraft accounts include personnel loans amounting to TL 2,018.

(**) Loans granted via branches abroad and TEB N.V.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

5. Information on loans: (continued)

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

| | Short Term | Medium and Long Term | Total |
|---|----------------|----------------------|------------------|
| Commercial loans with installment facility-TL | 298,611 | 3,072,311 | 3,370,922 |
| Business Loans | 450 | 135,754 | 136,204 |
| Vehicle Loans | 21,595 | 818,654 | 840,249 |
| General Purpose Loans | 276,566 | 2,117,903 | 2,394,469 |
| Other | - | - | - |
| Commercial loans with installment facility - Indexed to FC | 24,350 | 439,843 | 464,193 |
| Business Loans | - | 15,138 | 15,138 |
| Vehicle Loans | 2,964 | 168,621 | 171,585 |
| General Purpose Loans | 21,386 | 256,084 | 277,470 |
| Other | - | - | - |
| Commercial loans with installment facility –FC | 25,401 | - | 25,401 |
| Business Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | 25,401 | - | 25,401 |
| Other | - | - | - |
| Corporate Credit Cards-TL | 207,745 | - | 207,745 |
| With Installments | 73,631 | - | 73,631 |
| Without Installments | 134,114 | - | 134,114 |
| Corporate Credit Cards-FC | 996 | - | 996 |
| With Installments | - | - | - |
| Without Installments | 996 | - | 996 |
| Overdraft Accounts-TL(Legal Entities) | 321,467 | - | 321,467 |
| Overdraft Accounts-FC(Legal Entities) | 7,522 | - | 7,522 |
| Total | 886,092 | 3,512,154 | 4,398,246 |

f) Loans according to borrowers:

| | Current Period | Prior Period |
|--------------|-------------------|-------------------|
| Public | 50,666 | 34,738 |
| Private | 26,698,219 | 12,764,018 |
| Total | 26,748,885 | 12,798,756 |

g) Domestic and foreign loans:

| | Current Period | Prior Period |
|----------------|-------------------|-------------------|
| Domestic loans | 25,854,535 | 11,989,166 |
| Foreign loans | 894,350 | 809,590 |
| Total | 26,748,885 | 12,798,756 |

h) Loans granted to subsidiaries and associates:

Eliminated in consolidated financial statements.

i) Specific provisions provided against loans:

| | Current Period | Prior Period |
|--|----------------|----------------|
| Specific provisions | | |
| Loans and receivables with limited collectability | 9,910 | 4,833 |
| Loans and receivables with doubtful collectability | 24,806 | 21,608 |
| Uncollectible loans and receivables | 506,360 | 221,624 |
| Total | 541,076 | 248,065 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

5. Information on loans: (continued)

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

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

| | III. Group | IV. Group | V. Group |
|---|--|---|--|
| | Loans and receivables with limited collectability | Loans and receivables with doubtful collectability | Uncollectible loans and receivables |
| (Gross amount before specific provisions) | | | |
| Non-performing loans and receivables which are restructured | - | - | - |
| Non-performing loans and receivables which are rescheduled | 7,599 | 4,022 | 10,943 |

j.2) The movement of non-performing loans:

| | III. Group | IV. Group | V. Group |
|---|--|---|--|
| | Loans and receivables with limited collectability | Loans and receivables with doubtful collectability | Uncollectible loans and receivables |
| Prior period end balance | 34,203 | 60,114 | 281,157 |
| Additions (+) (*) | 265,470 | 44,780 | 349,036 |
| Transfers from other categories of non-performing loans (+) | 10 | 189,740 | 180,132 |
| Transfers to other categories of non-performing loans (-) | 191,484 | 178,398 | - |
| Collections (-) | 44,081 | 46,815 | 131,629 |
| Write-offs (-) (**) | 12 | 76 | 56,469 |
| Corporate and commercial loans | - | 75 | 54,491 |
| Retail loans | 12 | 1 | 101 |
| Credit cards | - | - | 1,877 |
| Other | - | - | - |
| Current period end balance | 64,106 | 69,345 | 622,227 |
| Specific provision (-) | 9,910 | 24,806 | 506,360 |
| Net Balances on Balance Sheet | 54,196 | 44,539 | 115,867 |

(*) Increase due to the merger is TL 388,400.

(**) TL 55,484 of the non-performing loans portfolio of the Parent Bank with TL 54,078 provision has been sold to LBT Varlık Yönetim A.Ş. for TL 4,250. This balance has been collected as of 12 January 2011 with the completion of the necessary procedures, and the related non-performing loans have been written off from the records.

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 : | | | |
| Current period end balance | - | - | 29,379 |
| Specific provision (-) | - | - | 23,558 |
| Net Balance on Balance Sheet | - | - | 5,821 |
| Prior Period : | | | |
| Prior period end balance | - | - | 15,399 |
| Specific provision (-) | - | - | 10,812 |
| Net Balance on Balance Sheet | - | - | 4,587 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

5. Information on loans: (continued)

j.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

| | III. Group | IV. Group | V. Group |
|---|---|--|--|
| | Loans and receivables with limited | Loans and receivables with doubtful | Uncollectible loans and receivables |
| Current Period (Net) | | | |
| Loans to Real Persons and Legal Entities (Gross) | 64,106 | 69,345 | 617,258 |
| Specific provision (-) | 9,910 | 24,806 | 506,360 |
| Loans to Real Persons and Legal Entities (Net) | 54,196 | 44,539 | 110,898 |
| Banks (Gross) | - | - | 4,969 |
| Specific provision (-) | - | - | - |
| Banks (Net) | - | - | 4,969 |
| Other Loans and Receivables (Gross) | - | - | - |
| Specific provision (-) | - | - | - |
| Other Loans and Receivables (Net) | - | - | - |
| Prior Period (Net) | | | |
| Loans to Real Persons and Legal Entities (Gross) | 34,203 | 60,114 | 281,157 |
| Specific provision (-) | 4,833 | 21,608 | 221,624 |
| Loans to Real Persons and Legal Entities (Net) | 29,370 | 38,506 | 59,533 |
| Banks (Gross) | - | - | - |
| Specific provision (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | - | - | - |
| Specific provision (-) | - | - | - |
| Other Loans and Receivables (Net) | - | - | - |

k) Main principles of liquidating non-performing loans and receivables:

According to the “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published on Official Gazette No. 26333 dated 1 November 2006; loans and other receivables for which the collection is believed to be impossible are classified as non-performing loans by complying with the requirements of the Tax Procedural Law in accordance with the decision of the upper management of the Parent Bank.

l) Explanation related to write-off policy:

Unrecoverable non-performing loans can be written off with the decision of the Board of Directors.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

5. Information on loans: (continued)

m) Other explanations and disclosures:

| Current Period | Commercial | Consumer | Credit Cards | Other | Total |
|---|-------------------|------------------|---------------------|---------------|-------------------|
| Neither past due nor impaired | 18,208,166 | 6,009,007 | 1,212,389 | 52,905 | 25,482,467 |
| Past due not impaired | 628,523 | 476,613 | 161,282 | - | 1,266,418 |
| Individually impaired | 464,005 | 115,757 | 175,916 | - | 755,678 |
| Total gross | 19,300,694 | 6,601,377 | 1,549,587 | 52,905 | 27,504,563 |
| Less: allowance for individually impaired loans | 296,302 | 86,849 | 157,925 | - | 541,076 |
| Total allowance for impairment | 296,302 | 86,849 | 157,925 | - | 541,076 |
| Total net | 19,004,392 | 6,514,528 | 1,391,662 | 52,905 | 26,963,487 |
| Prior Period | Commercial | Consumer | Credit Cards | Other | Total |
| Neither past due nor impaired | 9,187,757 | 2,514,540 | 504,616 | 46,651 | 12,253,564 |
| Past due not impaired | 397,041 | 82,858 | 65,293 | - | 545,192 |
| Individually impaired | 299,641 | 21,706 | 54,127 | - | 375,474 |
| Total gross | 9,884,439 | 2,619,104 | 624,036 | 46,651 | 13,174,230 |
| Less: allowance for individually impaired loans | 190,679 | 12,721 | 44,665 | - | 248,065 |
| Total allowance for impairment | 190,679 | 12,721 | 44,665 | - | 248,065 |
| Total net | 9,693,760 | 2,606,383 | 579,371 | 46,651 | 12,926,165 |

Based on classification, movement of allowance for loan losses and other receivables is presented as follows;

| | Commercial | Consumer | Credit Cards | Total |
|-----------------------------|-------------------|-----------------|---------------------|----------------|
| At January 1, 2011 | 190,679 | 12,721 | 44,665 | 248,065 |
| Charge for the period (*) | 204,418 | 77,102 | 131,620 | 413,140 |
| Recoveries | (48,840) | (2,974) | (16,689) | (68,503) |
| Amounts written off (**) | (52,816) | - | (1,671) | (54,487) |
| Exchange differences | 2,861 | - | - | 2,861 |
| At 31 December 2010 | 296,302 | 86,849 | 157,925 | 541,076 |
| | Commercial | Consumer | Credit Cards | Total |
| At January 1, 2010 | 158,418 | 33,985 | 54,618 | 247,021 |
| Charge for the period | 140,838 | (4,282) | 36,831 | 173,387 |
| Recoveries | (36,468) | (6,708) | (14,672) | (57,848) |
| Amounts written off (***) | (71,943) | (10,274) | (32,112) | (114,329) |
| Exchange differences | (166) | - | - | (166) |
| At December 31, 2009 | 190,679 | 12,721 | 44,665 | 248,065 |

(*) Includes the provision amounting of TL 388,400 transferred from Fortis Bank A.Ş.

(**) TL 55,484 of the non-performing loans portfolio of the Parent Bank with TL 54,078 provision has been sold to LBT Varlık Yönetim A.Ş. for TL 4,250 which has been collected as of 12 January 2011 with the completion of the necessary procedures, and the related non-performing loans have been written off from the records.

(***) TL 39,957 of the non-performing loans portfolio of the Parent Bank with TL 39,321 provision has been sold to Standart Varlık A.Ş. for TL 4,125 which has been collected as of 31 March 2010 with the completion of the necessary procedures, and the related non-performing loans have been written off from the records.

TL 75,008 of the non-performing loans portfolio of the Parent Bank with TL 75,008 provision has been sold to LBT Varlık Yönetim A.Ş. for TL 6,500 which has been collected as of 28 June 2010 with the completion of the necessary procedures, and the related non-performing loans have been written off from the records.

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

5. Information on loans: (continued)

m) Other explanations and disclosures: (continued)

The fair value of collaterals, capped with the respective outstanding loan balance, that the Parent Bank holds relating to loans individually determined to be impaired at 31 December 2011 is TL 202,442 (31 December 2010: TL 120,349).

The fair value of collaterals, capped with the respective outstanding loan balance relating to loans individually determined to be impaired:

| | Current Period | Prior Period |
|--------------|-----------------------|---------------------|
| Mortgage | 161,744 | 97,707 |
| Vehicle | 25,151 | 15,820 |
| Cash | 5,270 | 7 |
| Other | 10,277 | 6,815 |
| Total | 202,442 | 120,349 |

As of 31 December 2011 and 31 December 2010, detail of commodities and properties held for sale related to loan receivables of the Parent Bank is as follows:

| 31 December 2011 | Commercial | Consumer | Total |
|--|-------------------|-----------------|---------------|
| Residential, commercial or industrial property | 57,498 | 8,685 | 66,183 |
| Financial assets | - | - | - |
| Other | 866 | - | 866 |
| Total | 58,364 | 8,685 | 67,049 |

| 31 December 2010 | Commercial | Consumer | Total |
|--|-------------------|-----------------|---------------|
| Residential, commercial or industrial property | 30,550 | 2,988 | 33,538 |
| Financial assets | - | - | - |
| Other | 444 | - | 444 |
| Total | 30,994 | 2,988 | 33,982 |

Aging analysis of past due but not impaired loans per classes of financial statements is as follows:

| 31 December 2011 | Less than 30 days | 31-60 days | 61-90 days | Total |
|-------------------------|--------------------------|-------------------|-------------------|------------------|
| Loans and Receivables | | | | |
| Commercial loans | 445,550 | 111,018 | 71,955 | 628,523 |
| Consumer loans | 293,542 | 136,847 | 46,224 | 476,613 |
| Credit cards | 150,805 | 1,973 | 8,504 | 161,282 |
| Total | 889,897 | 249,838 | 126,683 | 1,266,418 |

| 31 December 2010 | Less than 30 days | 31-60 days | 61-90 days | Total |
|-------------------------|--------------------------|-------------------|-------------------|----------------|
| Loans and Receivables | | | | |
| Commercial loans | 292,236 | 64,185 | 40,620 | 397,041 |
| Consumer loans | 35,662 | 36,151 | 11,045 | 82,858 |
| Credit cards | 59,836 | 412 | 5,045 | 65,293 |
| Total | 387,734 | 100,748 | 56,710 | 545,192 |

Of the total aggregate amount of gross past due but not yet impaired loans and advances to customers, the fair value of collaterals, capped with the respective outstanding total past due and not past due loan balances of the customer, that the Group held as at 31 December 2011 is TL 914,752. (31 December 2010: TL 209,674).

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

5. Information on loans: (continued)

m) Other explanations and disclosures: (continued)

The fair value of collaterals, capped with the respective outstanding loan balance relating to those that are past due but not impaired:

| | Current Period | Prior Period |
|--------------|----------------|----------------|
| Mortgage | 659,862 | 167,528 |
| Vehicle | 118,348 | 24,017 |
| Cash | 23,438 | 2,134 |
| Other | 113,104 | 15,995 |
| Total | 914,752 | 209,674 |

Explanations on the loans and other receivables of the Parent Bank for which the payment schedules are revised as per the agreement:

Based on the Article 4 of the Communiqué “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”, the number of loans, total amount and extension periods for which the payment schedules are revised after 28 May 2011 are as follows:

(i) Loans for which the payment schedules are revised for once

| | | Extension Period | | | | | |
|-------|--------|------------------|---------------|----------------|--------------|-----------------|---------|
| | | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Total |
| Loans | Number | 229 | 938 | 3,217 | 8,888 | 86 | 13,358 |
| | Amount | 6,274 | 13,350 | 43,250 | 119,424 | 5,347 | 187,645 |

(ii) Loans for which the payment schedules are revised for twice:

| | | Extension Period | | | | | |
|-------|--------|------------------|---------------|----------------|--------------|-----------------|-------|
| | | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Total |
| Loans | Number | 1 | 117 | 19 | 10 | 2 | 149 |
| | Amount | 1 | 2,523 | 189 | 1,178 | 155 | 4,046 |

(iii) Loans for which the payment schedules are revised more than twice:

| | | Extension Period | | | | | |
|-------|--------|------------------|---------------|----------------|--------------|-----------------|-------|
| | | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Total |
| Loans | Number | - | 1 | 1 | 1 | 1 | 4 |
| | Amount | - | 3 | 62 | 55 | 74 | 194 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

6. Information on held-to-maturity investments :

Following the merger with Fortis Bank A.Ş., the Parent Bank revised its risk management policies. As a result held to maturity investments amounting to TL 261,199 are classified as financial assets available for sale in accordance with TAS 39.

a.1) Information on held to maturity debt securities:

| | Current Period | Prior Period |
|-------------------------------------|----------------|----------------|
| Government bonds | 21,224 | 235,019 |
| Treasury bills | - | - |
| Other public sector debt securities | - | - |
| Total | 21,224 | 235,019 |

a.2) Information on held to maturity investments:

| | Current Period | Prior Period |
|----------------------------|----------------|----------------|
| Debt securities | | |
| Quoted on a stock exchange | 21,224 | 235,019 |
| Unquoted | - | - |
| Impairment provision(-) | - | - |
| Total | 21,224 | 235,019 |

a.3) Information on held-to-maturity investments given as collateral or blocked:

| | Current Period | | Prior Period | |
|--|----------------|----|---------------|----|
| | TL | FC | TL | FC |
| Share Certificates | - | - | - | - |
| Bond, Treasury bill and similar securities | - | - | 68,245 | - |
| Other | - | - | - | - |
| Total | - | - | 68,245 | - |

a.4) Held-to-maturity investments subject to repurchase agreements:

| | Current Period | | Prior Period | |
|--------------------------------------|----------------|----|---------------|----|
| | TL | FC | TL | FC |
| Government bonds | - | - | 70,042 | - |
| Treasury bills | - | - | - | - |
| Other public sector debt securities | - | - | - | - |
| Bank bonds and bank guaranteed bonds | - | - | - | - |
| Asset backed securities | - | - | - | - |
| Other | - | - | - | - |
| Total | - | - | 70,042 | - |

Net book value of unrestricted financial assets held-to-maturity is TL 21,224 (31 December 2010: TL 96,732).

b) Movement of held-to-maturity investments:

| | Current Period | Prior Period |
|---|----------------|----------------|
| Beginning balance | 235,019 | 901,640 |
| Foreign currency differences on monetary assets | 3,809 | 293 |
| Purchases during year(*, **) | 149,187 | 9,954 |
| Disposals through sales and redemptions (***) | (366,791) | (676,868) |
| Impairment provision (-) | - | - |
| Change in income on redeemed cost adjustments | - | - |
| Closing Balance | 21,224 | 235,019 |

(*) Accruals are included in purchases during the year.

(**) Includes assets amounting to TL 138,203 transferred from Fortis Bank A.Ş.

(***) Classified in portfolio of securities available for sale as mentioned above.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

7. Information on associates (Net):

- a.1) Information on the unconsolidated associates: None (31 December 2010: None).
- b.1 and 2) Information on the consolidated associates: None (31 December 2010: None).
- b.3) Valuation of consolidated associates: None (31 December 2010: None).
- b.4) Consolidated associates which are quoted on the stock exchange: None (31 December 2010: None).

8. Information on subsidiaries (Net):

- a) Information on the unconsolidated subsidiaries: None (31 December 2010: None).
- b) Information on the consolidated subsidiaries:
- b.1) Information on the consolidated subsidiaries:

| Description | Address (City/ Country) | Bank's share percentage-If different voting percentage(%) | Other shareholders' share percentage (%) |
|--------------------------------------|----------------------------|--|---|
| The Economy Bank N.V. | Netherlands | 100.00 | - |
| TEB Faktoring A.Ş. | İstanbul/Turkey | 100.00 | - |
| TEB Yatırım Menkul Değerler A.Ş.(*). | İstanbul/Turkey | 96.62 | 3.38 |
| TEB Portföy Yönetimi A.Ş. (**) | İstanbul/Turkey | 46.77 | 53.23 |

Information on the consolidated subsidiaries with the order as presented in the table above:

| Total Assets | Shareholders' Equity | Total Fixed Assets | Interest Income | Income from Marketable Securities Portfolio | Current Period Profit / Loss | Prior Period Profit / Loss (***) | Fair Value |
|---------------|-------------------------|-----------------------|--------------------|--|------------------------------------|--|---------------|
| (i) 1,611,290 | 246,507 | 9,499 | 72,428 | 3,600 | 19,701 | 15,771 | - |
| (ii) 868,679 | 38,462 | 1,815 | 68,744 | - | 10,247 | 8,355 | - |
| (ii) 84,305 | 78,190 | 1,940 | 9,017 | 122 | 6,054 | 9,603 | - |
| (ii) 31,200 | 28,765 | 841 | 1,527 | 319 | 3,218 | 4,309 | - |

- (*) As explained in the Material Event Disclosure on 24 March 2011, the followings are concluded in regards to the transfer of Fortis Yatırım Menkul Değerler A.Ş. ("Fortis Yatırım") in which TEB has 99.998% participation, with all of its assets and liabilities without any dissolution to TEB Yatırım Menkul Değerler A.Ş. ("TEB Yatırım") in which TEB has a direct share of 92.481%:

The transfer of Fortis Yatırım to TEB Yatırım and the related transfer agreement are approved in the Extraordinary General Meeting of TEB Yatırım and Fortis Yatırım held on 21 June 2011.

In relation to the transfer, Article 6 "Capital and Share Types" set out in the articles of association of TEB Yatırım is decided to be amended upon the approval of the CMB no: B.02.1.SPK.0.16-205.01.02/714-6076 issued on 14 June 2011 and the permit no: B.14.0.İT.G.0.10.00.01/351-02-56082-72593-3267 given by the Domestic Trade Administration of the Ministry of Trade and Industry of Turkish Republic on 14 June 2011, and the capital of TEB Yatırım is decided to be increased from TL 12,950 to TL 28,794 in relation to the transfer transaction accordingly to the extent that shareholders of Fortis Yatırım are granted with shares that represent the increased capital.

The transfer was finalized on 24 June 2011 upon the registry of the resolutions issued in the TEB Yatırım and Fortis Yatırım's Extraordinary General Meeting held on 21 June 2011 to the İstanbul Trade Registry.

Following the transfer, TEB's direct participation in TEB Yatırım has increased to 96.617%.

- (**) As explained in the Material Event Disclosure dated 13 September 2011, the followings are concluded in regards to the transfer of Fortis Portföy Yönetimi A.Ş. ("Fortis Portföy") with all of its assets and liabilities without any dissolution to TEB Portföy Yönetimi A.Ş. ("TEB Portföy") in which the Parent Bank has a direct and indirect share of 100%;

The transfer of Fortis Portföy to TEB Portföy and the related transfer agreement approved by the Capital Markets Board are approved in the Extraordinary General Meeting of TEB Portföy and Fortis Portföy held on 16 December 2011.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

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

In relation to the transfer, Article 9 "Share Capital" and Article 14 "Board of Directors" set out in the articles of association of TEB Portföy are decided to be amended upon the approval of the CMB no: B.02.1.SPK.0.15.335.06-1088-11331 issued on 12 December 2011 and the permit no: B.21.O.İT.G.0.03.01.00/351.02-57834-264712-2918/2466 given by the Domestic Trade Administration of the Ministry of Trade and Industry of Turkish Republic on 13 December 2011, and the capital of TEB Portföy is decided to be increased from TL 2,410 to TL 4,402 in relation to the transfer transaction accordingly to the extent that shareholders of Fortis Portföy are granted with shares that represent the increased capital at the Extraordinary General Assembly Meeting of TEB Portföy.

The transfer was finalized on 22 December 2011 upon the registry of the resolutions issued in the TEB Portföy and Fortis Portföy's Extraordinary General Meetings held on 16 December 2011 to the Istanbul Trade Registry.

Following the transfer, TEB's direct participation in TEB Portföy has decreased to 25.604%.

(***) Represents the amounts in the financial statements as of 31 December 2010.

(i) Represents financial figures of foreign currency statutory financial statements translated at period end foreign exchange rates for balance sheet and nine months' average rates for profit and loss as of 31 December 2011. The Economy Bank NV has two consolidated subsidiaries named Stichting Effecten Dienstverlening and Kronenburg Vastgoed B.V.

b.2) Information on consolidated subsidiaries:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Balance at the beginning of the period | 125,709 | 165,912 |
| Movements during the period | 48,226 | (40,203) |
| Purchases (*,**) | 48,171 | - |
| Bonus shares obtained | - | - |
| Share in current year income | - | - |
| Sales (***) | - | (40,190) |
| Revaluation increase | - | - |
| Provision for impairment | 55 | (13) |
| Balance at the end of the period | 173,935 | 125,709 |
| Capital commitments | - | - |
| Share percentage at the end of the period (%) | - | - |

(*) Fortis Yatırım Menkul Değerler A.Ş., the subsidiary of Fortis Bank A.Ş. transferred with the merger is included in the purchases as the net of the transfer amount of TL 44,745 and the reversal of the revaluation increase of TL 6,574.

(**) The share capital increase of TEB Faktoring A.Ş. in the amount of TL 10,000 is presented in the "purchases" line with the completion of the required procedures as at 29 July 2011.

(***) The Parent Bank sold 90.01% shares of its subsidiary TEB Finansal Kiralama A.Ş. to Fortis Finansal Kiralama A.Ş. in consideration of TL 113,345. The sale amount was received after the completion of the necessary procedures as of 30 September 2010. The remaining 9.99% shares are classified as "Financial Assets Available for Sale". The profit and loss items of TEB Finansal Kiralama A.Ş. for the period 1 January 2010 – 30 September 2010 is presented under the "Income on Discontinued Operations" and "Loss from Discontinued Operations" in the current year income statement.

b.3) Sectoral information on the consolidated subsidiaries and the related carrying amounts:

| | | Current Period | Prior Period |
|------------------------------|---|-----------------------|---------------------|
| Banks | / The Economy Bank N.V. | 61,254 | 61,254 |
| Factoring Companies | / TEB Faktoring A.Ş. | 34,037 | 24,037 |
| Other Financial Subsidiaries | / TEB Yatırım Menkul Değerler A.Ş. (**) | 72,941 | 34,770 |
| | TEB Portföy Yönetimi A.Ş. | 5,354 | 5,354 |
| | Stichting Effecten Dienstverlening (*) | 305 | 257 |
| | Kronenburg Vastgoed B.V. (*) | 44 | 37 |
| Total | | 173,935 | 125,709 |

(*) Fully consolidated to the Economy Bank NV.

(**) As explained in the Material Event Disclosure on 24 March 2011, the followings are concluded in regards to the transfer of Fortis Yatırım Menkul Değerler A.Ş. ("Fortis Yatırım") in which TEB has 99.998% participation, with all of its assets and liabilities without any dissolution to TEB Yatırım Menkul Değerler A.Ş. ("TEB Yatırım") in which TEB has a direct share of 92.481%.

The carrying amounts of the subsidiaries above have been eliminated in the consolidated financial statements.

b.4) Consolidated subsidiaries quoted on the stock exchange: None (31 December 2010: None).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

9. Information on entities under common control (Joint Vent.):

| Description | Address (City/ Country) | Bank's share percentage-If different voting percentage(%) | Other shareholders' share percentage (%) |
|---|-------------------------|---|--|
| Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. | İstanbul/Türkiye | 0.1 | 33.3 |

10. Information on finance lease receivables (Net): None (31 December 2010: None).

11. Information on derivative financial assets for hedging purposes:

| | Current Period | | Prior Period | |
|---|----------------|-----------|---------------|-----------|
| | TL | FC | TL | FC |
| Fair value hedge | 9,524 | 13 | 11,114 | 43 |
| Cash flow hedge | 13,263 | - | - | - |
| Hedge of net investment in foreign operations | - | - | - | - |
| Total | 22,787 | 13 | 11,114 | 43 |

12. Information on tangible assets:

| | Opening Balance 31 December 2010 | | | | Ending Balance 31 December 2011 | |
|---------------------------------------|--|-----------------|-----------------|------------------|---------------------------------------|------------------|
| | | Additions | Disposals | Other (*) | | |
| Cost | | | | | | |
| Land and buildings | 17,980 | 5,000 | (450) | 108,440 | | 130,970 |
| Leased tangible assets | 48,616 | 5 | (7,717) | 16,717 | | 57,621 |
| Other | 282,257 | 64,232 | (79,153) | 410,623 | | 677,959 |
| Total Cost | 348,853 | 69,237 | (87,320) | 535,780 | | 866,550 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Accumulated Depreciation: | | | | | | |
| Land and buildings | (5,072) | (1,956) | 243 | (26,978) | | (33,763) |
| Leased tangible assets | (43,292) | (4,518) | 2,447 | (10,359) | | (55,722) |
| Other | (182,921) | (75,726) | 77,928 | (332,035) | | (512,754) |
| Total Accumulated Depreciation | (231,285) | (82,200) | 80,618 | (369,372) | | (602,239) |
| Net Book Value | | | | | | |
| | 117,568 | | | | | 264,311 |

(*) Tangible assets transferred from Fortis Bank A.Ş., Fortis Yatırım and Fortis Portföy are presented in "Other" column.

- a) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None
- b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

13. Information on intangible assets:

| | Opening Balance 31 December 2010 | Additions | Disposals | Other (*) | Ending Balance 31 December 2011 |
|---------------------------------------|---|------------------|-----------|-----------------|---------------------------------------|
| Cost: | | | | | |
| Other intangible assets | 49,030 | 10,463 | - | 52,009 | 111,502 |
| Total Cost | 49,030 | 10,463 | - | 52,009 | 111,502 |
| | Opening Balance 31 December 2010 | Period Charge | Disposals | Other (*) | Ending Balance 31 December 2010 |
| Accumulated Amortization: | | | | | |
| Other intangible assets | (36,294) | (11,436) | - | (43,639) | (91,369) |
| Total Accumulated Amortization | (36,294) | (11,436) | - | (43,639) | (91,369) |
| Net Book Value | 12,736 | | | | 20,133 |

(*) Intangible assets transferred from Fortis Bank A.Ş. and Fortis Yatırım are presented in "Other" column.

- a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.
- b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None.
- d) The book value of intangible fixed assets that are pledged or restricted for use: None.
- e) Amount of purchase commitments for intangible fixed assets: None.
- f) Information on revalued intangible assets according to their types: None.
- g) Amount of total research and development expenses recorded in income statement within the period if any: None.
- h) Positive or negative consolidation goodwill on entity basis: With the loss of control of TEB Yatırım on TEB Portföy, the positive difference of TL 1,205 between the acquisition cost and share in the equity of acquired subsidiaries has been derecognized in the accompanying consolidated financial statements as of 31 December 2011.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

13. Information on intangible assets: (continued)

i) Movements on goodwill in the current period:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Gross value at the beginning of the period | 1,685 | 1,685 |
| Accumulated depreciation (-) | 480 | 480 |
| Impairment provision (-) | - | - |
| Movements within the period : | | |
| Additional goodwill | 421,124 | - |
| Corrections arising from the changes in value of assets and liabilities | - | - |
| Goodwill written off due to discontinued operations in current period or complete /partial sale of an asset (-) | 1,205 | - |
| Amortization (-) | - | - |
| Impairment provision (-) | - | - |
| Reversal of impairment provision (-) | - | - |
| Other differences occurred in the book value | - | - |
| Gross value at the end of the period | 421,604 | 1,685 |
| Accumulated amortization (-) | 480 | 480 |
| Impairment provision (-) | - | - |
| Net book value at the end of the period | 421,124 | 1,205 |

Following announcement of the Banking Regulation and Supervision Agency approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two banks by means of transfer of all rights, receivables, liabilities and obligations to the Parent Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Registered shares to be issued 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. shares for each Fortis Bank A.Ş. share having a nominal value of TL 1. The related transaction has been accounted for in accordance with the requirements of TFRS 3 “Business Combination”, since the merging banks were not under common control of the same parties before and after the merger. In this merger transaction, Fortis Bank A.Ş. was determined as the acquiree, and with the merger, the fair value of the equity shares exchanged as of 14 February 2011 was considered as the fair value of consideration transferred, and the difference between this value and the fair value of identifiable net asset value of Fortis Bank A.Ş. is accounted as goodwill.

Main principles related with the merger transaction are summarized as follows:

- All prior period financial statements of the Parent Bank as of 31 December 2010 remained same with the publicly announced figures, and effect of the merger was not reflected to the prior period financials.
- Identifiable assets and liabilities of Fortis Bank A.Ş. were measured at fair value as of 14 February 2011. The difference between the fair value of the identifiable net assets and the fair value of equity shares exchanged is accounted as goodwill.
- Fair value of the equity shares exchanged as of the merger date is based on an independent appraisal report in which “discounted dividend” method was used.
- The difference resulting from the transactions described above is accounted under “Other Capital Reserves”.
- The net profit and net interest income of the acquiree Fortis Bank A.Ş. was realized as TL 64 and TL 90,147, respectively, for the period 1 January 2011- 14 February 2011 before the merger. The stated amounts were accounted under retained earnings in the accompanying financial statements. If the merger had been completed as of 1 January 2011, the net profit and net interest income of the merged Parent Bank would have been realized as TL 226,085 and TL 1,545,312 respectively.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

13. Information on intangible assets: (continued)

Information related to the calculation of the goodwill related to the merger is as follows:

| | 14 February 2011 |
|---|-------------------------|
| Fair value of equity shares exchanged | 2,385,482 |
| Fair value of the identifiable net assets of Fortis Bank A.Ş. | 1,964,358 |
| Goodwill | 421,124 |

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

| | 14 February 2011 |
|---|-------------------------|
| | Fair Value (*) |
| Cash and balances with Central Bank and money market placements | 2,133,269 |
| Marketable securities | 1,438,043 |
| Loans and receivables | 8,062,707 |
| Tangible and intangible assets | 170,696 |
| Deferred tax asset | 56,650 |
| Other receivables and other assets | 325,384 |
| Deposits | (6,195,402) |
| Funds borrowed and money market balances | (2,990,035) |
| Other liabilities | (1,036,954) |
| Net assets acquired | 1,964,358 |

(*) Fair value differences arise mainly from loans and receivables, marketable securities, fixed assets and funds borrowed.

14. Information on investment property: None (31 December 2010: None).

15. Explanations on deferred tax asset:

- As of 31 December 2011, deferred tax asset computed on the temporary differences and reflected to the balance sheet is TL 73,575 (31 December 2010: TL 17,633). There are no tax exemptions or deductions over which deferred tax asset is computed.
- Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
- Allowance for deferred tax and deferred tax assets from reversal of allowance: None.
- Movement of deferred tax:

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| At January 1 | 17,633 | 50,058 |
| Effect of change in foreign exchange rates | 41 | (43) |
| Other(*) | 56,572 | 144 |
| Effect of the sale of the subsidiary | - | (43,230) |
| Deferred tax (charge)/benefit | (45,942) | 25,943 |
| Deferred tax accounted for under equity | 45,271 | (15,239) |
| Deferred Tax Asset | 73,575 | 17,633 |

(*) Deferred tax asset transferred from Fortis Bank A.Ş. and Fortis Yatırım is presented in "Other" column.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

16. Information on assets held for sale and discontinued operations : None (31 December 2010: None).

17. Information on other assets: (continued)

Other Assets item of the balance sheet amounting to TL 725,811 (31 December 2010: TL 467,859) does not exceed 10% of the total amount of balance sheet except for off-balance sheet commitments.

18. Information on factoring receivables of Group:

a) Maturity Analysis:

| | Current Period | | Prior Period | |
|----------------------|----------------|----------------|----------------|----------------|
| | TL | FC | TL | FC |
| Short term | 527,848 | 304,498 | 420,963 | 190,544 |
| Medium and Long Term | - | - | - | - |
| Specific provisions | (10,922) | (2,413) | (8,095) | (1,093) |
| Total | 516,926 | 302,085 | 412,868 | 189,451 |

b) Other explanations and disclosures:

| Current Period | Commercial | Consumer | Total |
|---|----------------|----------|----------------|
| Neither past due nor impaired | 813,999 | - | 813,999 |
| Past due not impaired | 3,848 | - | 3,848 |
| Individually impaired | 14,499 | - | 14,499 |
| Total gross | 832,346 | - | 832,346 |
| Less: allowance for individually impaired loans | 13,335 | - | 13,335 |
| Total allowance for impairment | 13,335 | - | 13,335 |
| Total net | 819,011 | - | 819,011 |
| Prior Period | Commercial | Consumer | Total |
| Neither past due nor impaired | 588,451 | - | 588,451 |
| Past due not impaired | 12,623 | - | 12,623 |
| Individually impaired | 10,433 | - | 10,433 |
| Total gross | 611,507 | - | 611,507 |
| Less: allowance for individually impaired loans | 9,188 | - | 9,188 |
| Total allowance for impairment | 9,188 | - | 9,188 |
| Total net | 602,319 | - | 602,319 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION FIVE

II. Explanations and Disclosures Related to the Consolidated Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period:

| | Demand | 7 Day Call Accounts | Up to 1 month | 1-3 Month | 3-6 Month | 6 Month-1 Year | 1 Year and Over | Accumulated Deposits | Total |
|-----------------------------|------------------|---------------------|------------------|-------------------|----------------|----------------|-----------------|----------------------|-------------------|
| Saving deposits | 687,865 | - | 604,592 | 5,631,960 | 169,620 | 63,647 | 46,739 | 4,172 | 7,208,595 |
| Foreign currency deposits | 1,678,420 | 4,133 | 1,911,975 | 4,117,873 | 201,242 | 155,029 | 168,835 | 546 | 8,238,053 |
| Residents in Turkey | 1,200,127 | - | 1,818,598 | 3,925,419 | 143,071 | 57,988 | 14,189 | 546 | 7,159,938 |
| Residents abroad | 478,293 | 4,133 | 93,377 | 192,454 | 58,171 | 97,041 | 154,646 | - | 1,078,115 |
| Public sector deposits | 58,356 | - | 13,547 | 545,826 | 113 | - | 97 | - | 617,939 |
| Commercial deposits | 1,400,432 | - | 1,306,014 | 2,277,630 | 92,915 | 45,684 | 1,725 | 31 | 5,124,431 |
| Other institutions deposits | 22,167 | - | 91,553 | 954,176 | 1,719 | 45,545 | 529 | - | 1,115,689 |
| Precious metals deposits | 438,959 | - | 90,677 | 97,962 | 22,062 | 10,656 | - | - | 660,316 |
| Interbank deposits | 192,716 | 170,077 | 752,418 | 9,293 | 3,783 | 2,068 | 2,072 | - | 1,132,427 |
| Central Bank of Turkey | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 79 | 28,327 | 196,111 | - | - | - | 2,068 | - | 226,585 |
| Foreign Banks | 43,728 | 141,750 | 556,307 | 9,293 | 3,783 | 2,068 | 4 | - | 756,933 |
| Special finance houses | 148,909 | - | - | - | - | - | - | - | 148,909 |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 4,478,915 | 174,210 | 4,770,776 | 13,634,720 | 491,454 | 322,629 | 219,997 | 4,749 | 24,097,450 |

a.2) Prior period:

| | Demand | 7 Day Call Accounts | Up to 1 month | 1-3 Month | 3-6 Month | 6 Month-1 Year | 1 Year and Over | Accumulated Deposits | Total |
|-----------------------------|------------------|---------------------|------------------|------------------|----------------|----------------|-----------------|----------------------|-------------------|
| Saving deposits | 371,489 | - | 700,447 | 2,274,948 | 243,706 | 80,810 | 367 | 6,381 | 3,678,148 |
| Foreign currency deposits | 1,247,287 | - | 1,404,584 | 1,239,712 | 97,258 | 56,941 | 177,784 | 1,256 | 4,224,822 |
| Residents in Turkey | 826,710 | - | 1,319,916 | 1,176,226 | 59,688 | 23,898 | 13,949 | 1,256 | 3,421,643 |
| Residents abroad | 420,577 | - | 84,668 | 63,486 | 37,570 | 33,043 | 163,835 | - | 803,179 |
| Public sector deposits | 121,698 | - | 1,208 | 3,315 | 43 | - | - | - | 126,264 |
| Commercial deposits | 916,949 | - | 1,071,743 | 1,216,309 | 37,484 | 45,702 | - | 30 | 3,288,217 |
| Other institutions deposits | 13,730 | - | 8,707 | 140,554 | 2,670 | 119 | 4 | - | 165,784 |
| Precious metals deposits | 108,512 | - | 14,962 | 4,384 | 1,160 | 356 | - | - | 129,374 |
| Interbank deposits | 163,107 | - | 1,261,546 | 115,783 | 7,660 | - | 3,166 | - | 1,551,262 |
| Central Bank of Turkey | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 53,919 | - | 57,895 | - | - | - | - | - | 111,814 |
| Foreign Banks | 29,215 | - | 1,203,651 | 115,783 | 7,660 | - | 3,166 | - | 1,359,475 |
| Special finance houses | 79,973 | - | - | - | - | - | - | - | 79,973 |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 2,942,772 | - | 4,463,197 | 4,995,005 | 389,981 | 183,928 | 181,321 | 7,667 | 13,163,871 |

b) Information on saving deposits under the guarantee of saving deposit insurance:

b.1) Saving deposits exceeding the limit of insurance:

i) Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

| Saving Deposits | Under the Guarantee of Insurance(*) | | Exceeding the limit of Insurance(*) | |
|--|-------------------------------------|------------------|-------------------------------------|------------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| Saving deposits | 2,651,608 | 1,451,750 | 4,438,751 | 2,119,857 |
| Foreign currency saving deposits | 610,562 | 348,999 | 2,442,750 | 1,233,522 |
| Other deposits in the form of saving deposits | 243,165 | 12,876 | 356,186 | 113,771 |
| Foreign branches' deposits under foreign authorities' insurance | - | - | - | - |
| Off-shore banking regions' deposits under foreign authorities' insurance | - | - | - | - |
| Total | 3,505,335 | 1,813,625 | 7,237,687 | 3,467,150 |

(*) According to the BRSA's circular no 1584 dated on 23 February 2005, accruals are included in the saving deposit amounts.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

b.2) Information on the saving deposits of the bank with head office abroad, if the saving deposits in the branches of the bank located in Turkey are under the guarantee of saving deposit insurance in that country abroad: None.

b.3) Saving deposits not guaranteed by insurance:

i) Deposit of real persons not under the guarantee of saving deposit insurance:

| | Current Period | Prior Period |
|--|----------------|--------------|
| Deposits and accounts in branches abroad | 130,879 | 74,905 |
| Deposits of ultimate shareholders and their close families | 163,139 | 251,356 |
| Deposits of chairman and members of the Board of Directors and their close families | 15,913 | 10,805 |
| Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004. | - | - |
| Saving deposits in banks established in Turkey exclusively for off shore banking activities | - | - |

2. Information on derivative financial liabilities:

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

| | Current Period | | Prior Period | |
|----------------------|----------------|----------------|---------------|---------------|
| | TL | FC | TL | FC |
| Forward Transactions | 10,756 | 14,377 | 4,156 | 9,332 |
| Swap Transactions | 84,742 | 73,906 | 37,448 | 8,628 |
| Futures Transactions | - | - | - | 6,168 |
| Options | 62,210 | 27,808 | 22,829 | 8,207 |
| Other | - | - | - | - |
| Total | 157,708 | 116,091 | 64,433 | 32,335 |

3. a) Information on banks and other financial institutions:

| | Current Period | | Prior Period | |
|--|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Loans from Central Bank of Turkey | - | - | - | - |
| From Domestic Banks and Institutions | 189,876 | 147,259 | 416,517 | 80,358 |
| From Foreign Banks, Institutions and Funds | 2,663,532 | 4,449,087 | 2,095,495 | 1,809,618 |
| Total | 2,853,408 | 4,596,346 | 2,512,012 | 1,889,976 |

As of 31 December 2011 the Group has borrowings from its related parties amounting to TL 5,522,376 (31 December 2010: TL 3,097,866).

b) Maturity analysis of borrowings:

| | Current Period | | Prior Period | |
|----------------------|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Short-term | 2,282,682 | 2,772,553 | 2,060,993 | 1,613,819 |
| Medium and long-term | 570,726 | 1,823,793 | 451,019 | 276,157 |
| Total | 2,853,408 | 4,596,346 | 2,512,012 | 1,889,976 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

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

The Parent Bank diversifies its funding resources by the customer deposits and by the foreign borrowings. As of 31 December 2011, the Parent Bank has a syndication loan of EUR 192,000,000 and USD 112,000,000, obtained on 25 August 2011 with a maturity of 23 August 2012, under foreign borrowings.

The Parent Bank makes analysis of its customers that provide the maximum amount of funds within the branches and throughout the Parent Bank, in consideration of profitability. The Parent Bank takes short and long term preventive measures to spread its customers on a wider spectrum on the basis of customer concentration in the branches.

Information on funds provided from repurchase agreement transactions:

| | Current Period | | Prior Period | |
|--|------------------|----|---------------|----|
| | TL | FC | TL | FC |
| From domestic transactions | 1,104,748 | - | 74,357 | - |
| Financial institutions and organizations | 1,102,228 | - | 73,565 | - |
| Other institutions and organizations | - | - | - | - |
| Real persons | 2,520 | - | 792 | - |
| From foreign transactions | - | - | - | - |
| Financial institutions and organizations | - | - | - | - |
| Other institutions and organizations | - | - | - | - |
| Real persons | - | - | - | - |
| Total | 1,104,748 | - | 74,357 | - |

Information on debt securities issued:

| | Current Period | | Prior Period | |
|----------------|----------------|----|--------------|----|
| | TL | FC | TL | FC |
| Bank bonds | 249,107 | - | - | - |
| Treasury bills | - | - | - | - |
| Total | 249,107 | - | - | - |

Upon the resolution of the Governing Committee of the Stock Market issued on 22 June 2011, the bonds issued by TEB with a nominal value of TL 300,000 and a maturity of 178 days (starting from 19 July 2011 and ending on 13 January 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"TRQTEBK11215" code starting from 21 July 2011 as required in the Listing Requirements of ISE.

4. Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total: None (31 December 2010: None).

5. Explanations on financial lease obligations (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 Law.

b) The explanation on modifications in agreements and new obligations resulting from such modifications: None.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

5. Explanations on financial lease obligations (Net): (continued)

c) Explanation on finance lease payables:

| | Current Period | | Prior Period | |
|-------------------|----------------|----------|--------------|-----------|
| | Gross | Net | Gross | Net |
| Less than 1 Year | 9 | 8 | 21 | 16 |
| Between 1-4 Years | - | - | - | - |
| More than 4 Years | - | - | - | - |
| Total | 9 | 8 | 21 | 16 |

d) Explanations regarding operational leases:

For the period ended 31 December 2011, operational lease expenses amounting to TL 139,567 (31 December 2010: TL 77,890) have been recorded in the profit and loss accounts. The lease periods vary between 1 and 10 years and lease agreements are cancelable subject to a certain period of notice.

e) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

6. Information on derivative financial liabilities for hedging purposes:

| | Current Period | | Prior Period | |
|---|----------------|----------|---------------|----------|
| | TL | FC | TL | FC |
| Fair value hedge | 23,398 | - | 56,547 | - |
| Cash flow hedge | 27,049 | - | - | - |
| Hedge of net investment in foreign operations | - | - | - | - |
| Total | 50,447 | - | 56,547 | - |

7. Information on provisions:

a) Information on general provisions:

| | Current Period | Prior Period |
|---|----------------|----------------|
| General Provisions | | |
| Provisions for First Group Loans and Receivables | 230,789 | 91,995 |
| Provisions for Second Group Loans and Receivables | 22,287 | 9,785 |
| Provisions for Non-Cash Loans | 18,269 | 11,564 |
| Other | 2,064 | 769 |
| Total | 273,409 | 114,113 |

b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: The foreign exchange losses on the foreign currency indexed loans amounting to TL 42,495 (31 December 2010: TL 24,097) is netted off from loans on the balance sheet.

c) The specific provisions provided for unindemnified non cash loans amount to TL 32,652 (31 December 2010: TL 18,722).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

7. Information on provisions: (continued)

d) Information on employee termination benefits, premium and unused vacation accrual:

The Group has calculated reserve for employee termination benefits by using actuarial valuations as set out in the TAS No:19 and reflected this in the financial statements. The actuarial assumptions used for calculation of the reserve for employee termination benefits are; discount rate of 9.55% (31 December 2010: 10%) and inflation rate of 5.13% (31 December 2010: 5.1%).

As of 31 December 2011, the Group accrued TL 28,144 (31 December 2010: TL 10,985) for the unused vacations and TL 38,882 (31 December 2009: TL 26,777) for premiums to be paid to the Group's personnel. Those amounts are classified under "Reserve for Employee Benefits" in the financial statements.

d.1) Movement of employee termination benefits

| | Current Period | Prior Period |
|--------------------------------------|-----------------------|---------------------|
| As of January 1 | 25,122 | 18,512 |
| Increase due to merger | 24,450 | - |
| Service cost | 7,064 | 3,391 |
| Interest cost | 4,471 | 1,973 |
| Settlement cost | (534) | 953 |
| Actuarial (gain)/loss | 15,673 | 3,001 |
| Benefits paid | (15,969) | (2,460) |
| Effect of the sale of the subsidiary | - | (248) |
| Total | 60,277 | 25,122 |

(i) Retirement Benefits:

The employees who joined the Parent Bank as a consequence of the merger of the Parent Bank and Fortis Bank in 2011 became members of both the "Türk Dış Ticaret Bankası Personnel Pension Fund Foundation" established in accordance with the Social Security Law No.506, Article No.20 and the Security Fund.

The liabilities described in the Retirement Fund Section 3 No. XV "Explanations on Liabilities related to Rights of Employees" which may arise during the transfer have been calculated by the actuary based on the principles of the New Law, whereas the liabilities in connection with other social rights and benefits which will not be undertaken by the SSI after the transfer have been calculated by the actuary based on IAS 19 principles.

In this context, regarding the Retirement Fund, the Parent Bank's liability regarding the benefits to be transferred to SSI as of the balance sheet date is the approximate payment amount required at the transfer. The actual parameters and outcomes used to measure this amount reflect the New Code's legal decisions (9.80% real discount rate) regarding the retirement and health benefits to be transferred to SSI.

The technical financial statements of the Pension Fund are prepared by an independent actuary company and the Fund is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared on 31 December 2011. Since the Parent Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Furthermore, the Parent Bank management anticipates that the amount of possible obligation arising during the transfer based on the aforementioned fact and after can be compensated with the assets of the Retirement Fund and does not bear any additional burden for the Parent Bank.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

7. Information on provisions: (continued)

(i) Retirement Benefits: (continued)

Based on the determined assumptions,

- The retirement and health liabilities that are to be transferred to SSI including the total service liabilities, general administration expenses are calculated as TL 323,488 and the future contributions present value is calculated as TL 384,546. As of 31 December 2011, when future contribution payments and the total service liabilities are taken into consideration an excess of TL 61,058 is observed.

| Transferrable Retirement and Health Liabilities: | 31 December 2011 |
|---|-------------------------|
| Net Present Value of Transferrable Retirement Liabilities | (320,285) |
| Net Present Value of Transferrable Retirement and Health Contributing | 384,546 |
| General Administration Expenses | (3,203) |
| Present Value of Transferrable Retirement and Health Liabilities | 61,058 |

- In accordance with the Social Securities and General Health Security Law, additional aid to be provided by the Pension Plan or the Parent Bank after the transfer that is accrued in the context of method and assumptions of IAS 19 is calculated as past service liabilities with the amount of TL 186,875.
- Based on data provided by the Fund, total amount of the Fund assets is TL 1,067,778.

Distribution of total assets of the Retirement Fund as of 31 December 2011 is presented below:

| | 31 December 2011 |
|--|-------------------------|
| Bank placements | 938,662 |
| Government Bonds and Treasury Bill, Fund and Accrual Interest Income | 58,835 |
| Tangible assets | 65,458 |
| Other | 4,823 |
| Total | 1,067,778 |

Actuarial assumptions used in valuation of liabilities except for transferrable liabilities based on IAS 19 are as follows:

| | 31 December 2011 |
|------------------------------|-------------------------|
| Expected Inflation Rate | 8.75% |
| Discount Rate | 11.55% |
| Increase in expected benefit | 8.75% |

In the valuation as of 31 December 2011, it is assumed that inflation rate of 8.75% in 2012 gradually diminishes to 4.5% within 30 years and after that stays constant; in the same way, discount rate is 11.55% in 2012 while 9.2% is used at the end of the following 30 years and remains constant in the subsequent years whereas medical inflation is more than 40%. In order to represent the expected mortality rates before and after the retirement, CSO 1980 Female/Male mortality table is used.

The actuarial valuation of the second fund, namely "Security Fund", whose members joined to the Parent Bank as a consequence of the merger and which is not within the scope of transfer to SSI pursuant to the Provisional Article 20 of the Social Securities and General Health Security Law numbered 5510 has been performed by an independent advisory firm in accordance with the methods and estimations determined in IAS 19 "Employee Benefits". As of 31 December 2011, the surplus of the Security Fund amounts to TL 60,783.

| Security Fund: | 31 December 2011 |
|------------------------------|-------------------------|
| Present Value of obligations | (266,727) |
| Fair Value of plan assets | 327,510 |
| Total | 60,783 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Liabilities (continued)

7. Information on provisions (continued)

(i) Retirement Benefits: (continued)

Movements in the present value of the defined benefit obligations of the Security Fund and reconciliation of opening and closing balances is as follows: in the current period were as follows:

| | 31 December 2011 |
|--|-------------------------|
| Liabilities transferred due to merger | 224,319 |
| Service Cost | 7,357 |
| Interest Cost | 20,074 |
| Employee Contribution | 4,923 |
| Benefits paid by the Fund | (12,891) |
| Past Service Cost | 6,820 |
| Actuarial Loss / (Gain) | 16,125 |
| Closing Balance | 266,727 |

Reconciliation of opening and closing balance of fair value of Security Fund assets is as below:

| | 31 December 2011 |
|---|-------------------------|
| Assets transferred due to merger | 305,940 |
| Expected return on assets | 26,567 |
| Company contributions | 5,786 |
| Employee contributions | 4,923 |
| Benefits paid | (12,891) |
| Actuarial Gain / (Loss) | (2,815) |
| Closing Balance | 327,510 |

Asset distribution of the Retirement Fund is presented on the table below:

| | 31 December 2011 |
|--------------------------------|-------------------------|
| Bank placements | 258,000 |
| Government bonds | 47,700 |
| Tangible and intangible assets | 18,300 |
| Other | 3,510 |
| Total | 327,510 |

The actual assumptions used are the best approximate estimate regarding the cost of the benefits to be provided by the Parent Bank and are as follows;

| | 31 December 2011 |
|-------------------------------------|-------------------------|
| Discount rate | 9.15% |
| Expected Inflation | 5.00% |
| Rate of Return on plan assets | 9.15% |
| Increase in Social Security Ceiling | 5.00% |
| Medical Inflation | 7.00% |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

7. Information on provisions (continued)

e) Information on other provisions

e.1) Provisions for possible losses: None (31 December 2010: None).

e.2) The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Provision for legal cases (*) | 43,577 | - |
| Provision for unindemnified non-cash loans | 32,652 | 18,722 |
| Provision for promotions of credit cards and banking services | 11,926 | 4,990 |
| Other | 15,578 | 4,267 |
| Total | 103,733 | 27,979 |

(*) Includes TL 43,577 litigation provision transferred from Fortis Bank A.Ş.

8. Explanations on taxes payable:

a) Information on current tax liability:

a.1) Corporate taxes:

| | Current Period | Prior Period |
|-------------------------------|-----------------------|---------------------|
| Provision for Corporate Taxes | 27,309 | 53,476 |

a.2) Information on taxes payable:

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Taxation on Securities | 21,264 | 6,757 |
| Property Tax | 1,658 | 1,044 |
| Banking Insurance Transaction Tax (BITT) | 23,736 | 11,307 |
| Foreign Exchange Transaction Tax | 14 | 9 |
| Value Added Tax Payable | 1,734 | 1,715 |
| Other (*) | 15,086 | 7,199 |
| Total | 63,492 | 28,031 |

(*) Others include income taxes deducted from wages amounting to TL 12,789 (31 December 2010: TL 6,756) and stamp taxes payable amounting to TL 1,019 (31 December 2010: TL 830) while prepaid income tax amounting to TL 562 is deducted from other.

b) Information on premiums:

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Social Security Premiums-Employee | 6,278 | 2,653 |
| Social Security Premiums-Employer | 7,203 | 2,822 |
| Bank Social Aid Pension Fund Premium-Employee | - | - |
| Bank Social Aid Pension Fund Premium-Employer | - | - |
| Pension Fund Membership Fees and Provisions-Employee | - | - |
| Pension Fund Membership Fees and Provisions-Employer | - | - |
| Unemployment Insurance-Employee | 665 | 185 |
| Unemployment Insurance-Employer | 894 | 374 |
| Other | 7 | 3 |
| Total | 15,047 | 6,037 |

c) Explanations on deferred tax liabilities, if any: None (31 December 2010: None).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

9. Information on liabilities regarding assets held for sale and discontinued operations: None (31 December 2010: None).

10. Explanations on the number of subordinated loans the Parent Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

The Parent Bank has signed another agreement with the IFC on 27 June 2005, for a subordinated loan. The facility is a USD 50 million subordinated loan, with a maturity of 15 July 2015 and with an interest rate of LIBOR+3.18%.

The Parent Bank has obtained a primary subordinated loan by issuing a bond amounting to USD 100 million as of 31 July 2007. The investor of the bond is IFC. The maturity of the borrowing is indefinite with semi-annually interest payment. The interest rate is defined as LIBOR+3.5% until 31 July 2017. In case the borrowed amount is not repaid at that date, the interest rate will be revised as LIBOR + 5.25%. Notes are issued as perpetual.

The Parent Bank has obtained secondary subordinated loans by issuing a bond amounting to EUR 75 million as of 4 November 2011 and a bond amounting to EUR 100 million as of 21 December 2011. The bond issue on 21 December 2011 amounting to EUR 100 million is added up with the first issue of EUR 75 million and together will be followed as EUR 175 million. Since the coupon rate of the issue amounting to EUR 100 million is semi-annual Euribor + 5.25% and two issues stated above will be merged and the merged issue will carry the coupon rate of the first issue (Euribor + 4.75% on an annual basis), the price of EUR 100 million issue has been determined as 96.026% (the price determined as the 12 month interest difference between two issues discounted by new issues semi-annual coupon rate of Euribor + 5.25%). As interest payment periods of the new issue will be same with the first one, 47-day interest accrual amounting to EUR 852,537.78 related to the period between 4 November 2011 and 21 December 2011 was paid to the Bank by the investor purchasing the second issue. On 21 December 2011, total net amount of EUR 96,878,527.78 is transferred to the bank accounts.

Each of the three of the above facilities match BRSA's subordinated loan-capital definitions and contribute to the Parent Bank's capital adequacy ratio in a positive manner, as well as creating long term financing.

a) Information on subordinated loans:

| | Current Period | | Prior Period | |
|----------------------------------|----------------|----------------|--------------|----------------|
| | TL | FC | TL | FC |
| From Domestic Banks | - | - | - | - |
| From Other Domestic Institutions | - | - | - | - |
| From Foreign Banks | - | - | - | - |
| From Other Foreign Institutions | - | 712,346 | - | 472,542 |
| Total | - | 712,346 | - | 472,542 |

11. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

| | Current Period | Prior Period |
|-----------------|----------------|--------------|
| Common stock | 2,204,390 | 1,100,000 |
| Preferred stock | - | - |

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank if so amount of registered share capital ceiling:

| Capital System | Paid-in capital | Ceiling |
|---------------------------|-----------------|---------|
| Registered Capital System | 2,204,390 | - |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

11. Information on Shareholders' Equity: (continued)

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

Following announcement of the Banking Regulation and Supervision Agency approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two bank by means of transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Due to the merger, ceiling for the registered capital of the Parent Bank is increased from TL 1,400,000, to TL 2,204,390, and the issued capital of the Parent Bank is increased by TL 1,104,390, from TL 1,100,000 to TL 2,204,390.

| Date of Increase | Amount of Increase | Transfer from | | | Capital Reserves |
|------------------|--------------------|---------------|------------------|-----------------|------------------|
| | | Cash | Fortis Bank A.Ş. | Profit Reserves | |
| 14 February 2011 | 1,104,390 | - | 1,050,000 | 54,390 | - |

- d) Information on share capital increases from revaluation funds: 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 Parent Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions due to the uncertainty of these indicators on the Parent Bank's equity:

Prior year income, profitability and liquidity of the Parent Bank is closely monitored and reported to Board of Directors, Asset and Liability Committee, and Risk Management by the Budget and Financial Control Group. This group tries to forecast the effects of interest, currency and maturity fluctuations that change these indicators with static and dynamic scenario analysis. Net asset value, which is defined as the difference of fair values of assets and liabilities, is measured. Expectations are made for the Parent Bank's future interest income via simulations of net interest income and scenario analysis.

- g) Information on preferred shares:

7% of the Parent Bank's remaining net income after tax subsequent to deducting legal reserves and first dividends, corresponding to the Parent Bank's 0,06 shares of TL 30 (in full TL) is distributed to the founder shares.

- h) Information on marketable securities valuation differences:

| | Current Period | | Prior Period | |
|--|-----------------|-----------------|---------------|--------------|
| | TL | FC | TL | FC |
| From Associates, Subsidiaries, and Entities Under Common Control (Joint Vent.) | - | - | - | - |
| Valuation Difference | (94,021) | (11,466) | 83,846 | (823) |
| Foreign Exchange Difference | - | - | - | - |
| Total | (94,021) | (11,466) | 83,846 | (823) |

| | Current Period | Prior Period |
|--|-----------------|--------------|
| Foreign currency marketable securities valuation differences | (11,466) | (823) |
| Foreign exchange gains resulting from foreign currency associates, subsidiaries, and securities held to maturity related to the above amount | - | - |
| Total | (11,466) | (823) |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

11. Information on Shareholders' Equity: (continued)

Information on legal reserves:

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| First legal reserves | 109,919 | 47,594 |
| Second legal reserves | 20,114 | 13,231 |
| Other legal reserves appropriated in accordance with special legislation | - | - |
| Total | 130,033 | 60,825 |

Information on extraordinary reserves:

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Reserves appropriated by the General Assembly | 1,057,560 | 387,853 |
| Retained earnings | 15,333 | - |
| Accumulated losses | - | - |
| Foreign currency share capital exchange difference | - | - |
| Total | 1,072,893 | 387,853 |

The movement of the marketable securities valuation differences is as follows:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| At January 1 | 83,023 | 21,823 |
| Net unrealized gains on available for sale investments | (169,355) | 106,840 |
| Realized gains on available for sale investments recycled to income statement on disposal | - | - |
| Realized losses on available for sale investments recycled to income statement on disposal and impairment | (64,246) | (30,401) |
| Tax effect of net gains on available for sale investments | 45,091 | (15,239) |
| Unrealized gains / (losses) on cash flow hedges | - | - |
| Gains / (losses) on cash flow hedges recycled to income statement | - | - |
| Tax effect of net gains on cash flow hedges | - | - |
| At period end | (105,487) | 83,023 |

The detail of the cash flow hedge fund accounted for under equity is as follows:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| As of 1 January | - | - |
| Gains / (losses) on cash flow hedges | 5,631 | - |
| Tax effect of gains on cash flow hedges | (1,126) | - |
| At period end | 4,505 | - |

12. Information on minority shares: As of 31 December 2011, the amount of minority shares of the Group is TL 13,019 (31 December 2010: None).

13. Explanations on factoring payables: As of 31 December 2011, the amount of factoring payables of the Group is TL 6,510 (31 December 2010: None).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION FIVE

III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Contingencies and Commitments

1. Information on off-balance sheet liabilities:

- a) Nature and amount of irrevocable loan commitments: Credit card expenditure limit commitments are TL 2,661,586 and TL 1,153,549; payment commitments for checks are TL 1,455,318 and TL 707,681 as of 31 December 2011 and 31 December 2010 respectively.

- b) Possible losses and commitments related to off-balance sheet items including items listed below:

The Group, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

- b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits:

| | Current Period | Prior Period |
|---------------------|-----------------------|---------------------|
| Letters of Credit | 1,578,340 | 993,442 |
| Bank Acceptances | 342,297 | 55,532 |
| Other Commitments | 756,605 | 279,034 |
| Other Contingencies | 85,162 | 35,496 |
| Total | 2,762,404 | 1,363,504 |

- b.2) Guarantees, surety ships, and similar transactions:

| | Current Period | Prior Period |
|-------------------------------------|-----------------------|---------------------|
| Guarantee Letters | 3,995,191 | 2,189,571 |
| Advance Guarantee Letters | 608,580 | 285,114 |
| Temporary Guarantee Letters | 492,886 | 223,055 |
| Guarantee Letters Given for Customs | 249,834 | 211,909 |
| Other Guarantee Letters | 262,998 | 143,157 |
| Total | 5,609,489 | 3,052,806 |

- c) c.1) Total amount of non-cash loans:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Non-cash loans given against achieving cash loans | 518,478 | 196,698 |
| With maturity of 1 year or less than 1 year | 117,292 | 31,045 |
| With maturity of more than 1 year | 401,186 | 165,653 |
| Other non-cash loans | 7,853,415 | 4,219,612 |
| Total | 8,371,893 | 4,416,310 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Contingencies and Commitments (continued)

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

c.2) Information on sectoral risk breakdown of non-cash loans:

| | Current Period | | | | Prior Period | | | |
|--------------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| | TL | (%) | FC | (%) | TL | (%) | FC | (%) |
| Agricultural | 56,900 | 1.65 | 91,526 | 1.86 | 30,319 | 1.53 | 54,876 | 2.26 |
| Farming and raising livestock | 43,627 | 1.26 | 78,987 | 1.60 | 23,255 | 1.17 | 35,701 | 1.47 |
| Forestry | 12,644 | 0.37 | 12,199 | 0.25 | 6,826 | 0.35 | 19,124 | 0.79 |
| Fishery | 629 | 0.02 | 340 | 0.01 | 238 | 0.01 | 51 | - |
| Manufacturing | 1,619,045 | 47.01 | 2,926,881 | 59.39 | 1,060,727 | 53.43 | 1,305,830 | 53.71 |
| Mining | 101,475 | 2.95 | 74,724 | 1.52 | 58,762 | 2.96 | 37,749 | 1.55 |
| Production | 1,463,029 | 42.48 | 2,758,436 | 55.97 | 984,013 | 49.57 | 1,263,676 | 51.98 |
| Electric, gas and water | 54,541 | 1.58 | 93,721 | 1.90 | 17,952 | 0.90 | 4,405 | 0.18 |
| Construction | 848,015 | 24.63 | 561,925 | 11.40 | 374,732 | 18.88 | 315,761 | 12.99 |
| Services | 837,762 | 24.33 | 501,571 | 10.18 | 487,512 | 24.56 | 403,385 | 16.59 |
| Wholesale and retail trade | 378,271 | 10.99 | 58,230 | 1.18 | 178,561 | 9.00 | 45,528 | 1.87 |
| Hotel, food and beverage services | 34,211 | 0.99 | 18,006 | 0.37 | 13,373 | 0.67 | 6,499 | 0.27 |
| Transportation and telecommunication | 181,676 | 5.28 | 174,204 | 3.53 | 133,277 | 6.71 | 207,215 | 8.52 |
| Financial institutions | 49,960 | 1.45 | 138,117 | 2.80 | 40,641 | 2.05 | 116,134 | 4.78 |
| Real estate and renting services | 73,056 | 2.12 | 48,736 | 0.99 | 35,180 | 1.77 | 13,336 | 0.54 |
| Self-employment services | 59,110 | 1.72 | 35,935 | 0.73 | 53,117 | 2.68 | 4,031 | 0.17 |
| Education services | 2,134 | 0.06 | 873 | 0.02 | 461 | 0.02 | 891 | 0.04 |
| Health and social services | 59,344 | 1.72 | 27,470 | 0.56 | 32,902 | 1.66 | 9,751 | 0.40 |
| Other | 81,993 | 2.38 | 846,275 | 17.17 | 31,811 | 1.60 | 351,357 | 14.45 |
| Total | 3,443,715 | 100.00 | 4,928,178 | 100.00 | 1,985,101 | 100.00 | 2,431,209 | 100.00 |

c.3) Information on I st and II nd Group non-cash loans:

| Non-cash loans | I st Group | | II nd Group | |
|-------------------------------------|------------------|------------------|---------------|---------------|
| | TL | FC | TL | FC |
| Letters of guarantee | 2,952,201 | 2,596,310 | 42,277 | 18,701 |
| Bank acceptances | - | 342,297 | - | - |
| Letters of credit | - | 1,577,580 | - | 760 |
| Endorsements | - | - | - | - |
| Underwriting commitments | - | - | - | - |
| Factoring commitments | - | - | - | - |
| Other commitments and contingencies | 445,418 | 390,828 | 3,819 | 1,702 |
| Total | 3,397,619 | 4,907,015 | 46,096 | 21,163 |

The Parent Bank provided a reserve of TL 32,652 (31 December 2010: TL 18,722) for non-cash loans not indemnified yet amounting to TL 44,019 (31 December 2010: TL 25,204).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Contingencies and Commitments (continued)

2. Information related to derivative financial instruments:

| | Derivative Transactions According to Purposes | | | |
|---|---|-------------------|------------------|----------------|
| | Trading | | Hedging | |
| | Current Period | Prior Period | Current Period | Prior Period |
| Types of trading transactions | | | | |
| Foreign currency related derivative transactions (I) | 29,917,101 | 11,021,610 | - | - |
| Forward transactions | 4,647,307 | 2,130,663 | - | - |
| Swap transactions | 10,657,413 | 3,957,025 | - | - |
| Futures transactions | - | 498,894 | - | - |
| Option transactions | 14,612,381 | 4,435,028 | - | - |
| Interest related derivative transactions (II) | 2,018,664 | 725,677 | - | - |
| Forward rate transactions | - | - | - | - |
| Interest rate swap transactions | 1,619,550 | 461,132 | - | - |
| Interest option transactions | 399,114 | 264,545 | - | - |
| Futures interest transactions | - | - | - | - |
| Marketable securities call-put options (III) | - | 17,678 | - | - |
| Other trading derivative transactions (IV) | - | 1,559 | - | - |
| A.Total trading derivative transactions (I+II+III+IV) | 31,935,765 | 11,766,524 | - | - |
| Types of hedging transactions | | | | |
| Fair value hedges | - | - | 161,558 | 491,053 |
| Cash flow hedges | - | - | 1,918,710 | - |
| Net investment hedges | - | - | - | - |
| B.Total hedging related derivatives | - | - | 2,080,268 | 491,053 |
| Total Derivative Transactions (A+B) | 31,935,765 | 11,766,524 | 2,080,268 | 491,053 |

Related to agreements of forward transactions and options; the information based on the type of forward and options transactions are disclosed separately, specified with related amounts, type of agreement, purpose of transaction, nature of risk, strategy of risk management, hedging relationship, possible effects on the Parent Bank's financial position, timing of cash flows, reasons of unrealized transactions which previously projected to be realized, income and expenses that could not be linked to income statement in the current period because of the agreements:

Forward foreign exchange and swap transactions are based on protection from interest and currency fluctuations. According to TAS, they do not qualify as hedging instruments and are remeasured at fair value.

i) Derivative instruments for fair value hedging purposes:

As of 1 July 2008, the Parent Bank has started to apply fair value hedge accounting in order to avoid the effects of interest rate fluctuations in the market by matching its swap portfolio with its loan portfolio. As of 31 December 2011, nominal value of derivative instruments for hedging purposes is TL 161,558 (31 December 2010: TL 491,053) and net fair value is TL 13,861 liability (31 December 2010: TL 45,390 liability) while fair value of the hedged item loans is TL 11,554. The Parent Bank accounts TL 18,797 income for derivative instruments for hedging purposes and TL 22,094 expense from hedged item loans in the financial statements. There is no fair value hedge ceased in 2011.

| | Current Period | | | Prior Period | | |
|----------------------|----------------|--------------|---------------|----------------|---------------|---------------|
| | Nominal | Fair Value | | Nominal | Fair Value | |
| | | Asset | Liability | | Asset | Liability |
| Interest Rate Swaps | 60,000 | 1,526 | 4,281 | 200,000 | 3,509 | 17,547 |
| Cross Currency Swaps | 101,558 | 8,011 | 19,117 | 291,053 | 7,647 | 39,000 |
| | 161,558 | 9,537 | 23,398 | 491,053 | 11,157 | 56,547 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Contingencies and Commitments (continued)

2. Information related to derivative financial instruments: (continued)

ii) Derivative instruments for cash flow hedge purposes:

The Parent Bank has adopted cash flow hedge accounting by matching its swap portfolio having total buy-sell nominal amounting to TL 847,130 as of August 2011, TL 571,580 as of October 2011, and TL 500,000 as of November 2011 with the deposit portfolio having maturity of 28-32 days. Effective portion of TL 5,631 accounted for under equity is presented after deduction of its deferred tax effect of TL 1,126 in the financial statements. In 2011, the ineffective portion of TL 422 is accounted as expense in the income statement. There is no cash flow hedge ceased in 2011.

| | Current Period | | | Prior Period | | |
|---------------------|----------------|------------|-----------|--------------|------------|-----------|
| | Nominal | Fair Value | | Nominal | Fair Value | |
| | | Asset | Liability | | Asset | Liability |
| Interest Rate Swaps | 1,918,710 | 13,263 | 27,049 | - | - | - |

3. Explanations on contingent liabilities and assets:

- a.1) The Group's share in contingent liabilities arising from entities under common control together with other venturers: None.
- a.2) Share of entity under common control (joint ventures) in its own contingent liabilities: None.
- a.3) The Group's contingent liabilities resulting from liabilities of other venturers in entity under common control (joint ventures): None.

b) Accounting and presentation of contingent assets and liabilities in the financial statements:

- b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes. As of 31 December 2011 there are no contingent assets that need to be explained (31 December 2010: None).
- b.2) A provision is made for contingent liabilities, if realization is probable and the amount can be reliably determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes:

As of 31 December 2011 one of the loan customers filed a litigation case against the Parent Bank, however, since the case is still in progress for expertise appointment and gathering supporting documents, the Parent Bank could not yet evaluate the probable effects of the case on financial statements.

Following a resolution in favor of the Parent Bank 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 the Bank by Tax Supreme Court. In this context, the Parent Bank acquired the right to deduct accumulated losses amounting to TL 364,501 thousand from the corporate tax base. Related accumulated losses have been deducted from tax base by the Parent Bank between the years 2003 and 2006.

On the other hand, the Tax Office has not taken into consideration the deduction amount of TL 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 TL 15,510 and levied a fine of TL 16,131 to the Parent Bank based on the declaration as of 20 April 2004. In that respect, the Parent Bank has filed a counter case against the Tax Office, and 1st Tax Office decided in favor of the Parent Bank with resolution no: K:2006/974 based on its decision related with 2002/I period explained above .

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Contingencies and Commitments (continued)

3. Explanations on contingent liabilities and assets: (continued)

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 Parent Bank upon its resolution no: K:2010/2377, TL 48,557 of loss amount is considered as undeductible in the basis of the resolution. Therefore, the Parent Bank has filed an appeal on 4 October 2010 for the overruling of the related resolution basis and the outcome of the appeal is still in process. As the Parent Bank management foresees no significant risk in relation to the related lawsuits, no provision is provided in the financial statements. The Parent Bank has increased the tax base by TL 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".

4. Custodian and intermediary services:

The Group provides trading and safe keeping services in the name and account of third parties, which are presented in the consolidated statement of contingencies and commitments.

Investment fund participation certificates held in custody which belong to the customers and the portfolio are accounted for with their nominal values. As of 31 December 2011, the total nominal value and the number of certificates are TL 2,065,222 and 206,509,465 thousand (31 December 2010: TL 1,143,395 and 114,328,700 thousand) and the total fair value is TL 8,620,803 (31 December 2010: TL 4,898,915).

5. The information on the Bank's rating by the international rating introductions (*):

The results of the ratings performed by Moody's Investor Services and Fitch Ratings for the Parent Bank are shown below:

The results of the ratings performed by Moody's Investor Services and Fitch Ratings are shown below:

Moody's Investor Services: August 2011

| | |
|----------------------------------|----------|
| View | Negative |
| Bank Financial Strength | D+ |
| Foreign Currency Deposits | Ba3/NP |

Fitch Ratings: November 2011

| | |
|-------------------------------------|-----------|
| Foreign Currency Commitments | |
| Long term | BBB- |
| Short term | F3 |
| View | Stable |
| Turkish Lira Commitments | |
| Long term | BBB |
| Short term | F3 |
| View | Stable |
| National | AAA (tur) |
| View | Stable |
| Individual Rating | bb+ |
| Support Points | 2 |

(*) Ratings above are not performed based on the "Communiqué for Authorization and Activities of Rating Institutions" published by the Capital Markets Board.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION FIVE

IV. Explanations and Disclosures Related to the Consolidated Statement of Income

1. a) Information on interest on loans:

| Interest on loans (*) | Current Period | | Prior Period | |
|--|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Short term loans | 1,226,671 | 167,230 | 622,656 | 103,773 |
| Medium and long term loans | 975,967 | 114,075 | 462,790 | 58,105 |
| Interest on non-performing loans | 36,356 | - | 13,900 | - |
| Premiums received from Resource Utilization Support Fund | - | - | - | - |
| Total | 2,238,994 | 281,305 | 1,099,346 | 161,878 |

(*) Includes fees and commissions obtained from cash loans amounting to TL 111,302 (31 December 2010: TL 56,352).

b) Information on interest received from banks:

| | Current Period | | Prior Period | |
|---------------------------------|----------------|--------------|--------------|--------------|
| | TL | FC | TL | FC |
| The Central Bank of Turkey | - | - | - | - |
| Domestic banks | 3,773 | 141 | 1,621 | 151 |
| Foreign banks | 4,828 | 4,679 | 6,337 | 2,577 |
| Branches and head office abroad | - | - | - | - |
| Total | 8,601 | 4,820 | 7,958 | 2,728 |

c) Interest received from marketable securities portfolio:

| | Current Period | | Prior Period | |
|--|----------------|---------------|----------------|--------------|
| | TL | FC | TL | FC |
| Trading securities | 57,108 | 52,465 | 17,181 | 367 |
| Financial assets at fair value through profit and loss | - | - | - | - |
| Available-for-sale securities | 322,110 | 23,278 | 181,131 | 8,108 |
| Held-to-maturity securities | 2,469 | 1,073 | 48,846 | 1,002 |
| Total | 381,687 | 76,816 | 247,158 | 9,477 |

d) Information on interest income received from associates and subsidiaries:

Interest income received from associates and subsidiaries are eliminated in the consolidated financial statements.

2. a) Information on interest on funds borrowed (*):

| | Current Period | | Prior Period | |
|---------------------------------|----------------|----------------|----------------|---------------|
| | TL | FC | TL | FC |
| Banks | | | | |
| The Central Bank of Turkey | - | - | - | - |
| Domestic banks | 14,677 | 3,089 | 19,220 | 2,557 |
| Foreign banks | 220,103 | 93,060 | 115,747 | 21,964 |
| Branches and head office abroad | - | - | - | - |
| Other financial institutions | - | 32,119 | - | 31,790 |
| Total | 234,780 | 128,268 | 134,967 | 56,311 |

(*) Includes fees and commission expenses of cash loans amounting to TL 12,391 (31 December 2010: TL 5,962).

b) Information on interest expenses to associates and subsidiaries:

Interest income received from associates and subsidiaries are eliminated in the consolidated financial statements.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

IV. Explanations and Disclosures Related to the Consolidated Statement of Income
(continued)

c) Information on interest expenses to marketable securities issued:

| | Current Period | | Prior Period | |
|---|----------------|----------|--------------|----------|
| | TL | FC | TL | FC |
| Interest expenses on marketable securities issued | 10,089 | - | - | - |
| Total | 10,089 | - | - | - |

d) Distribution of interest expense on deposits based on maturity of deposits:

| Account Name | Demand Deposits | Time Deposits | | | | | Accumulated Deposits | Total |
|---------------------------|-----------------|----------------|----------------|----------------|---------------|------------------|----------------------|------------------|
| | | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | More than 1 Year | | |
| TL | | | | | | | | |
| Bank deposits | 2,887 | 16,554 | 1,262 | 28 | 68 | 101 | - | 20,900 |
| Saving deposits | 1,114 | 58,791 | 436,439 | 20,906 | 6,296 | 2,413 | 404 | 526,363 |
| Public sector deposits | 1 | 5,180 | 9,984 | 11,560 | - | 3 | - | 26,728 |
| Commercial deposits | 85 | 80,141 | 180,718 | 6,031 | 4,264 | 67 | - | 271,306 |
| Other deposits | - | 3,761 | 37,342 | 10,512 | 895 | 29 | - | 52,539 |
| 7 days call accounts | - | - | - | - | - | - | - | - |
| Total | 4,087 | 164,427 | 665,745 | 49,037 | 11,523 | 2,613 | 404 | 897,836 |
| FC | | | | | | | | |
| Foreign currency deposits | 744 | 58,759 | 118,722 | 3,377 | 3,078 | 6,835 | 13 | 191,528 |
| Bank deposits | 1,293 | 465 | 713 | 33 | - | 35 | - | 2,539 |
| 7 days call accounts | - | - | - | - | - | - | - | - |
| Precious metal deposits | - | 787 | 894 | 267 | 125 | - | - | 2,073 |
| Total | 2,037 | 60,011 | 120,329 | 3,677 | 3,203 | 6,870 | 13 | 196,140 |
| Grand Total | 6,124 | 224,438 | 786,074 | 52,714 | 14,726 | 9,483 | 417 | 1,093,976 |

3. Information on dividend income:

| | Current Period | Prior Period |
|--|----------------|--------------|
| Trading securities | - | - |
| Financial assets at fair value through profit and loss | - | - |
| Available-for-sale securities | 454 | 17 |
| Other | - | - |
| Total | 454 | 17 |

4. Information on net trading income:

| | Current Period | Prior Period |
|---|------------------|------------------|
| Income | 7,598,433 | 2,243,790 |
| Gains on capital market operations | 202,164 | 42,542 |
| Gains on derivative financial instruments (*) | 1,821,666 | 551,324 |
| Foreign exchange gains (**) | 5,574,603 | 1,649,924 |
| Losses (-) | 7,622,957 | 2,250,889 |
| Losses on capital market operations | 192,178 | 10,846 |
| Loss on derivative financial instruments (*) | 1,797,381 | 754,639 |
| Foreign exchange losses (**) | 5,633,398 | 1,485,404 |

(*) Foreign exchange gains on hedging transactions are TL 7,999 (31 December 2010: TL 4,519), while foreign exchange losses on hedging transactions are TL 4,167 (31 December 2010: TL 25,425).

(**) Foreign exchange gains on derivative financial transactions are TL 173,594 (31 December 2010: TL 6,524 foreign exchange losses).

5. Information on other operating income:

The information on the factors affecting the Parent Bank's income including new developments, and the explanation on nature and amount of income earned from extraordinary such items: None.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

IV. Explanations and Disclosures Related to the Consolidated Statement of Income
(continued)

6. Provision expenses of banks for loans and other receivables:

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Specific provisions for loans and other receivables | 58,704 | 123,644 |
| III. Group Loans and Receivables | 17,937 | 22,723 |
| IV. Group Loans and Receivables | 19,003 | 35,832 |
| V. Group Loans and Receivables | 21,764 | 65,089 |
| General provision expenses | 86,006 | 31,730 |
| Provision expenses for possible losses | - | - |
| Marketable securities impairment losses | 5,131 | - |
| Financial assets at fair value through profit and loss | 5,131 | - |
| Investment securities available for sale | - | - |
| Impairment provision expense | - | - |
| Associates | - | - |
| Subsidiaries | - | - |
| Entities under common control (Joint Vent.) | - | - |
| Investments held to maturity | - | - |
| Other | (5,063) | 969 |
| Total | 144,778 | 156,343 |

(*) Reversal of provision for loans under watch-list in the amount of TL 17,334 is included in "Other" as of 31 December 2011.

7. Information on other operating expenses:

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Personnel expenses | 617,972 | 379,813 |
| Reserve for employee termination benefits | 26,674 | 9,265 |
| Bank social aid fund deficit provision | - | - |
| Impairment expenses of fixed assets | - | - |
| Depreciation expenses of fixed assets (*) | 82,200 | 46,088 |
| Impairment expenses of intangible assets | - | - |
| Impairment expense of goodwill | - | - |
| Amortization expenses of intangible assets | 11,436 | 7,288 |
| Impairment for investments accounted for under equity method | - | - |
| Impairment expenses of assets to be disposed | 743 | 2,197 |
| Depreciation expenses of assets to be disposed | 1,147 | 385 |
| Impairment expenses of assets held for sale and discontinued operations | - | - |
| Other operating expenses | 491,794 | 269,724 |
| Rent expenses | 139,567 | 77,890 |
| Maintenance expenses | 14,629 | 7,165 |
| Advertisement expenses | 44,452 | 24,461 |
| Other expenses | 293,146 | 160,208 |
| Loss on sales of assets | 1,150 | 131 |
| Other(**) | 210,308 | 122,488 |
| Total | 1,443,424 | 837,379 |

(*) Includes restructuring expenses amounting to TL 4,978 (31 December 2010: None).

(**) Included in other TL 17,814 (31 December 2010: TL 11,054) is premiums paid to Saving Deposit Insurance Fund, TR 71,575 (31 December 2010: TL 41,817) is other taxes and duties paid and TL 62,813 (31 December 2010: TL 25,239) is merger and restructuring costs.

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

Profit before tax consists of net interest income and net fees and commission income amounting to TL 1,455,165 (31 December 2010: TL 815,979) and TL 384,777 (31 December 2010: TL 458,439), respectively; while operating expenses are TL 1,443,424 (31 December 2010: TL 837,379).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

IV. Explanations and Disclosures Related to the Consolidated Statement of Income
(continued)

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

The Parent Bank sold 90.01% shares of its subsidiary TEB Finansal Kiralama A.Ş. to Fortis Finansal Kiralama A.Ş. in consideration of TL 113,345 as of 30 September 2010. The profit amounting to TL 18,244 resulting from this sale is presented as “Income on Sale of Associates, Subsidiaries and Entities Under Common Control” under the “Income on Discontinued Operations” in the current year income statement.

Income and expenses on discontinued operations for the period ended 31 December 2011 and 31 December 2010 are as follows:

| | Current Period | Prior Period |
|--|----------------|---------------|
| Income and Expense on Discontinued Operations | | |
| Net Interest Income / Expense | - | 19,661 |
| Interest Income | - | 35,371 |
| Interest Expense | - | 15,710 |
| Net Fees and Commission Income | - | 197 |
| Dividend Income | - | 1,292 |
| Trading Income / Loss (net) | - | (338) |
| Other Operating Income | - | 13 |
| Net Operating Income | - | 20,825 |
| Provision for Loan Losses and other receivables (-) | - | 3,628 |
| Other Operating Expenses (-) | - | 8,270 |
| Profit / Loss on Discontinued Operations before Taxes | - | 8,927 |
| Tax Provision (**) | - | 3,015 |
| Net Profit / Loss from Discontinued Operations | - | 11,942 |
| Effect of the Eliminations | - | 147 |
| Gain on Sale of Discontinued Operations | - | 18,244 |
| Tax Charge of Gain on Sale of Discontinued Operations (**) | - | (3,859) |
| Profit (*) | - | 26,474 |

(*) The current period profit includes the income and expense items of TEB Finansal Kiralama A.Ş. until the sale date (30 September 2010), the net gain on sale of this subsidiary and the respective tax charge.

(**) The current income tax charge amounting to TL 3,859 related with the sale of subsidiary and income tax benefit of the subsidiary until the sale amounting to TL 3,015 are presented under “Tax Provision for Discontinued Operations” as a net of TL 844 tax charge.

9. Information on tax provision for continued and discontinued operations:

- As of 31 December 2011, continuing operations’ current tax charge is TL 41,478 (31 December 2010: TL 94,355 tax charge) and deferred tax charge is TL 45,942 (31 December 2010: TL 21,818 deferred tax benefit), there is no current tax charge and deferred tax benefit in the current period from discontinued operations (31 December 2010: 4,969 current tax charge and TL 4,125 deferred tax benefit).
- Deferred tax charge on temporary differences resulted from discontinued operations is TL 45,942 (31 December 2010: TL 21,818 deferred tax benefit).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

IV. Explanations and Disclosures Related to the Consolidated Statement of Income
(continued)

9. Information on tax provision for continued and discontinued operations: (continued)

c) **Tax reconciliation:**

| | Current Period | Prior Period |
|---|-----------------|-----------------|
| Profit on continued and discontinued operations before taxes | 313,440 | 346,000 |
| Additions | 141,452 | 59,661 |
| Disallowables | 41,747 | 5,815 |
| General loan loss provision | 93,132 | 31,746 |
| Effect of different tax rate | 6,573 | 8,638 |
| Other | - | 13,462 |
| Deductions | (17,790) | (38,938) |
| Unused investment incentive | - | (31,585) |
| Other | (17,790) | (7,173) |
| Taxable Profit / (Loss) | 437,102 | 366,903 |
| Corporate tax rate | %20 | %20 |
| Tax calculated for continued and discontinued operations | 87,420 | 73,381 |

As of 31 December 2011, current tax charge is TL 41,478 (31 December 2010: TL 99,324 current tax charge) and deferred tax charge on temporary differences is TL 45,942 (31 December 2010: TL 25,943 deferred tax benefit). Net tax charge recognized in the financial statements is TL 87,420 (31 December 2010: TL 73,381 net tax charge).

10. Information on net operating income after taxes:

The Group net profit from continued operations is TL 226,020 (31 December 2010: TL 246,145) and there is no profit from discontinued operations (31 December 2010: TL 26,474).

11. The explanations on net income / loss for the period:

- The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Parent Bank's performance for the period: None (31 December 2010: None).
- Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (31 December 2010: None).
- Profit or loss attributable to minority shares:

| | Current Period | Prior Period |
|--|----------------|--------------|
| Profit or loss attributable to minority shares | 1,456 | - |

12. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items:

| | Current Period | Prior Period |
|------------------------------|----------------|---------------|
| Other interest income | | |
| Factoring interest income | 66,032 | 45,205 |
| Other | 867 | 5,342 |
| Total | 66,899 | 50,547 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

IV. Explanations and Disclosures Related to the Consolidated Statement of Income
(continued)

12. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items: (continued)

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| <u>Other fees and commissions received</u> | | |
| Credit cards commissions and fees | 284,867 | 174,707 |
| Fund management commissions | 41,027 | 39,606 |
| Insurance commissions | 27,295 | 14,369 |
| Brokerage commissions received | 26,972 | 23,880 |
| Transfer commissions | 21,456 | 9,452 |
| Inquiry and company search fees and commissions | 14,198 | 23,199 |
| Commissions and fees earned from correspondent banks | 12,124 | 7,341 |
| Settlement expense provision, eft, swift, agency commissions | 11,243 | 9,955 |
| Consultancy fees | 828 | 609 |
| Other | 111,707 | 239,256 |
| Total | 551,717 | 542,374 |
| <u>Other fees and commissions given</u> | | |
| Credit cards commissions and fees | 172,721 | 109,132 |
| Commissions and fees paid to correspondent banks | 14,490 | 8,741 |
| Settlement and swift commissions | 9,090 | 4,810 |
| Other | 37,854 | 14,692 |
| Total | 234,155 | 137,375 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION FIVE

V. Explanations and Disclosures Related to the Consolidated Statement of Changes in Shareholders' Equity

- a) Decrease resulting from revaluation of financial assets available for sale is TL 187,204 (31 December 2010: TL 61,200 increase).

Gain or loss arising from measurement of financial assets available-for-sale included in shareholders' equity in the current period, excluding those related to hedging: Indicated above.

The amount recycled from equity to net income/loss account if the loss or gain related with measurement at fair value is recorded to equity for the financial assets available-for-sale (excluding the assets related to hedging): TL 64,246 income (31 December 2010: TL 30,401 income).

- b) Increase in cash flow risk hedging items:

The Parent Bank hedges itself against cash flow risk from Turkish Lira short term time deposits through its interest rate swaps. In this context, the effective portion is accounted for under equity in "Hedging Funds" account. The related amount as of 31 December 2011 is TL 5,631 and presented in the financial statements by deducting its deferred tax effect of TL 1,126.

- c) The reconciliation related with foreign exchange amounts in the beginning and end of the period: None.
- d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- e) Dividends per share proposed subsequent to the balance sheet date: Profit appropriation will be resolved in the General Assembly meeting which has not been conducted as of the date of the accompanying financial statements are authorized for issue.
- f) Proposals to General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this: The Board of Directors has not decided for profit appropriation as of the date of the financial statements are authorized for issue.
- g) Amounts transferred to legal reserves: Amount transferred to legal reserves is TL 16,905 in 2011 (31 December 2010: TL 3,306).
- h) Information on shares issued:

The Group has not recorded any shares issued in "Share Premium" account in the current period.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VI. Explanations and Disclosures Related to the Consolidated Statement of Cash Flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:

“Other items” amounting to TL 1,330,864 (31 December 2010: TL 929,544) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other expenses except for leasing expenses, reserve for employee termination benefits, depreciation charges and taxes paid.

“Net increase/decrease in other liabilities” amounting to TL 100,992 (31 December 2010: TL 131,371) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and interbank money market borrowings. “Net increase/decrease in other assets” with a total amount of TL 295,334 (31 December 2010: TL 423,542) consists of changes in sundry debtors and other assets.

“Other items” amounting to TL 10,463 (31 December 2010: TL 7,649) in “Net cash provided from investing activities” consists of cash paid for purchases of intangible assets.

Effect of change in foreign exchange rate on cash and cash equivalents includes the foreign exchange effect resulting from the translation of cash and cash equivalents in foreign currency by using the foreign exchange rates at the beginning and at the end of the period, and it is TL 199,750 for the year 2011 (31 December 2010: TL 48,270).

2. Cash and cash equivalents at beginning and end of periods:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flows statement:

| Beginning of the period | Current Period | Prior Period |
|--|------------------|------------------|
| Cash | 1,616,646 | 1,250,073 |
| Cash in TL/Foreign Currency | 287,730 | 309,354 |
| Central Bank – Unrestricted amount | 1,301,246 | 922,102 |
| Other | 27,670 | 18,617 |
| Cash equivalents | 1,014,013 | 1,416,140 |
| Banks | 1,013,775 | 711,676 |
| Money market placements | 238 | 704,464 |
| Total cash and cash equivalents | 2,630,659 | 2,666,213 |

| End of the period | Current Period | Prior Period |
|--|------------------|------------------|
| Cash | 2,429,726 | 1,616,646 |
| Cash in TL/Foreign Currency | 487,810 | 287,730 |
| Central Bank – Unrestricted amount | 1,616,648 | 1,301,246 |
| Other | 325,268 | 27,670 |
| Cash equivalents | 1,082,908 | 1,014,013 |
| Banks | 559,663 | 1,013,775 |
| Money market placements | 523,245 | 238 |
| Total cash and cash equivalents | 3,512,634 | 2,630,659 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VII. Explanations on the Risk Group of the Parent Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

a) Current Period:

| Related Parties | Subsidiaries, associates and entities under common control (Joint Vent.) | | Direct and indirect shareholders of the Bank | | Other entities included in the risk group | |
|--------------------------------|--|----------|--|----------|---|----------|
| | Cash | Non-cash | Cash | Non-cash | Cash | Non-cash |
| Loans and other receivables | | | | | | |
| Balance at beginning of period | - | - | 38,643 | 40,782 | 208,651 | 117,172 |
| Balance at end of period | - | - | 76,412 | 128,471 | 130,321 | 103,503 |
| Interest and commission income | - | - | 2,911 | 20 | 8,143 | 333 |

Included in the balances above, the Group has placements in foreign bank accounts amounting to TL 1,913 with respect to direct and indirect corporate and real person shareholders and TL 15,701 other entities included in the risk group.

b) Prior Period:

| Related Parties | Subsidiaries, associates and entities under common control (Joint Vent.) | | Direct and indirect shareholders of the Bank | | Other entities included in the risk group | |
|---|--|----------|--|----------|---|----------|
| | Cash | Non-cash | Cash | Non-cash | Cash | Non-cash |
| Loans and other receivables | | | | | | |
| Balance at beginning of period | - | - | 15,688 | 46,004 | 60,793 | 88,948 |
| Balance at end of period | - | - | 38,643 | 40,782 | 208,651 | 117,172 |
| Interest and commission income received | - | - | 3,512 | 16 | 5,609 | 750 |

Included in the balances above, the Parent Bank has placements in foreign bank accounts amounting to TL 14,134 with respect to direct and indirect corporate and real person shareholders and TL 68,529 other entities included in the risk group.

c.1) Information on related party deposits balances:

| Related parties | Subsidiaries, associates and entities under common control (Joint Vent.) | | Direct and indirect shareholders of the Bank | | Other entities included in the risk group | |
|--------------------------------|--|--------------|--|--------------|---|--------------|
| | Current Period | Prior Period | Current period | Prior period | Current Period | Prior Period |
| Deposits | | | | | | |
| Balance at beginning of period | - | - | 1,024,799 | 282,015 | 391,344 | 175,059 |
| Balance at end of period | - | - | 430,246 | 1,024,799 | 403,147 | 391,344 |
| Interest on deposits | - | - | 28,992 | 24,869 | 12,259 | 5,353 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

VII. Explanations on the Risk Group of the Parent Bank (continued)

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances: (continued)

c.2) Information on forward and option agreements and other similar agreements made with related parties:

| Related Parties | Subsidiaries, associates and entities under common control (Joint Vent.) | | Direct and indirect shareholders of the Bank | | Other entities included in the risk group | |
|--|--|--------------|--|--------------|---|--------------|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| Financial Assets at Fair Value Through Profit and Loss | | | | | | |
| Beginning of period | - | - | 3,178,878 | 1,649,880 | 887,840 | 746,942 |
| End of period | - | - | 9,647,651 | 3,178,878 | 178,125 | 887,840 |
| Total income/loss | - | - | (22,025) | (23,285) | 10,671 | 30,877 |
| Hedging transactions purposes | | | | | | |
| Beginning of period | - | - | 201,151 | 306,331 | - | - |
| End of period | - | - | 522,500 | 201,151 | - | - |
| Total income/loss | - | - | (5,836) | (169) | - | - |

d) As of 31 December 2011, the total amount of remuneration and fees provided for the senior management of the Group is TL 31,400 (31 December 2010 – TL 24,358).

VIII. Explanations on the Parent Bank's Domestic Branches, Agencies and Branches Abroad and Off-shore Branches

1. Explanations on the Bank's domestic branches, agencies and branches abroad and off-shore branches:

| | Number | Employees | | | |
|--------------------|--------|-----------|---------|--------------|---------|
| Domestic branches | 503 | 9,308 | | | |
| Rep-offices abroad | - | - | | | |
| Branches abroad | 3 | 45 | Cyprus | Total Assets | Capital |
| | | | | 284,656 | 10,000 |
| Off-shore branches | 1 | 3 | Bahrain | 1,294,550 | - |

2. Explanations on Branch and Agency Openings or Closings of the Parent Bank:

In the year 2011, the Parent Bank acquired 269 branches from Fortis Bank and closed 97 of its branches.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

SECTION SIX

OTHER EXPLANATIONS

I. Explanations on the Operations of the Parent Bank

None.

SECTION SEVEN

INDEPENDENT AUDITOR'S REPORT

I. Explanations on the Independent Auditor's Report

The consolidated financial statements of the Group were audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditor's report dated 15 February 2012 is presented preceding the financial statements.

II. Other Footnotes and Explanations Prepared by Independent Auditors

None.

DIRECTORY**TÜRK EKONOMİ BANKASI
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