TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

1. We have reviewed the accompanying interim consolidated condensed balance sheet of Türk Ekonomi Bankası A.Ş., and its subsidiaries (together referred to as the "Group") as of 30 June 2012 and the related interim consolidated condensed statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim consolidated condensed financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim consolidated condensed financial information based on our review.

Scope

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

Conclusion

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

Other Matter

4. The consolidated financial statements of the Group as at and for the year ended 31 December 2011 were audited by other auditors whose report, dated 13 March 2012, expressed an unqualified opinion on those statements. The interim consolidated condensed financial statements of the Group as at and for the period ended 30 June 2011 were reviewed by other auditors whose report, dated 26 August 2011, expressed an unqualified conclusion on those statements.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Zeynep Uras, SMMM
Partner

Istanbul, 16 August 2012

INDEX

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

INTERIM CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

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

	Notes	30 June 2012 (Reviewed)	31 December 2011 (Audited)
ASSETS			
Cash and balances with central banks		3,921,627	4,224,862
Loans and receivables due from banks		1,173,986	969,988
Other money market placements		1,275,854	510,975
Financial assets at fair value through profit and loss		702,798	1,276,717
Derivatives used for hedging purposes		28,064	22,800
Available-for-sale financial assets		4,546,680	4,697,945
Loans and receivables		28,788,812	26,093,951
Remeasurement adjustment on interest rate risk hedged portfolios		11,124	11,554
Held-to-maturity investments		20,007	21,224
Factoring receivables		888,764	818,433
Premises and equipment		239,416	264,311
Intangible assets		18,810	20,133
Goodwill		420,645	420,645
Deferred tax asset		151,309	117,381
Other assets		654,462	713,945
Total assets		**42,842,358**	**40,184,864**
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from other banks		834,841	1,132,427
Customers' deposits		25,602,826	22,965,023
Other money market deposits		452,636	1,104,748
Financial liabilities at fair value through profit and loss		227,345	273,799
Derivatives used for hedging purposes		116,084	50,447
Factoring payables		5,361	6,510
Marketable securities issued	6	399,773	249,107
Funds borrowed:			
- Subordinated debt		785,130	709,422
- Other funds borrowed		8,032,103	7,451,747
Other liabilities		1,322,866	1,526,916
Provisions		180,309	169,251
Income taxes payable		56,183	26,748
Total liabilities		**38,015,457**	**35,666,145**
EQUITY			
Share capital issued		2,204,390	2,204,390
Premium in excess of par		2,565	2,565
Adjustment to share capital		200,262	200,262
Unrealized (losses) on available-for-sale investments, net of tax		(18,233)	(105,281)
Reserve for hedging funds		(16,961)	4,505
Other reserves and retained earnings		2,448,243	2,199,259
Equity attributable to equity holders of the parent		**4,820,266**	**4,505,700**
Non-controlling interest		6,635	13,019
Total equity		**4,826,901**	**4,518,719**
Total liabilities and equity		**42,842,358**	**40,184,864**

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

INTERIM CONSOLIDATED CONDENSED STATEMENT OF INCOME FOR THE PERIOD ENDED 30 JUNE 2012

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

	Notes	1 January – 30 June 2012 (Reviewed)	1 January – 30 June 2011 (Reviewed)
Interest income			
Interest on loans and receivables		1,715,964	1,030,796
Interest on securities		222,790	189,124
Interest on due from banks		15,020	13,441
Interest on other money market placements		17,010	141
Interest income on hedging derivatives		59,518	3,411
Other interest income		1	49
Total interest income		**2,030,303**	**1,236,962**
Interest expense			
Interest on customer deposits		(839,062)	(397,478)
Interest on other money market deposits		(32,513)	(44,387)
Interest on marketable securities issued		(16,528)	-
Interest on funds borrowed and deposits from other banks		(193,303)	(173,120)
Interest on hedging derivatives		(63,520)	(18,987)
Total interest expense		**(1,144,926)**	**(633,972)**
Net interest income		**885,377**	**602,990**
Fees and commissions and other operating income			
Fees and commissions income		479,806	303,761
Fees and commissions expenses		(199,748)	(117,983)
Net loss on financial instruments at fair value through profit or loss		(51,727)	(20,341)
Net gain on investment securities		2,916	65,252
Net (loss) / income from other activities		(8,124)	6,299
Net banking income		**1,108,500**	**839,978**
Operating expenses			
Salaries and employee benefits		(376,098)	(333,178)
Other operating expenses		(242,510)	(225,834)
Depreciation and amortization		(42,676)	(43,308)
Taxes other than on income		(37,263)	(33,936)
Gross operating income		**409,953**	**203,722**
Provisions for impairment of loan, factoring receivables, net of recoveries		(78,795)	(5,102)
Net operating income		**331,158**	**198,620**
Gain/(loss) on sale of fixed assets, net		1,647	(228)
Profit from operating activities before income tax		**332,805**	**198,392**
Income tax – current		(118,045)	(7,189)
Income tax – deferred		50,491	(34,320)
Net profit for the period from continuing operations		**265,251**	**156,883**
Attributable to :			
Equity holders of the Parent		264,802	156,883
Non-controlling interest		449	-
Net profit		**265,251**	**156,883**
Earnings per share (full TL)		0.1201	0.0813

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

INTERIM CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2012

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

	1 January - 30 June 2012 (Reviewed)	1 January - 30 June 2011 (Reviewed)
Profit for the year	**265,251**	**156,883**
Other comprehensive income		
Fair value gains on available-for-sale financial assets, net of tax	87,048	(97,059)
Net change in fair values	90,260	(44,641)
Net amount transferred to income	(3,212)	(52,418)
Cash flow hedge (Effective portion of changes in fair value), net of tax	(21,466)	-
Exchange difference on translation of foreign operations	(15,818)	27,292
Other comprehensive income for the year, net of tax	**49,764**	**(69,767)**
Total comprehensive income for the year	**315,015**	**87,116**
Attributable to:		
Equity holders of the Parent	314,566	87,116
Non-controlling interest	449	-
	315,015	**87,116**

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

INTERIM CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2012

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

		Attributable to equity holders of the Parent									Non-controlling Interest	Total equity
	Notes	Share capital	Premium in excess of par	Adjustment to share capital	Other capital reserves	Unrealized gains/(losses) on available-for-sale investments, net of tax	Reserve for hedging funds	Currency translation reserve	Legal reserves and retained earnings	Total equity attributable to equity holders of the Parent		
At 1 January 2011		**1,100,000**	**2,158**	**926**	**-**	**83,023**	**-**	**2,365**	**792,460**	**1,980,932**	**-**	**1,980,932**
Effect of merger	(Note 3)	1,050,000	407	199,336	1,136,481	-	-	-	-	2,386,224	-	2,386,224
Capital increase through internal resources		54,390	-	-	-	-	-	-	(54,390)	-	-	-
Total comprehensive income for the year		-	-	-	-	(97,059)	-	27,292	156,883	87,116	-	87,116
At 30 June 2011 (Reviewed)		**2,204,390**	**2,565**	**200,262**	**1,136,481**	**(14,036)**	**-**	**29,657**	**894,953**	**4,454,272**	**-**	**4,454,272**
At 1 January 2012		**2,204,390**	**2,565**	**200,262**	**1,084,258**	**(105,281)**	**4,505**	**39,450**	**1,075,551**	**4,505,700**	**13,019**	**4,518,719**
Net effect of decrease in ownership of a subsidiary not resulting in loss of control		-	-	-	-	-	-	-	-	-	(6,833)	(6,833)
Total comprehensive income for the year		-	-	-	-	87,048	(21,466)	(15,818)	264,802	314,566	449	315,015
At 30 June 2012 (Reviewed)		**2,204,390**	**2,565**	**200,262**	**1,084,258**	**(18,233)**	**(16,961)**	**23,632**	**1,340,353**	**4,820,266**	**6,635**	**4,826,901**

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

INTERIM CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2012

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

	1 January- 30 June 2012 (Reviewed)	1 January- 30 June 2011 (Reviewed)
Cash flows from operating activities		
Interest received	1,987,539	1,188,342
Interest paid	(1,082,862)	(606,731)
Fees and commissions received	855,879	355,268
Trading income	110,954	15,977
Recoveries of impairment of loan, lease and factoring receivables	132,703	105,270
Fees and commissions paid	(199,748)	(117,983)
Cash payments to employees and other parties	(326,516)	(288,568)
Other operating activities	(423,097)	(205,885)
Income taxes paid	(87,228)	(84,083)
Cash flows from operating activities before changes in operating assets and liabilities	**967,624**	**361,607**
Changes in operating assets and liabilities		
Net decrease / (increase) in trading securities	456,717	(1,235,572)
Net increase in reserve deposits at central banks	(132,046)	(1,120,153)
Net (increase) / decrease in loans and receivables due from banks	(38,823)	42,610
Net increase in loans and receivables	(2,594,376)	(4,553,092)
Net (increase) / decrease in factoring receivables	(235,542)	37,764
Net (increase) / decrease in minimum lease payments receivable	-	-
Net (increase) / decrease in other assets	(111,613)	1,008,783
Net increase / (decrease) in deposits from other banks	(297,148)	(1,422,017)
Net increase / (decrease) in customers' deposits	2,599,835	1,044,373
Net increase / (decrease) in other money market deposits	(649,891)	3,639,609
Net (increase) / decrease in factoring payables	(1,149)	-
Net increase / (decrease) in other liabilities	(524,820)	1,405,702
Net cash used in operating activities	**(1,528,856)**	**(1,151,993)**
Cash flows from investing activities		
Purchases of available- for- sale securities	(333,449)	(2,263,922)
Proceeds from sale and redemption of available-for-sale securities	603,926	1,850,366
Proceeds from redemption of held to maturity securities	-	104,984
Purchases of property and equipment	(15,568)	(20,768)
Proceeds from the sale of premises and equipment	4,777	182
Purchases of intangible assets	(5,101)	(3,248)
Net cash used in investing activities	**254,585**	**(332,406)**
Cash flows from financing activities		
Proceeds from funds borrowed and debt securities	4,845,915	6,184,928
Repayment of funds borrowed and debt securities	(4,189,850)	(6,203,862)
Net cash provided by financing activities	**656,065**	**(18,934)**
Effect of net foreign exchange difference	(31,371)	51,354
Net decrease in cash and cash equivalents	318,047	(1,090,372)
Cash and cash equivalents at the beginning of the year (*)	3,512,634	2,246,349
Cash and cash equivalents at the end of the year	**3,830,681**	**1,155,977**

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

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

1. CORPORATE INFORMATION

General

Türk Ekonomi Bankası Anonim Şirketi ("TEB" or "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. On 10 February 2005, BNP Paribas took over 50% of shares of TEB Holding A.Ş. Consequently, BNP Paribas became indirect shareholder of TEB with 42.125% ownership. In 2009 BNP Paribas Group successively acquired 75% of Fotis Bank Belgium and 66% of Fortis Bank Luxembourg and became the shareholder holding the majority of the shares of Fortis Bank Turkey. The indirect majority shareholders of TEB which are BNP Paribas and Çolakoğlu Group has agreed on the merge of TEB and Fortis Bank under the trademark of TEB and following the authorizations obtained from the regulatory authorities on 14 February 2011 the legal merge of two banks has been performed. Certain shares of the Bank, representing 20% of the total, were listed on the İstanbul Stock Exchange in February 2000. Currently, 4.52% of the total shares are publicly traded. TEB's shares are also listed and traded on the London Stock Exchange as GDR's since 2000. The registered office address of TEB is TEB Kampüs C ve D Blok, Saray Mahallesi, Sokullu Caddesi, No: 7A-7B Ümraniye-İstanbul/Turkey.

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

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

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

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 Holding 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 Holding 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 Holding 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 Holding A.Ş. and several share transfers, TEB Holding 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 Holding A.Ş. are aimed to be 50%-50%, subject to the required approvals of the regulatory authorities.

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.

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

1. CORPORATE INFORMATION (continued)

General (continued)

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 TEB'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%)

Following the merger and related subsequent share transfers among shareholders, the shareholders' structure and their respective ownerships are summarized below as of 30 June 2012 together with the comparative information as of 31 December 2011:

	30 June 2012		31 December 2011	
Name of shareholders	**Paid in capital**	**%**	**Paid in capital**	**%**
TEB Holding A.Ş. (previously TEB Mali Yatırımlar A.Ş.)	1,212,414	55.00	1,212,414	55.00
BNP Yatırımlar Holding A.Ş.	514,616	23.34	514,616	23.34
BNP Paribas Fortis Yatırımlar Holding A.Ş.	376,584	17.08	376,584	17.08
Publicly Traded	99,556	4.52	99,556	4.52
Other Shareholders	1,220	0.06	1,220	0.06
	2,204,390	**100.00**	**2,204,390**	**100.00**

As of 30 June 2012, the Bank's paid-in-capital consists of 2,204,390,000 shares of TL 1.00 (full TL) nominal each.

The interim consolidated condensed financial statements of the Group were authorized for issuance by the management on 16 August 2012. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

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

1. CORPORATE INFORMATION (continued)

General (continued)

Nature of Activities of the Group

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

The subsidiaries included in the consolidation and the effective shareholding percentages of the Group as of 30 June 2012 and 31 December 2011 are as follows:

	Place of Incorporation	Effective Shareholding And Voting Rights %	
		30 June 2012	31 December 2011
The Economy Bank N.V. (Economy Bank)	Netherlands	100.0	100.0
TEB Yatırım Menkul Değerler A.Ş. (TEB Yatırım) (*)	Turkey	100.0	100.0
TEB Faktoring A.Ş. (TEB Faktoring)	Turkey	100.0	100.0
TEB Portföy Yönetimi A.Ş. (TEB Portföy) (**)	Turkey	54.75	54.75
Stichting Effecten Dienstverlening	Netherlands	100.0	100.0
Kronenburg Vastgoed B.V.	Netherlands	100.0	100.0

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

(**) Fortis Portföy Yönetimi A.Ş. ("Fortis Portföy") in which TEB has 100% participation was merged to TEB Portföy on 22 December 2011. Following the transfer, Group's direct participation in TEB Portföy has decreased to 54.75%.

The principal activities of the consolidated subsidiaries are as follows:

Economy Bank – Commercial bank, which mainly deals in foreign trade finance, corporate banking, private banking and correspondent banking services.

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

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

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

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

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

2. BASIS OF PREPARATION

The interim consolidated condensed financial statements as of 30 June 2012 have been prepared in accordance with IAS 34 (Interim Financial Reporting). The interim consolidated condensed financial statements do not include all the information and disclosures required in the annual financial statement and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2011.

In preparation of the interim condensed consolidated financial statements of the Group, the same accounting policies and methods of computation have been followed as compared to the most recent annual financial statements except for the adoption of new standards and interpretations as of 1 January 2011, noted below.

New and Revised International Financial Reporting Standards

a. Standards, amendments and IFRICs applicable to 30 June 2012 year ends

Standards, amendments and IFRICs newly applicable for companies with June 2012 year ends are set out below:

i) IAS 24 (revised) (amendment), “Related party disclosures”, is effective for annual periods beginning on or after 1 January 2011. The revised standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. Earlier adoption is permitted either for the entire standard or for the reduced disclosures for government-related entities.

ii) IFRIC 14 (amendment), “IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction”, is effective for annual periods beginning on or after 1 January 2011. The amendment removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. The amendment also results in pre-payments of contributions in certain circumstances being recognised as an asset rather than an expense. It will apply from the beginning of the earliest comparative period presented. Earlier adoption is permitted.

iii) Annual Improvements to IFRSs 2010 (effective 1 January 2011) amendments effect six standards and one IFRIC: IFRS 1, IFRS 3, IFRS 7, IAS 27, IAS 34, IAS 1 and IFRIC 13.

iv) IFRS 7 (amendment), “Financial instruments: Disclosures on transfers of assets”, is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitization of financial assets. Comparative information is not needed in the first year of adoption. Earlier adoption is permitted.

v) IFRS 1 (amendment), “First-time adoption of IFRS”, is effective for annual periods beginning on or after 1 July 2011. These amendments include two changes to IFRS 1. The first replaces references to a fixed date of 1 January 2004 with ‘the date of transition to IFRSs’, thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. Earlier adoption is permitted.

b. New IFRS standards, amendments and IFRICs effective after 1 July 2012

i) IAS 12 (amendment), “Income taxes” on deferred tax, is effective for annual periods beginning on or after 1 January 2012. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, “Income taxes - recovery of revalued non-depreciable assets”, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. Early adoption is permitted.

2. BASIS OF PREPARATION (continued)

New and Revised International Financial Reporting Standards (continued)

b. New IFRS standards, amendments and IFRICs effective after 1 July 2012 (continued)

ii) IAS 19 (amendment), "Employee benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Early adoption is permitted.

iii) IAS 1 (amendment), "Presentation of financial statements", regarding other comprehensive income is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. Early adoption is permitted.

iv) IFRS 9, "Financial instruments: Classification and Measurement", is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

v) IFRS 10, "Consolidated financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

vi) IFRS 11, "Joint arrangements", is effective for annual periods beginning on or after 1 January 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

vii) IFRS 12, "Disclosures of interests in other entities", is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

viii) IFRS 13, "Fair value measurement", is effective for annual periods beginning on or after 1 January 2013. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

ix) IAS 27 (revised), "Separate financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

2. BASIS OF PREPARATION (continued)

New and Revised International Financial Reporting Standards (continued)

b. New IFRS standards, amendments and IFRICs effective after 1 July 2012 (continued)

x) IAS 28 (revised), "Associates and joint ventures", is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

xi) IFRS 7 (amendment), "'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2013. This amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements.

xii) IAS 32 (amendment), "'Financial instruments: Presentation', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2014. This amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

xiii) IFRS 1 (amendment), "'First time adoption', on government loans", is effective for annual periods beginning on or after 1 January 2013. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.

xiv) Annual Improvements to IFRSs 2011 is effective for annual periods beginning on or after 1 January 2013. Amendments affect five standards: IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

The preparation of interim consolidated condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim consolidated condensed financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

Impairment Testing

As a Group policy, the management performs impairment test for goodwill on an annual base. The recoverable amount of cash generating units, which is determined by discounting the future cash flows, exceeded the carrying amount of the cash generating units including goodwill. Accordingly no grounds were identified for impairment charge as of 31 December 2011.

Management believes that all of its management estimates and key assumptions which were used for impairment testing as of 31 December 2011 are still reasonable and there is no significant change in any of the key assumptions which would cause the carrying value materially to exceed its recoverable amount as of 30 June 2012.

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

3. EXPLANATIONS ON BUSINESS COMBINATION

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

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

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

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

Cash and balances with Central Bank and money market placements	2,133,269
Securities	1,438,043
Loans and receivables	8,063,309
Premises and equipment and intangible assets	170,696
Deferred tax asset	56,530
Other receivables and other assets	325,384
Deposits	(6,195,402)
Funds borrowed and money market deposits	(2,990,035)
Other liabilities	(1,036,957)
Net assets acquired	**1,964,837**

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

TL 420,645 of positive difference between the fair value of consideration given amounting to TL 2,385,482 and the fair value of the net identifiable assets acquired amounting to TL 1,964,837 is accounted for as goodwill in the financial statements and included in capital reserves under equity.

4. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

Following the approval announcement of the Banking Regulation and Supervision Agency approval on 10 February 2011 in the Official Gazette no: 27844 on 12 February 2011, merger of two banks by means of transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated in accordance with the relevant registration on 14 February 2011 to the İstanbul Trade Registry. The details of the merger transaction are detailed in Note 3 "Explanations on Business Combinations".

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

5. SEGMENT INFORMATION

Business segments

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

As of and for the period ended 30 June 2012

	Retail Banking	Corporate Banking	Treasury/ Head Office	Eliminations	Group
Net banking income	273,233	671,071	165,237	(1,041)	1,108,500
Revenues from other segments	-	-	-	-	-
Net banking income	**273,233**	**671,071**	**165,237**	**(1,041)**	**1,108,500**
Segment result (A)	61,911	409,354	(138,476)	16	332,805
Unallocated costs (B)	-	-	-	-	-
Operating profit (A-B)	**61,911**	**409,354**	**(138,476)**	**16**	**332,805**
Dividend income	-	-	21,811	(21,811)	-
Profit before income tax	**61,911**	**409,354**	**(116,665)**	**(21,795)**	**332,805**
Income tax	-	-	(67,554)	-	(67,554)
Net profit	**61,911**	**409,354**	**(184,219)**	**(21,795)**	**265,251**
Assets and Liabilities					
Segment assets	8,297,608	21,311,934	11,968,048	(219,874)	41,357,716
Unallocated assets	-	-	1,484,080	562	1,484,642
Total assets	**8,297,608**	**21,311,934**	**13,452,128**	**(219,312)**	**42,842,358**
Segment liabilities	13,973,569	12,081,892	10,440,854	(40,216)	36,456,099
Unallocated liabilities	-	-	1,559,358	-	1,559,358
Total liabilities	**13,973,569**	**12,081,892**	**12,000,212**	**(40,216)**	**38,015,457**
Other segment information					
Capital expenditures					
Tangible fixed assets	-	-	-	-	15,120
Intangible fixed assets	-	-	-	-	5,102
Depreciation	-	-	-	-	36,309
Amortization	-	-	-	-	6,370

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

5. SEGMENT INFORMATION (continued)

Period ended 30 June 2011

	Retail Banking	Corporate Banking	Treasury/ Head Office	Eliminations	Group
Net banking income	296,113	666,120	589,923	(5,134)	1,547,022
Revenues from other segments	-	-	-	-	-
Net banking income	**296,113**	**666,120**	**589,923**	**(5,134)**	**1,547,022**
Segment result (A)	47,323	226,091	(75,008)	(14)	198,392
Unallocated costs (B)	-	-	-	-	-
Operating profit (A-B)	**47,323**	**226,091**	**(75,008)**	**(14)**	**198,392**
Dividend income	-	-	18,470	(18,470)	-
Profit before income tax	**47,323**	**226,091**	**(56,538)**	**(18,484)**	**198,392**
Income tax	-	-	(41,509)	-	(41,509)
Net profit	**47,323**	**226,091**	**(98,047)**	**(18,484)**	**156,883**

Year ended 31 December 2011

Assets and Liabilities					
Segment assets	7,637,870	19,221,946	12,026,287	(237,654)	38,648,449
Unallocated assets	-	-	1,535,853	562	1,536,415
Total assets	**7,637,870**	**19,221,946**	**13,562,140**	**(237,092)**	**40,184,864**
Segment liabilities	11,781,235	12,288,533	9,931,440	(57,978)	33,943,230
Unallocated liabilities	-	-	1,722,915	-	1,722,915
Total liabilities	**11,781,235**	**12,288,533**	**11,654,355**	**(57,978)**	**35,666,145**

Period ended 30 June 2011

Other segment information					
Capital expenditures					
Tangible fixed assets	-	-	-	-	20,768
Intangible fixed assets	-	-	-	-	3,248
Depreciation	-	-	-	-	37,777
Amortization	-	-	-	-	5,532

Geographical segments

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

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

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

5. SEGMENT INFORMATION (continued)

Period ended 30 June 2012

	Turkey	European Union	Total
Other segment information			
Segment assets	39,703,226	1,654,490	41,357,716
Unallocated assets	1,467,365	17,277	1,484,642
Total assets	**41,170,591**	**1,671,767**	**42,842,358**
Capital expenditures			
Tangible fixed assets	14,821	299	15,120
Intangible fixed assets	5,102	-	5,102

Year ended 31 December 2011

	Turkey	European Union	Total
Other segment information			
Segment assets	37,058,189	1,590,260	38,648,449
Unallocated assets	1,520,560	15,855	1,536,415
Total assets	**38,578,749**	**1,606,115**	**40,184,864**
Period ended 30 June 2011			
Capital expenditures			
Tangible fixed assets	20,523	245	20,768
Intangible fixed assets	3,214	34	3,248

6. EXPLANATIONS ON MARKETABLE SECURITIES ISSUED:

	30 June 2012	31 December 2011
Bank Bonds	272,601	249,107
Treasury Bills	127,172	-
Total	**399,773**	**249,107**

The issued marketable securities with nominal values of TL350,000 maturing at 20 July 2012 and TL150,000 maturing at 15 May 2013 have annual compound rates of 11.39% and 10.45%, respectively.

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

7. RELATED PARTY DISCLOSURES

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

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

30 June 2012:

Related party	Cash loans	Non-cash loans	Funds borrowed	Deposits taken	Deposits with banks	Derivative financial assets	Other liabilities	Derivative financial liabilities	Notional amount of derivative transactions	Interest income	Interest expense	Other operating income	Other operating expense
Direct/Indirect shareholders	67,177	247,478	5,044,334	437,244	23,750	80,316	398	92,782	11,890,562	3,040	45,975	2,767	7,289
Others	84,051	56,228	455,588	407,927	24,084	544	-	1,516	14,054	3,713	76,255	819	6,646

31 December 2011:

Related party	Cash loans	Non-cash loans	Funds borrowed	Deposits taken	Deposits with banks	Derivative financial assets	Other liabilities	Derivative financial liabilities	Notional amount of derivative transactions	Interest income (*)	Interest Expense (*)	Other operating income (*)	Other operating expense (*)
Direct/Indirect shareholders	74,499	128,471	4,246,133	430,246	1,913	102,904	530	116,827	10,170,151	3,479	45,067	2,185	1,815
Others	114,620	103,503	1,276,243	403,147	15,701	45	36	19,611	178,125	1,542	39,641	440	622

(*) Figures indicate results as of 30 June 2011.

No provisions have been recognized in respect of loans given to related parties (31 December 2011: None).

Compensation of Key Management Personnel of the Group

The executive and non-executive members of Board of Directors and management received remuneration and fees totaling approximately TL 23,300 as of 30 June 2012 (30 June 2011: TL 23,846) comprising mainly salaries and other short-term benefit.

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

8. COMMITMENTS AND CONTINGENCIES

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

	30 June 2012	31 December 2011
Letters of guarantee issued	5,959,296	5,609,489
Letters of credit	1,742,542	1,578,340
Acceptance credits	650,567	342,297
Other guarantees	1,182,823	841,767
Total non-cash loans	**9,535,228**	**8,371,893**
Other commitments	6,522,454	5,547,034
Credit card limit commitments	2,815,833	2,661,586
Total	**18,873,515**	**16,580,513**

The Group has TL 148,651 (31 December 2011: TL 161,726) letters of guarantee obtained from other banks.

Fiduciary Activities

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

The nominal values of the assets (excluding investment funds) held by the Group in agency or custodian capacities and financial assets under portfolio management amounted to TL 2,613,493 at 30 June 2012 (31 December 2011: TL 2,056,554). As of 30 June 2012, securities at custody include investment funds with market value of TL 8,598,397 (31 December 2011: TL 8,620,803).

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

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

As of 30 June 2012, in line with the requirements of IGM, letters of guarantee amounting to TL 740 (31 December 2011: TL 774) had been obtained from local banks and were provided to IGM for transactions conducted in that market.

As of 30 June 2012, according to the general requirements of the ISE, letters of guarantee amounting to TL 26,856 (31 December 2011: TL 28,077) had been obtained from various local banks and were provided to ISE for bond and stock market transactions.

Litigation

In the normal course of its operations, the Group can be constantly faced with legal disputes, claims and complaints. The necessary provision, if any, for those cases are provided based on management estimates and professional advice. The Group has provided TL 46,904 (31 December 2011: TL 43,577) provision for legal cases.

Other

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

9. EARNINGS PER SHARE

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

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

	Opening	**Cash**	**Increase Related to Merger**	**Transfers from Retained Earnings**	**Transfers From Revaluation Surplus**	**Reinvestment of Dividend Payments**	**Total**	**Closing**
Before 1995	-	150	-	3,000	250	-	3,400	3,400
1996	3,400	-	-	-	330	1,270	1,600	5,000
1997	5,000	-	-	1,022	596	4,382	6,000	11,000
1998	11,000	5,512	-	529	682	7,277	14,000	25,000
1999	25,000	-	-	600	2,062	16,338	19,000	44,000
2000	44,000	40,182	-	-	-	26,068	66,250	110,250
2001	110,250	-	-	-	-	-	-	110,250
2002	110,250	-	-	-	-	-	-	110,250
2003	110,250	-	-	5,350	-	-	5,350	115,600
2004	115,600	-	-	-	-	-	-	115,600
2005	115,600	-	-	-	-	-	-	115,600
2006	57,800	18,700	-	-	-	-	18,700	76,500
2007	76,500	210,000	-	216,750	251,750	-	678,500	755,000
2008	755,000	345,000	-	-	-	-	345,000	1,100,000
2009	1,100,000	-	-	-	-	-	-	1,100,000
2010	1,100,000	-	-	-	-	-	-	1,100,000
2011	1,100,000	-	1,050,000	54,390	-	-	1,104,390	2,204,390
30 June 2012	2,204,390	-	-	-	-	-	-	2,204,390

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

	30 June 2012	**30 June 2011**
Net profit / (loss) attributable to ordinary shareholders for basic earnings per share	0.1201	0.0813
Weighted average number of ordinary shares (in millions) for basic earnings per share	2,204,390	1,929,818

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

10. SUBSEQUENT EVENTS

i) The Parent Bank, during the Board of Directors' (BoD) meeting dated 17 July 2012, has resolved to issue a Secondary Subordinated Debt in the amount of 100 million EURO on 20 July 2012. The interest rate of the issuance has been determined as semi-annually EURIBOR + 4.75%. The due date of the debt instrument is 20 July 2024 and there is no option to repay within the first seven years. The debt instrument can be amortized on 20 July 2019 with the resolution of the BoD and upon the approval of the BRSA.

ii) The bonds of the Parent Bank which were issued on 20 July 2012 with a nominal value of TL 384,586, a term of 175 days, a due date of 14 January 2013 and a compound interest rate of 9.04% have been quoted on Istanbul Stock Exchange Debt Instrument Buy and Sell Market under the ISIN code of "TRQTEBK11314" as of 24 July 2012.

iii) The bonds of the Parent Bank with a nominal value of TL 350,000, a term of 178 days, an interest rate of 11.0703% and a compound interest rate of 11.3845% had been quoted on Bonds and Bills Market with ISIN code of "TRQTEBK71219" and matured on 20 July 2012.