

**CONVENIENCE TRANSLATION  
OF PUBLICLY ANNOUNCED UNCONSOLIDATED  
INTERIM FINANCIAL STATEMENTS AND  
REVIEW REPORT  
ORIGINALLY ISSUED IN TURKISH,  
SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.**

**PUBLICLY ANNOUNCED UNCONSOLIDATED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD  
ENDED 30 JUNE 2014**

**CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR’S  
REVIEW REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH**

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

We have reviewed the accompanying unconsolidated balance sheet of Türk Ekonomi Bankası A.Ş. (“the Bank”) at 30 June 2014 and the related unconsolidated statements of income, cash flows and changes in shareholders’ equity for the period then ended. These financial statements are the responsibility of the Bank’s management. Our responsibility, as independent auditors is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Uniform Chart of Accounts of banks, accounting standards and the independent audit principles in conformity with Banking Law No. 5411. Those principles require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries concerning the Bank’s personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true and fair view of the financial position of Türk Ekonomi Bankası A.Ş. at 30 June 2014 and the results of its operations and its cash flows for the period then ended in accordance with accounting principles and standards set out by regulations in conformity with Article 37 of Banking Law No. 5411 and other regulations, interpretations and circulars published by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

Additional paragraph for convenience translation:

As explained in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with Article 37 of Banking Law No. 5411, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Zeynep Uras, SMMM  
Partner

Istanbul, 31 July 2014

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED  
INTERIM FINANCIAL STATEMENTS AND REVIEW REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE  
UNCONSOLIDATED FINANCIAL REPORT OF TRK EKONOMİ BANKASI A.Ş.  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014**

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

The unconsolidated financial report for the six months prepared in accordance with “Communiqué on the Financial Statements and the Related Policies and Disclosures to be Publicly Announced” as regulated by the Banking Regulation and Supervision Agency, is consist of the sections listed below:

- General Information About The Bank
- Unconsolidated Interim Financial Statements Of The Bank
- Explanations On The Accounting Policies Applied In The Related Period
- Information On Financial Structure Of The Bank
- Explanatory Disclosures And Footnotes On Unconsolidated Financial Statements
- Limited Review Report

The unconsolidated financial statements and the explanatory disclosures and footnotes for the six months, unless otherwise stated, are presented **in thousands of Turkish Lira**, in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related statements and guidances and in compliance with the financial records of the Bank, have been independently reviewed and presented as attached.

	Jean -Milan Charles Dominique				
Yavuz Canevi	Givadinovitch	Dr. Akın Akbaygil	mit Leblebici	M. Aşkın Dolaştır	Gökhan Kazıcılar
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	Financial Reporting

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

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

Telephone Number : (0216) 635 24 63  
Fax Number : (0216) 636 36 36

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UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS ORIGINALLY  
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**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD  
FROM 1 JANUARY TO 30 JUNE 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**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 (“TEB” or “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 Fortis 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 merger 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. The process regarding the procedure has been summarized below. As a result of the merger of TEB Holding, TEB has a majority stake of 55% and on the other hand Çolakoğlu Group and BNP Paribas has the share of 50%.

**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**

As of 30 June 2014 and 31 December 2013 the shareholders’ structure and their respective ownerships are summarized as follows:

	<b>30 June 2014</b>		<b>31 December 2013</b>	
<b>Name of shareholders</b>	<b>Paid in Capital</b>	<b>%</b>	<b>Paid in Capital</b>	<b>%</b>
TEB Holding A.Ş.	1,212,414	55.00	1,212,414	55.00
BNPP Yatırımlar Holding A.Ş.	518,342	23.51	518,342	23.51
BNP Paribas Fortis Yatırımlar Holding A.Ş.	380,311	17.25	380,311	17.25
Publicly traded shares	92,222	4.18	92,222	4.18
Other	1,101	0.06	1,101	0.06
	<b>2,204,390</b>	<b>100.00</b>	<b>2,204,390</b>	<b>100.00</b>

As of 30 June 2014, Bank’s paid-in-capital consists of 2,204,390,000 shares of TL1 (full TL) nominal each.

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**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>
<b>Board of Directors;</b>	
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 and Independent Member of the Board
Jean-Milan Charles Dominique Givadinovitch	Member of the Board of Directors, Chairman of the Audit Committee and Independent Member of the Board
Jean Paul Sabet	Vice Chairman of the Board of Director
Ayşe Aşardağ	Member of the Board of Directors
Ümit Leblebici	General Manager and Member of the Board of Directors
Sabri Davaz	Member of the Board of Directors and Audit Committee
Alain Georges Auguste Fonteneau	Member of the Board of Directors
Yvan L.A.M De Cock	Member of the Board of Directors and Audit Committee
Musa Erden	Member of the Board of Directors
Jacques Roger Jean Marie Rinino	Member of the Board of Directors
Henri Simon Andre Foch	Member of the Board of Directors
Alain Kokocinski	Independent Member of the Board of Directors
İsmail Yanık	Independent Member of the Board of Directors
<b>Assistant General Managers;</b>	
Turgut Boz	Assistant General Manager Responsible from SME Banking
Gökhan Mendi	Assistant General Manager Responsible from Consumer Banking and Private Banking
Dr. Nilsen Altıntaş	Assistant General Manager Responsible from Human Resources
Melis Coşan Baban	Chief Legal Counsel and Secretary of the Board of Directors
Mehmet Ali Cer	Assistant Manager Responsible from Information Technologies
Levent Çelebioğlu	Assistant General Manager Responsible from Corporate Banking
Mustafa Aşkın Dolaştır	Assistant General Manager Responsible from Financial Control
Philippe Bernard Dumel	Chief Operational Officer
Osman Durmuş	Assistant General Manager Responsible from Consumer Loans and Business Loans
Kubilay Güler	Banking Operations & Facility Services Ass. General Manager
Akil Özçay	Assistant Manager Responsible from Financial Markets
Gökhan Özdi	Assistant General Manager Responsible from Corporate Loans
Nuri Tuncalı	Assistant General Manager Responsible from SME Loans
Eric Patrice Paul Josserand	Assistant General Manager Corporate Investment Banking Group
<b>Group Heads (*);</b>	
Didier Albert Nicole Van Hecke	Chief Risk Officer
Birol Deper	Head of Compliance Group and Internal Control Group
<b>Inspection Committee (*);</b>	
Hakan Tıraşın	Chairman of the Inspection Committee

(\*) Group Heads and Chairman of the Inspection Committee are in Assistant General Manager status.

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

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**UNCONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD  
FROM 1 JANUARY TO 30 JUNE 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

<b>Name / Commercial Name</b>	<b>Share Amount</b>	<b>Share Ratio</b>	<b>Paid-up Shares</b>	<b>Unpaid Shares</b>
TEB Holding A.Ş.	1,212,414	55.00%	1,212,414	-
BNPP Yatırımlar Holding A.Ş.	518,342	23.51%	518,342	-
BNP Paribas Fortis Yatırımlar Holding A.Ş.	380,311	17.25%	380,311	-

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, Fortis Yatırımlar Holding A.Ş., while the remaining 50% is controlled by Çolakoğlu Group. BNP Paribas Fortis Yatırımlar Holding A.Ş. is controlled by Fortis Bank SA/NV whose shareholders are BNP Paribas Fortis NV/SA. by 100% shares, respectively. 100% of the shares of BNP Yatırımlar Holding is controlled by BNP Paribas S.A. The Belgium State has 9.98% 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., TEB Portföy Yönetimi A.Ş., Zurich Sigorta A.Ş. and Cardif Hayat Sigorta A.Ş. As of 30 June 2014, the Bank has 542 local branches and 5 foreign branches (31 December 2013: 539 local branches, 5 foreign branches).

**VI. Current or Likely Actual or Legal Barriers to Immediate Transfer of Equity or Repayment of Debts Between Parent Bank and Its Subsidiaries**

None.



## **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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.**

**UNCONSOLIDATED BALANCE SHEET AT 30 JUNE 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**I. BALANCE SHEET - ASSETS (STATEMENT OF FINANCIAL POSITION)**

		Reviewed Current Period 30.06.2014			Audited Prior Period 31.12.2013			
		Section 5 Note Ref.	TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(I-1)	1,189,680	6,722,741	7,912,421	632,297	6,179,313	6,811,610
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-2)	523,059	52,356	575,415	1,299,443	52,887	1,352,330
2.1	Financial assets held for trading		523,059	52,356	575,415	1,299,443	52,887	1,352,330
2.1.1	Public sector debt securities		112,101	8,982	121,083	642,579	11,051	653,630
2.1.2	Share certificates		-	-	-	-	-	-
2.1.3	Derivative financial assets held for trading		410,958	43,374	454,332	656,864	41,836	698,700
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	(I-3)	621,104	333,476	954,580	75,373	248,915	324,288
IV.	MONEY MARKET PLACEMENTS		1,130,283	-	1,130,283	-	-	-
4.1	Interbank money market placements		500,111	-	500,111	-	-	-
4.2	Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3	Receivables from reverse repurchase agreements		630,172	-	630,172	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-4)	3,722,918	8,079	3,730,997	4,250,549	8,099	4,258,648
5.1	Share certificates		20,875	99	20,974	19,535	100	19,635
5.2	Public sector debt securities		3,702,043	7,980	3,710,023	4,229,794	7,999	4,237,793
5.3	Other marketable securities		-	-	-	1,220	-	1,220
VI.	LOANS AND RECEIVABLES	(I-5)	34,663,024	6,630,449	41,293,473	31,046,587	7,088,370	38,134,957
6.1	Loans and receivables		34,287,584	6,630,449	40,918,033	30,706,542	7,088,370	37,794,912
6.1.1	Loans to Risk Group of the Bank		6,089	1	6,090	16,810	1,882	18,692
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		34,281,495	6,630,448	40,911,943	30,689,732	7,086,488	37,776,220
6.2	Non-performing loans		1,051,628	-	1,051,628	868,121	-	868,121
6.3	Specific provisions (-)		676,188	-	676,188	528,076	-	528,076
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	HELD TO MATURITY INVESTMENTS (Net)	(I-6)	308,050	-	308,050	292,956	-	292,956
8.1	Public sector debt securities		308,050	-	308,050	292,956	-	292,956
8.2	Other marketable securities		-	-	-	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	(I-7)	-	-	-	-	-	-
9.1	Accounted for under equity method		-	-	-	-	-	-
9.2	Unconsolidated associates		-	-	-	-	-	-
9.2.1	Financial investments in Associates		-	-	-	-	-	-
9.2.2	Non-financial investments in Associates		-	-	-	-	-	-
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(I-8)	115,986	61,254	177,240	106,607	61,254	167,861
10.1	Unconsolidated financial subsidiaries		115,986	61,254	177,240	106,607	61,254	167,861
10.2	Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(I-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	(I-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	(I-11)	70,606	5	70,611	112,182	63	112,245
13.1	Fair value hedge		14,674	5	14,679	56,899	63	56,962
13.2	Cash flow hedge		55,932	-	55,932	55,283	-	55,283
13.3	Hedge of net investment risks in foreign operations		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)		304,664	-	304,664	321,832	-	321,832
XV.	INTANGIBLE ASSETS (Net)		471,277	-	471,277	473,933	-	473,933
15.1	Goodwill		421,124	-	421,124	421,124	-	421,124
15.2	Other		50,153	-	50,153	52,809	-	52,809
XVI.	INVESTMENT PROPERTIES (Net)	(I-12)	-	-	-	-	-	-
XVII.	TAX ASSET		103,522	-	103,522	34,516	-	34,516
17.1	Current tax asset		1,498	-	1,498	274	-	274
17.2	Deferred tax asset		102,024	-	102,024	34,242	-	34,242
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(I-13)	93,819	-	93,819	83,217	-	83,217
18.1	Held for sale		93,819	-	93,819	83,217	-	83,217
18.2	Discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS		1,179,655	146,359	1,326,014	876,196	164,034	1,040,230
TOTAL ASSETS			44,497,652	13,954,719	58,452,371	39,605,693	13,802,935	53,408,628

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.**

**UNCONSOLIDATED BALANCE SHEET AT 30 JUNE 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**I. BALANCE SHEET - LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)  
(Continued)**

		Reviewed Current Period 30.06.2014			Audited Prior Period 31.12.2013		
	Section 5 Note Ref.	TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(II-1)	<b>24,848,276</b>	<b>12,877,093</b>	<b>37,725,369</b>	<b>23,933,065</b>	<b>10,354,909</b>	<b>34,287,974</b>
1.1 Deposits from Risk Group of the Bank		1,511,556	946,113	2,457,669	1,301,748	568,924	1,870,672
1.2 Other		23,336,720	11,930,980	35,267,700	22,631,317	9,785,985	32,417,302
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(II-2)	<b>338,901</b>	<b>27,805</b>	<b>366,706</b>	<b>437,878</b>	<b>43,833</b>	<b>481,711</b>
<b>III. FUNDS BORROWED</b>	(II-3)	<b>274,139</b>	<b>7,310,911</b>	<b>7,585,050</b>	<b>531,586</b>	<b>6,261,386</b>	<b>6,792,972</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>1,179,883</b>	<b>-</b>	<b>1,179,883</b>	<b>1,062,443</b>	<b>-</b>	<b>1,062,443</b>
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements		1,179,883	-	1,179,883	1,062,443	-	1,062,443
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>	(II-3)	<b>634,270</b>	<b>-</b>	<b>634,270</b>	<b>710,276</b>	<b>-</b>	<b>710,276</b>
5.1 Bills		634,270	-	634,270	507,046	-	507,046
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	203,230	-	203,230
<b>VI. FUNDS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>923,049</b>	<b>113,640</b>	<b>1,036,689</b>	<b>961,840</b>	<b>147,830</b>	<b>1,109,670</b>
<b>VIII. OTHER LIABILITIES</b>	(II-4)	<b>1,447,435</b>	<b>2,568</b>	<b>1,450,003</b>	<b>910,875</b>	<b>1,278</b>	<b>912,153</b>
<b>IX. FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. FINANCE LEASE PAYABLES</b>	(II-5)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	(II-6)	<b>215,918</b>	<b>-</b>	<b>215,918</b>	<b>69,255</b>	<b>-</b>	<b>69,255</b>
11.1 Fair value hedge		7,146	-	7,146	15,433	-	15,433
11.2 Cash flow hedge		208,772	-	208,772	53,822	-	53,822
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(II-7)	<b>875,793</b>	<b>526</b>	<b>876,319</b>	<b>813,376</b>	<b>603</b>	<b>813,979</b>
12.1 General loan loss provisions		559,332	-	559,332	537,702	-	537,702
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee benefits		198,474	-	198,474	175,748	-	175,748
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		117,987	526	118,513	99,926	603	100,529
<b>XIII. TAX LIABILITY</b>	(II-8)	<b>121,240</b>	<b>-</b>	<b>121,240</b>	<b>103,434</b>	<b>-</b>	<b>103,434</b>
13.1 Current tax liability		121,240	-	121,240	103,434	-	103,434
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>		<b>-</b>	<b>1,759,992</b>	<b>1,759,992</b>	<b>-</b>	<b>1,778,323</b>	<b>1,778,323</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	(II-9)	<b>5,500,899</b>	<b>33</b>	<b>5,500,932</b>	<b>5,286,423</b>	<b>15</b>	<b>5,286,438</b>
16.1 Paid-in capital		2,204,390	-	2,204,390	2,204,390	-	2,204,390
16.2 Supplementary capital		636,771	33	636,804	721,973	15	721,988
16.2.1 Share premium		2,565	-	2,565	2,565	-	2,565
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities valuation differences		(41,781)	33	(41,748)	(93,714)	15	(93,699)
16.2.4 Tangible assets revaluation differences		91,991	-	91,991	101,391	-	101,391
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	527	-	527
16.2.8 Hedging funds (Effective portion)		(80,561)	-	(80,561)	32,185	-	32,185
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		664,030	-	664,030	679,019	-	679,019
16.3 Profit reserves		2,359,963	-	2,359,963	1,815,515	-	1,815,515
16.3.1 Legal reserves		172,700	-	172,700	145,948	-	145,948
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		1,959,298	-	1,959,298	1,441,602	-	1,441,602
16.3.4 Other profit reserves		227,965	-	227,965	227,965	-	227,965
16.4 Profit or loss		299,775	-	299,775	544,545	-	544,545
16.4.1 Prior years' income/ (loss)		9,497	-	9,497	9,497	-	9,497
16.4.2 Current year income/ (loss)		290,278	-	290,278	535,048	-	535,048
16.5 Minority shares		-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>36,359,803</b>	<b>22,092,568</b>	<b>58,452,371</b>	<b>34,820,451</b>	<b>18,588,177</b>	<b>53,408,628</b>

The accompanying notes are an integral part of these financial statements

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED OFF-BALANCE SHEET  
COMMITMENT AT 30 JUNE 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**II. STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS**

		Reviewed Current Period 30.06.2014			Audited Prior Period 31.12.2013			
		Section 5 Note Ref.	TL	FC	TOTAL	TL	FC	TOTAL
A.	OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		45,644,642	46,494,976	92,139,618	41,527,796	41,483,062	83,010,858
I.	GUARANTEES	(III-1)	4,963,044	6,421,610	11,384,654	4,752,585	6,589,434	11,342,019
1.1	Letters of guarantee		3,926,645	3,739,029	7,665,674	3,910,749	3,963,656	7,874,405
1.1.1	Guarantees subject to State Tender Law		105,890	48,471	154,361	124,446	47,427	171,873
1.1.2	Guarantees given for foreign trade operations		313,801	240,018	553,819	345,982	80,397	426,379
1.1.3	Other letters of guarantee		3,506,954	3,450,540	6,957,494	3,440,321	3,835,832	7,276,153
1.2	Bank loans		-	106,622	106,622	-	271,178	271,178
1.2.1	Import letter of acceptance		-	106,622	106,622	-	271,178	271,178
1.2.2	Other bank acceptances		-	-	-	-	-	-
1.3	Letters of credit	293	1,282,428	1,282,721	381	1,355,974	1,356,355	
1.3.1	Documentary letters of credit	293	175,003	175,296	381	275,508	275,889	
1.3.2	Other letters of credit		1,107,425	1,107,425	-	1,080,466	1,080,466	
1.4	Refinancing 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		1,015,698	864,428	1,880,126	839,960	580,709	1,420,669
1.9	Other collaterals		20,408	429,103	449,511	1,495	417,917	419,412
II.	COMMITMENTS	(III-1)	11,293,026	1,302,130	12,595,156	10,147,570	1,303,708	11,451,278
2.1	Irrevocable commitments		11,293,026	1,302,130	12,595,156	10,147,570	1,303,708	11,451,278
2.1.1	Forward asset purchase commitments		518,682	1,277,057	1,795,739	566,850	1,175,708	1,742,558
2.1.2	Forward deposit purchase and sales commitments		-	-	-	-	101,194	101,194
2.1.3	Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4	Loan granting commitments		4,356,385	781	4,357,166	3,853,680	79	3,853,759
2.1.5	Securities underwriting commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7	Payment commitment for checks		2,196,773	-	2,196,773	2,002,630	-	2,002,630
2.1.8	Tax and fund liabilities from export commitments		23,307	-	23,307	12,503	-	12,503
2.1.9	Commitments for credit card expenditure limits		3,958,669	-	3,958,669	3,545,841	-	3,545,841
2.1.10	Commitments for promotions related with credit cards and banking activities		4,698	-	4,698	4,451	-	4,451
2.1.11	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12	Payables for short sale commitments		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		234,512	24,292	258,804	161,615	26,727	188,342
2.2	Revocable commitments		-	-	-	-	-	-
2.2.1	Revocable loan granting commitments		-	-	-	-	-	-
2.2.2	Other revocable commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		29,388,572	38,771,236	68,159,808	26,627,641	33,589,920	60,217,561
3.1	Derivative financial instruments for hedging purposes		8,252,438	357,865	8,610,303	4,187,813	327,712	4,515,525
3.1.1	Fair value hedge		416,102	357,865	773,967	271,779	327,712	599,491
3.1.2	Cash flow hedge		7,836,336	-	7,836,336	3,916,034	-	3,916,034
3.1.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2	Held for trading transactions		21,136,134	38,413,371	59,549,505	22,439,828	33,262,208	55,702,036
3.2.1	Forward foreign currency buy/sell transactions		3,246,534	4,224,685	7,471,219	3,908,750	4,941,701	8,850,451
3.2.1.1	Forward foreign currency transactions-buy		1,135,182	2,560,168	3,695,350	1,284,444	3,160,656	4,445,100
3.2.1.2	Forward foreign currency transactions-sell		2,111,352	1,664,517	3,775,869	2,624,306	1,781,045	4,405,351
3.2.2	Swap transactions related to f.c. and interest rates		12,512,765	26,095,816	38,608,581	9,773,165	16,573,516	26,346,681
3.2.2.1	Foreign currency swap-buy		3,902,687	13,374,164	17,276,851	3,805,355	6,303,715	10,109,070
3.2.2.2	Foreign currency swap-sell		8,410,078	8,713,028	17,123,106	3,796,230	6,202,995	9,999,225
3.2.2.3	Interest rate swaps-buy		100,000	2,004,312	2,104,312	1,085,790	2,033,403	3,119,193
3.2.2.4	Interest rate swaps-sell		100,000	2,004,312	2,104,312	1,085,790	2,033,403	3,119,193
3.2.3	Foreign currency, interest rate and securities options		5,376,835	8,092,313	13,469,148	8,757,913	11,746,991	20,504,904
3.2.3.1	Foreign currency options-buy		2,718,893	4,064,980	6,783,873	3,969,496	6,255,824	10,225,320
3.2.3.2	Foreign currency options-sell		2,657,942	3,988,161	6,646,103	4,576,617	5,426,705	10,003,322
3.2.3.3	Interest rate options-buy		-	19,586	19,586	111,800	32,231	144,031
3.2.3.4	Interest rate options-sell		-	19,586	19,586	100,000	32,231	132,231
3.2.3.5	Securities options-buy		-	-	-	-	-	-
3.2.3.6	Securities options-sell		-	-	-	-	-	-
3.2.4	Foreign currency futures		-	-	-	-	-	-
3.2.4.1	Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2	Foreign currency futures-sell		-	-	-	-	-	-
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		-	557	557	-	-	-
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		127,274,079	21,203,481	148,477,560	117,549,955	22,075,502	139,625,457
IV.	ITEMS HELD IN CUSTODY		26,544,844	1,571,132	28,115,976	24,552,795	1,608,448	26,161,243
4.1	Assets under management		1,700,642	-	1,700,642	1,726,140	-	1,726,140
4.2	Investment securities held in custody		15,133,028	311,771	15,444,799	14,269,099	316,944	14,586,043
4.3	Checks received for collection		9,250,939	945,203	10,196,142	8,179,150	858,542	9,037,692
4.4	Commercial notes received for collection		389,156	91,783	480,939	378,204	112,718	490,922
4.5	Other assets received for collection		-	222,375	222,375	103	320,244	320,347
4.6	Assets received for public offering		-	-	-	-	-	-
4.7	Other items under custody		71,079	-	71,079	99	-	99
4.8	Custodians		-	-	-	-	-	-
V.	PLEDGED ITEMS		100,595,781	19,592,819	120,188,600	92,871,177	20,427,595	113,298,772
5.1	Marketable securities		483,565	16,322	499,887	583,589	19,982	603,571
5.2	Guarantee notes		50,170,919	13,036,598	63,207,517	47,538,076	13,536,458	61,074,534
5.3	Commodity		74,180	410,864	485,044	70,351	166,369	236,720
5.4	Warranty		-	-	-	-	-	-
5.5	Properties		43,289,517	4,361,413	47,650,930	38,660,715	4,912,365	43,573,080
5.6	Other pledged items		6,577,600	1,767,622	8,345,222	6,018,446	1,792,421	7,810,867
5.7	Pledged items-depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		133,454	39,530	172,984	125,983	39,459	165,442
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)			172,918,721	67,698,457	240,617,178	159,077,751	63,558,564	222,636,315

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD  
FROM 1 JANUARY TO 30 JUNE 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**III. STATEMENT OF INCOME**

	Note Ref.	Reviewed Current Period 01.01-30.06.2014	Reviewed Prior Period 01.01-30.06.2013	Reviewed Current Period 01.04-30.06.2014	Reviewed Prior Period 01.04-30.06.2013
<b>I. INTEREST INCOME</b>	<b>(IV-1)</b>	<b>2,497,485</b>	<b>1,951,857</b>	<b>1,301,784</b>	<b>978,015</b>
1.1 Interest on loans		2,229,094	1,775,902	1,166,491	892,557
1.2 Interest received from reserve deposits		-	-	-	-
1.3 Interest received from banks		14,275	3,189	9,475	1,836
1.4 Interest received from money market placements		9,241	7,235	8,540	594
1.5 Interest received from marketable securities portfolio		227,451	165,172	106,454	82,991
1.5.1 Held-for-trading financial assets		20,194	27,625	3,292	18,541
1.5.2 Financial assets at fair value through profit and loss		-	-	-	-
1.5.3 Available-for-sale financial assets		190,009	137,547	93,635	64,450
1.5.4 Investments held-to-maturity		17,248	-	9,527	-
1.6 Finance lease Income		-	-	-	-
1.7 Other interest income		17,424	359	10,824	37
<b>II. INTEREST EXPENSE</b>	<b>(IV-2)</b>	<b>1,339,636</b>	<b>924,323</b>	<b>690,175</b>	<b>457,723</b>
2.1 Interest on deposits		1,118,783	789,907	579,974	383,470
2.2 Interest on funds borrowed		97,234	83,279	46,204	46,044
2.3 Interest on money market borrowings		81,812	12,080	43,462	9,414
2.4 Interest on securities issued		28,048	18,204	15,719	9,131
2.5 Other interest expense		13,759	20,853	4,816	9,664
<b>III. NET INTEREST INCOME/EXPENSE (I - II)</b>		<b>1,157,849</b>	<b>1,027,534</b>	<b>611,609</b>	<b>520,292</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>407,293</b>	<b>313,634</b>	<b>216,922</b>	<b>163,443</b>
4.1 Fees and commissions received		606,147	452,716	324,742	235,432
4.1.1 Non-cash loans		57,387	52,282	30,233	26,453
4.1.2 Other	<b>(IV-9)</b>	548,760	400,434	294,509	208,979
4.2 Fees and commissions paid		198,854	139,082	107,820	71,989
4.2.1 Non-cash loans		801	667	388	344
4.2.2 Other	<b>(IV-9)</b>	198,053	138,415	107,432	71,645
<b>V. DIVIDEND INCOME</b>		<b>19,278</b>	<b>4,940</b>	<b>1,340</b>	<b>1,711</b>
<b>VI. NET TRADING INCOME</b>	<b>(IV-3)</b>	<b>(134,777)</b>	<b>90,313</b>	<b>(109,610)</b>	<b>33,154</b>
6.1 Securities trading gains/ (losses)		15,349	55,363	17,757	9,278
6.2 Gains/ (losses) from derivative financial instruments		(543,893)	118,511	(290,251)	157,626
6.3 Foreign exchange gains/ (losses)		393,767	(83,561)	162,884	(133,750)
<b>VII. OTHER OPERATING INCOME</b>	<b>(IV-4)</b>	<b>105,295</b>	<b>104,171</b>	<b>47,866</b>	<b>45,379</b>
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1,554,938</b>	<b>1,540,592</b>	<b>768,127</b>	<b>763,979</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(IV-5)</b>	<b>230,723</b>	<b>281,244</b>	<b>109,926</b>	<b>135,386</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(IV-6)</b>	<b>954,988</b>	<b>818,838</b>	<b>481,422</b>	<b>420,990</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>369,227</b>	<b>440,510</b>	<b>176,779</b>	<b>207,603</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-	-	-
<b>XIII. GAIN / (LOSS) ON EQUITY METHOD</b>		-	-	-	-
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-	-	-
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>		<b>369,227</b>	<b>440,510</b>	<b>176,779</b>	<b>207,603</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (-)</b>	<b>(IV-7)</b>	<b>(78,949)</b>	<b>(104,402)</b>	<b>(36,869)</b>	<b>(47,891)</b>
16.1 Current income tax (charge)/benefit		(127,785)	(31,086)	(31,195)	6,032
16.2 Deferred tax (charge)/benefit		48,836	(73,316)	(5,674)	(53,923)
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>		<b>290,278</b>	<b>336,108</b>	<b>139,910</b>	<b>159,712</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		-	-	-	-
18.1 Income on assets held for sale		-	-	-	-
18.2 Income on sale of associates, subsidiaries and entities under common control (Joint vent.)		-	-	-	-
18.3 Income on other discontinued operations		-	-	-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
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		-	-	-	-
<b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		-	-	-	-
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS</b>	<b>(IV-7)</b>	-	-	-	-
21.1 Current income tax (charge)/benefit		-	-	-	-
21.2 Deferred tax (charge)/benefit		-	-	-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX+XXI)</b>		-	-	-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	<b>(IV-8)</b>	<b>290,278</b>	<b>336,108</b>	<b>139,910</b>	<b>159,712</b>
23.1 Group's profit/loss		290,278	336,108	139,910	159,712
23.2 Minority shares		-	-	-	-
Earnings per share		0.1317	0.1525	0.0635	0.0725

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED  
FOR UNDER EQUITY FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2014**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY**

	Reviewed Current Period 01.01-30.06.2014	Reviewed Prior Period 01.01-30.06.2013
<b>I.</b>		
Additions to marketable securities valuation differences for available sale financial assets	83,328	(97,278)
<b>II.</b>		
Tangible assets revaluation differences	-	-
<b>III.</b>		
Intangible assets revaluation differences	-	-
<b>IV.</b>		
Foreign exchange differences for foreign currency transactions	-	-
<b>V.</b>		
Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	(140,933)	50,006
<b>VI.</b>		
Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)	-	-
<b>VII.</b>		
The effect of correction of errors and changes in accounting policies	-	-
<b>VIII.</b>		
Other profit loss items accounted for under equity due to TAS	(18,736)	17,346
<b>IX.</b>		
Deferred tax of valuation differences	15,268	5,985
<b>X.</b>		
Total Net Profit/Loss accounted for under equity (I+II+...+IX)	(61,073)	(23,941)
<b>XI.</b>		
Profit/Loss	(14,711)	(60,800)
11.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	(14,711)	(60,800)
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	-	-
<b>XII.</b>		
Total Profit/Loss accounted for the period (X±XI)	(75,784)	(84,741)

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**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2013**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Reviewed	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
	Prior Period – 01.01-30.06.2013																		
I.	Beginning Balance 31.12.2012	2,204,390	200,262	2,565	-	121,667	-	1,133,061	524,365	-	505,475	61,545	101,391	527	(49,666)	-	4,805,582	-	4,805,582
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)	2,204,390	200,262	2,565	-	121,667	-	1,133,061	524,365	-	505,475	61,545	101,391	527	(49,666)	-	4,805,582	-	4,805,582
	Changes in period																		
IV.	Increase/Decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities valuation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Hedging Funds (Effective Portion)	-	-	-	-	-	-	-	-	-	-	(138,623)	-	-	-	-	(138,623)	-	(138,623)
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	40,005	-	40,005	-	40,005
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	40,005	-	40,005	-	40,005
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)	-	-	-	-	-	-	-	13,877	-	-	-	-	-	-	-	13,877	-	13,877
XX.	Profit distribution	-	-	-	-	-	-	-	336,108	-	(495,978)	-	-	-	-	-	336,108	-	336,108
20.1	Dividends distributed	-	-	-	-	24,281	-	308,541	163,156	-	(495,978)	-	-	-	-	-	-	-	-
20.2	Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	24,281	-	308,541	163,156	-	(495,978)	-	-	-	-	-	-	-	-
	Closing Balance 30.06.2013 (III+IV+V+VI+VII+VIII+IX+X+XI+XII+ XIII+XIV+XV)	2,204,390	200,262	2,565	-	145,948	-	1,441,602	701,398	336,108	9,497	(77,078)	101,391	527	(9,661)	-	5,056,949	-	5,056,949

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

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IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Reviewed	Paid-in Capital	Effect of Inflation Acc. 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 Value Increase Fund	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.	Total Equity Before Minority Shares	Minority Shares	Total Equity
I	Current Period 01.01-30.06.2014																		
	Beginning Balance – 31.12.2013	2,204,390	200,262	2,565	-	145,948	-	1,441,602	706,722	-	544,545	(93,699)	101,391	527	32,185	-	5,286,438	-	5,286,438
	Changes in period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/Decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities valuation differences	-	-	-	-	-	-	-	-	-	-	51,951	-	-	-	-	51,951	-	51,951
IV.	Hedging Funds (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	(112,746)	-	(112,746)	-	(112,746)
4.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	(112,746)	-	(112,746)	-	(112,746)
4.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint vent.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	The disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	The reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	9,400	(14,989)	-	-	-	(9,400)	-	-	-	(14,989)	-	(14,989)
XVII.	Period net income/(loss)	-	-	-	-	-	-	-	290,278	-	-	-	-	-	-	-	290,278	-	290,278
XVIII.	Profit distribution	-	-	-	-	26,752	-	508,296	-	(535,048)	-	-	-	-	-	-	-	-	-
18.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves	-	-	-	-	26,752	-	508,296	-	(535,048)	-	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance 30.06.2014 (III+IV+V+VI+VII+VIII+IX+X+XI+XII+ XIII+XIV+XV+XVI+XVII+XVIII)	2,204,390	200,262	2,565	-	172,700	-	1,959,298	691,733	290,278	9,497	(41,748)	91,991	527	(80,561)	-	5,500,932	-	5,500,932

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



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UNCONSOLIDATED NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE  
PERIOD FROM 1 JANUARY TO 30 JUNE 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**VI. STATEMENT OF CASH FLOWS**

	Reviewed Current Period 01.01-30.06.2014	Reviewed Prior Period 01.01-30.06.2013
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	<b>1,382,092</b>	<b>988,205</b>
1.1.1 Interest received	2,588,075	1,640,487
1.1.2 Interest paid	(1,222,672)	(735,323)
1.1.3 Dividend received	8,559	3,234
1.1.4 Fees and commissions received	1,233,430	636,723
1.1.5 Other income	487,081	198,919
1.1.6 Collections from previously written off loans	187,676	194,493
1.1.7 Payments to personnel and service suppliers	(392,021)	(346,707)
1.1.8 Taxes paid	(109,871)	(100,481)
1.1.9 Others	(1,398,165)	(503,140)
<b>1.2 Changes in operating assets and liabilities</b>	<b>614,894</b>	<b>(1,859,279)</b>
1.2.1 Net (increase) decrease in financial assets held for trading	532,654	(651,555)
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	9,580	427
1.2.4 Net (increase) decrease in loans	(3,165,149)	(4,812,661)
1.2.5 Net (increase) decrease in other assets	(665,566)	(737,005)
1.2.6 Net increase (decrease) in bank deposits	316,273	1,419,631
1.2.7 Net increase (decrease) in other deposits	3,171,042	2,481,833
1.2.8 Net increase (decrease) in funds borrowed	793,919	1,149,947
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	(377,859)	(709,896)
<b>I. Net cash provided from banking operations</b>	<b>1,996,986</b>	<b>(871,074)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net cash provided from investing activities</b>	<b>578,399</b>	<b>(172,411)</b>
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries (Joint Vent.)	-	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries (Joint Vent.)	-	-
2.3 Fixed assets purchases	(24,370)	(39,270)
2.4 Fixed assets sales	87	1,479
2.5 Cash paid for purchase of financial assets available for sale	(2,598,363)	(4,630,005)
2.6 Cash obtained from sale of financial assets available for sale	3,210,883	4,502,699
2.7 Cash paid for purchase of investment securities	-	-
2.8 Cash obtained from sale of investment securities	-	-
2.9 Others	(9,838)	(7,314)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash provided from financing activities</b>	<b>(74,030)</b>	<b>218,285</b>
3.1 Cash obtained from funds borrowed and securities issued	622,100	495,115
3.2 Cash used for repayment of funds borrowed and securities issued	(696,130)	(276,830)
3.3 Capital increase	-	-
3.4 Dividends paid	-	-
3.5 Payments for finance leases	-	-
3.6 Other	-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>(2,340)</b>	<b>15,717</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>	<b>2,499,015</b>	<b>(809,483)</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	<b>1,832,774</b>	<b>3,467,204</b>
<b>VII. Cash and cash equivalents at end of the period</b>	<b>4,331,789</b>	<b>2,657,721</b>

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

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**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE  
PERIOD FROM 1 JANUARY TO 30 JUNE 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

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**SECTION THREE**

**ACCOUNTING PRINCIPLES**

**I. Basis of Presentation**

The Bank prepares financial statements and notes according to Regulation Principles and Procedures on Banks' Accounting Practice and Keeping Documents, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and annexes and comments (collectively "Turkish Accounting Standards" or "TAS") implemented by the the Public Oversight Auditing and Accounting Standards Authority (POA), other regulations, communiqués and circulars in respect of accounting and financial reporting promulgated by the Banking Regulatory and Supervision Agency (BRSA), announcements by BRSA, Turkish Commercial Code and Tax Legislation.

The prior period financial statements are presented in line with the principles of TAS Board 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.

**Additional paragraph for convenience of translation into English:**

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

**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.

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**II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions  
(Continued)**

At period ends, foreign currency asset and liability balances are valued at the Bank's period end counter currency buying rates and recognized as a "Foreign exchange gain or loss".

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.

**III. Explanations on Investments in Associates, Subsidiaries and Joint Ventures**

Based on the TAS 27 "Turkish Accounting Standard for Consolidated and Separate Financial Statements", Turkish Lira denominated investments in associates and subsidiaries are accounted at cost and are reflected to the unconsolidated financial statements after deducting the provision for impairment, if any.

**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.

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 Bank has adopted fair value and cash flow hedge accounting in order to avoid the effects of fair value and cash flow risks. The Bank documents relations between hedging instrument and hedged item on transaction date, in conjunction with strategies on objectives of the Bank's risk management and hedging transactions for hedging purposed transactions. Besides, the Bank that effectively values fair value changes of hedged items that are balanced by derivative transactions for hedging purposes documented regularly. In case that the hedging transactions do not meet the hedging accounting conditions, adjustments to fair value of hedged item, which are rediscounted within days to maturity, are reflected in Income Statement.

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**IV. Explanations on Forward and Option Contracts and Derivative Instruments (Continued)**

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.

**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 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.

**VII. Explanations on Financial Assets**

Financial instruments comprise of 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.

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**VII. Explanations on Financial Assets (Continued)**

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.

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.

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**VII. Explanations on Financial Assets (Continued)**

*Held to Maturity Investments and Financial Assets Available for Sale (Continued)*

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.

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.

Current period provisions are booked in “Provision for Loan Losses and Other Receivables” account. If the provisions for the receivables that had been realised in earlier periods are collected in current year, reversals of specific provisions are booked in “Other Operating Income”. Income realized through the sale of non-performing loans has been netted off with “Provision for Loan Losses and Other Receivables” in the financials.

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.

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**VII. Explanations on Financial Assets (Continued)**

*Loans and Provisions for Impairment (Continued)*

The Bank has reflected in related period financial statements the general provision difference calculated for standard and under close monitoring loans with the mentioned ratios and provided until 31 December 2015 according to change in paragraph 7, article 1 of Communiqué on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” dated 21 September 2012, numbered 28418.

**VIII. 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.

**IX. 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.

**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. 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 30 June 2014, the Bank has reverse repo amounting to TL1,130,283 (31 December 2013: None).

As of 30 June 2014, the Bank does not have any marketable securities lending transaction (31 December 2013: None).

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**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.

As of 30 June 2014, assets held for sale of the Bank are TL93,819 (31 December 2013: TL83,217). As per the appraisals performed for the real estates held for sale included "Assets Held for Sale" in the financial statements, TL5,211 (31 December 2013: TL4,961) has been reserved as provision for impairment losses.

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.



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**XII. Explanations on Goodwill and Other Intangible Assets (Continued)**

Under the Banking Regulation and Supervision Agency decision dated 10 February 2011 and the release of decision in Official Newspaper, all rights, receivables, assets and liabilities of Fortis Bank A.Ş. would be transferred to the Bank as stated in Istanbul Commerce Trade dated 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 resulting difference of TL48,783 is shown in related assets and liability section, the equity impact is shown under other shareholder's equity section. The amount of TL2,385,482, which is the difference between the fair value of identifiable net asset value of TL1,964,358 and the liability of TL421,124 is accounted as goodwill in the 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 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; 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

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**XIII. 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.

**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 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”.

**XV. 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. Provisions and contingent liabilities, excluding Specific and general provisions for loans and other receivables, are recognized in accordance with the Turkish Accounting Standards (“TAS 37”) regarding “Provisions, Contingent Liabilities and Contingent Assets”

The inspection of the Competition Board that was conducted to determine whether 12 banks active in Turkey are in agreement and concerted practice in loan and credit card services sector and thus violated Article 4 of the Law on Protection of Competition, no 4054) was completed on March 8 2013. As a result of inspection, it has been agreed by a majority to impose an administrative fine of TL10,669 to the Parent Bank on the condition that the decision can be appealed against before Ankara Administrative Court.

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**XV. Explanations on Provisions and Contingent Liabilities (Continued)**

The penalty paid as TL8,002 on 22 July 2013 as three fourths of the main penalty as per Article 17 of the Misdemeanors Law, no 5326, was paid on 16<sup>th</sup> August 2013. The Parent Bank filed the annulment action over the file no.2014/7E Ankara 2<sup>nd</sup> Administrative Court against the decision about the administrative fines imposed by Competition Board at Ankara Administrative Court on 19 September 2013 and the case has been continuing.

**XVI. 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.

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 30 June 2014 is TL115,239 (31 December 2013: TL85,297).

Communiqué on “Turkish Accounting Standard (TAS19) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (POA) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. For the period of 1 January - 30 June 2014, actuarial loss amounting to TL14,989 (1 January - 30 June 2013: TL13,877 actuarial profit) was classified as “Other Comprehensive Income” and as of 30 June 2014, a total of TL6,139 (30 June 2013: TL3,526 actuarial profit) actuarial loss was accounted under “Other Reserves”.

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**XVI. Explanations on Liabilities Regarding Employee Benefits (Continued)**

Employees transferred to the Bank following the business combination defined in “General Information” 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 30 June 2014, the Pension Fund has 2,280 employees and 949 pensioners (31 December 2013: 2,401 employees and 918 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 30 June 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 that are set out to determine the basis of fund transfers and new regulations became effective with its publication in the Official Gazette No: 26870 on 8 May 2008 and 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. According to amendment on the social security and general health insurance law published in the Official Gazette dated 8 March 2012 numbered 6283, mentioned 2-year transfer period has been increased to 4 years.

According to the related regulation, 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 considering related regulation 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 as of 30 June 2014. 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*

Based on the decision of the Foundation’s Extraordinary General Assembly and approval by the Board of Directors of the Bank, Güvenlik Vakfı a second foundation whose members joined the bank after the merger with Fortis Bank, transferred the retirement commitments to Individual Pension System after necessary legal procedures has been completed at 31 March 2014. From this date on, contributions by the bank to the Güvenlik Vakfı has been ended.

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**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 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.

*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 2013 and 31 December 2012, 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.

After net off the net deferred tax asset is presented as deferred tax asset on the balance sheet and net deferred tax liability presented as deferred tax liability on balance sheet. Deferred tax income has been presented on statement of profit and loss amounting to TL48,836 (30 June 2013: TL73,316 deferred tax expense). Portion of deferred tax accounted for under equity related to valuation differences which is presented in the table below has been netted and presented within relevant accounts in statement of profit and loss accounted for under equity.

	<b>Current period</b>	<b>Prior Period</b>
Available-for-sale financial assets	(12,988)	34,656
Cash flow hedge	28,187	(10,001)
Actuarial profit or loss	3,747	(3,469)
<b>Toplam</b>	<b>18,946</b>	<b>21,186</b>

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.

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**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 Bank are accounted at amortized cost using effective interest rate method.

The Bank has not issued convertible bonds.

**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 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 TL1,400,000 to TL2,204,390 and the issued capital of the Bank is increased by TL1,104,390 from TL1,100,000 to TL2,204,390.

**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 Bank.

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**XXII. Explanations on Reporting According to Segmentation**

The Bank mainly operates in retail and corporate banking segments.

<b>Current Period</b>	<b>Retail</b>	<b>Corporate</b>	<b>SME</b>	<b>Treasury/ Head Office</b>	<b>Total</b>
Net interest income	184,122	99,991	420,581	453,155	1,157,849
Net fees and commissions income and other operating income	97,105	76,553	172,469	166,461	512,588
Trading profit / loss	(224)	-	(1,259)	(133,294)	(134,777)
Dividend income	-	-	-	19,278	19,278
Impairment provision for loans and other receivables (-)	48,655	7,873	83,036	91,159	230,723
Other operating expenses (-)	167,290	21,363	221,271	545,064	954,988
<b>Profit before taxes</b>	<b>65,058</b>	<b>147,308</b>	<b>287,484</b>	<b>(130,623)</b>	<b>369,227</b>
Tax provision (-)	-	-	-	78,949	78,949
<b>Net profit for the period</b>	<b>65,058</b>	<b>147,308</b>	<b>287,484</b>	<b>(209,572)</b>	<b>290,278</b>

<b>Current Period</b>	<b>Retail</b>	<b>Corporate</b>	<b>SME</b>	<b>Treasury/ Head Office</b>	<b>Total</b>
Segment assets	10,246,281	8,224,423	19,316,203	20,488,219	58,275,126
Investments in associates, subsidiaries and jointly controlled entities	-	-	-	177,245	177,245
<b>Total Assets</b>	<b>10,246,281</b>	<b>8,224,423</b>	<b>19,316,203</b>	<b>20,665,464</b>	<b>58,452,371</b>
Segment liabilities	21,886,616	9,270,030	6,269,412	15,525,381	52,951,439
Shareholders' equity	-	-	-	5,500,932	5,500,932
<b>Total Liabilities</b>	<b>21,886,616</b>	<b>9,270,030</b>	<b>6,269,412</b>	<b>21,026,313</b>	<b>58,452,371</b>

<b>Prior Period (30.06.2013)</b>	<b>Retail</b>	<b>Corporate</b>	<b>SME</b>	<b>Treasury/ Head Office</b>	<b>Total</b>
Net interest income	175,852	97,607	392,018	362,057	1,027,534
Net fees and commissions income and other operating income	81,080	73,091	123,250	140,384	417,805
Trading profit / loss	(169)	(151)	(176)	90,809	90,313
Dividend income	-	-	-	4,940	4,940
Impairment provision for loans and other receivables (-)	66,093	19,963	98,060	97,128	281,244
Other operating expenses (-)	136,118	19,524	193,012	470,184	818,838
<b>Profit before taxes</b>	<b>54,552</b>	<b>131,060</b>	<b>224,020</b>	<b>30,878</b>	<b>440,510</b>
Tax provision (-)	-	-	-	104,402	104,402
<b>Net profit for the period</b>	<b>54,552</b>	<b>131,060</b>	<b>224,020</b>	<b>(73,524)</b>	<b>336,108</b>

<b>Prior Period (31.12.2013)</b>	<b>Retail</b>	<b>Corporate</b>	<b>SME</b>	<b>Treasury/ Head Office</b>	<b>Total</b>
Segment assets	9,431,252	8,075,811	17,004,574	18,729,125	53,240,762
Investments in associates, subsidiaries and jointly controlled entities	-	-	-	167,866	167,866
<b>Total Assets</b>	<b>9,431,252</b>	<b>8,075,811</b>	<b>17,004,574</b>	<b>18,896,991</b>	<b>53,408,628</b>
Segment liabilities	19,489,191	8,767,630	5,934,189	13,931,180	48,122,190
Shareholders' equity	-	-	-	5,286,438	5,286,438
<b>Total Liabilities</b>	<b>19,489,191</b>	<b>8,767,630</b>	<b>5,934,189</b>	<b>19,217,618</b>	<b>53,408,628</b>

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**XXIII. Explanations on Other Matters**

It has been resolved in the Ordinary General Assembly dated 25 March 2014 the Bank, TL535,048 that constitutes the 2013 net balance sheet profit shall be transferred to the extraordinary reserves after setting aside, in accordance with the proposal in the resolution of the Board of Directors, TL26,752 as legal reserves, TL0.43 (full TL) as profit distributed to the holders of the founder jouissance certificates, TL0.05 (full TL) as legal reserves.

**XXIV. Classification**

As of 30 June 2014, the Bank has classified reversals in current period from specific provisions which are booked in “Loans and Other Receivable Provision” in prior periods to “Other Operating Income”. To conform to changes in presentation of the financial statements the bank has made reclassifications amounting to TL58,005 between related accounts in the income statement as of 30 June 2013.



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**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 "Communiqué on Measurement and Assessment of Capital Adequacy of Banks ", "Communiqué on Credit Risk Mitigation Techniques", "Communiqué on Calculation of Risk Weighted Amounts for Securitizations" published on 28 June 2012 and Official Gazette numbered 28337 and "Communiqué on Equities of Banks" published on 1 November 2006 in the Official Gazette numbered 26333. The Bank's unconsolidated capital adequacy ratio is occurred 13.96% (31 December 2013: 14.23%) in accordance with the related Communiqué as of 30 June 2014.

In the computation of capital adequacy standard ratio, information prepared in accordance with statutory accounting data which is included in the calculation of credit and market risks classified as "Trading Accounts" and "Banking Accounts" according to the Regulation, is used.

Trading Accounts and the values deducted from the capital base in the shareholders' equity computation are excluded in calculation of 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.

Trading Accounts Counterparty receivables related to non-cash loans is multiplied with the loan conversion rates presented in article 5 of "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" and risk mitigation is applied in accordance with "Communiqué on Credit Risk Mitigation Techniques", calculated by applying the risk weights presented in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

In calculation of the basis of the value at credit risk for the derivative financial instruments and the receivables from counterparties indicated on the bank accounting are multiplied by the rates presented in the Appendix-2 of the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", is subjected to risk reduction presented in "Communiqué on Credit Risk Mitigation Techniques " and then included in the relevant exposure category presented in the article 6 of the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" and weighted to risk weight classification indicated as per Appendix-1 of the Regulation.

According to the Clause 7 of the " Communiqué on Measurement and Assessment of Capital Adequacy of Banks" presented in the article 5 of the regulation, "counterparty credit risk" is calculated for repurchase transactions, marketable securities and commodity market transactions.

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**I. Explanations Related to Capital Adequacy Standard Ratio (Continued)**

**Information related to the capital adequacy ratio:**

	Risk Weight									
Current Period-30 June 2014	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
<b>Value at Credit Risk Exposure Categories</b>										
Conditional and unconditional receivables from central governments or central banks	12,830,317	-	-	-	-	109,312	-	-	102,024	-
Conditional and unconditional receivables from regional or local governments	-	-	329,237	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	883	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	1,713,085	891,660	-	345,310	4,410	-	-	-
Conditional and unconditional receivables from corporate	-	-	-	-	-	22,036,407	-	-	-	-
Conditional and unconditional retail Receivables	-	-	-	-	14,542,999	409,416	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	5,040,693	-	-	-	-	-	-
Past due receivables	-	-	-	18,676	-	252,317	103,770	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	6,485	-	1,574	1,478,065	2,697,580	14,102	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Other receivables	769,937	-	23,151	-	-	1,160,338	-	-	-	-
<b>Total Value at Risk</b>	<b>13,600,254</b>	<b>-</b>	<b>2,065,473</b>	<b>5,957,514</b>	<b>14,542,999</b>	<b>24,315,557</b>	<b>1,586,245</b>	<b>2,697,580</b>	<b>116,126</b>	<b>-</b>
<b>Total Risk Weighted Assets</b>	<b>-</b>	<b>-</b>	<b>413,095</b>	<b>2,978,757</b>	<b>10,907,249</b>	<b>24,315,557</b>	<b>2,379,368</b>	<b>5,395,160</b>	<b>290,315</b>	<b>-</b>

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**I. Explanations Related to Capital Adequacy Standard Ratio (Continued)**

**Information related to the capital adequacy ratio: (Continued)**

	<b>Risk Weight</b>									
<b>Current Period-31 December 2013</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>1250%</b>
<b>Value at Credit Risk Exposure Categories</b>										
Conditional and unconditional receivables from central governments or central banks	10,777,742	-	-	-	-	143,176	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	284,303	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	4,286	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	829,610	861,663	-	375,412	12,863	-	-	-
Conditional and unconditional receivables from corporate	-	-	-	-	-	20,121,169	-	-	-	-
Conditional and unconditional retail Receivables	-	-	-	-	11,830,769	-	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	4,762,102	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	323,122	16,923	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	568,702	1,249,767	2,775,002	40,018	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Other receivables	680,115	-	13,553	-	-	2,584,590	-	-	-	-
<b>Total Value at Risk</b>	<b>11,457,857</b>	<b>-</b>	<b>1,127,466</b>	<b>5,623,765</b>	<b>11,830,769</b>	<b>24,120,457</b>	<b>1,279,553</b>	<b>2,775,002</b>	<b>40,018</b>	<b>-</b>
<b>Total Risk Weighted Assets</b>	<b>-</b>	<b>-</b>	<b>225,493</b>	<b>2,811,883</b>	<b>8,873,077</b>	<b>24,120,457</b>	<b>1,919,330</b>	<b>5,550,004</b>	<b>100,045</b>	<b>-</b>

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**I. Explanations Related to Capital Adequacy Standard Ratio (Continued)**

**Summary information related to the capital adequacy ratio:**

	<b>Current Period</b>	<b>Prior Period</b>
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	3,734,360	3,488,023
Capital Requirement for Market Risk (CRMR)	56,537	69,240
Capital Requirement for Operational Risk CROR (*)	337,591	300,586
Total Capital	7,204,644	6,860,593
Total Capital /(((CRCR+CRMR+CROR)*12.5)*100	13.96	14.23
Tier 1 Capital/(((CRCR+CRMR+CROR)*12.5)*100	10.09	-
Common Equity Tier 1 Capital/(((CRCR+CRMR+CROR)*12.5)*100	10.09	-

(\*) Operational risk has been calculated by using the Basic Indicator Approach.

**Information related to the components of shareholders' equity:**

	<b>Current Period 30.06.2014</b>
<b>Common Equity Tier 1 Capital</b>	
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652
Share Premium	2,565
Share Cancellation Profits	-
Reserves	2,774,948
Income recognized under equity in accordance with TAS	91,991
Profit	299,775
Current Period's Profit	290,278
Prior Period's Profit	9,497
General Reserves for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	527
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>5,574,458</b>
<b>Deductions from Common Equity Tier 1 Capital</b>	<b>-</b>
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	41,748
Leasehold Improvements on Operational Leases (-)	68,187
Goodwill and intangible asset and the related deferred tax liability (-)	256,049
Net Deferred Tax Asset / Liability (-)	-
Excess amount expressed in the law (Article 56 4th paragraph) (-)	-
Bank's direct or indirect investments on its own Tier 1 Capital (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Amounts related to mortgage servicing rights (-)	-
Excess amount of deferred tax assets from temporary differences (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from common equity tier 1 capital (-)	-
<b>Total Deductions from common equity tier 1 Capital</b>	<b>365,984</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>5,208,474</b>

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**I. Explanations Related to Capital Adequacy Standard Ratio (Continued)**

**Informations related to components of shareholders' equity : (Continued)**

	<b>Current Period 30.06.2014</b>
<b>Additional Tier 1 Capital</b>	
Premiums that are not included in Common Equity Tier 1 capital	-
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014 )	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014 )	211,910
<b>Additional Tier 1 Capital before deductions</b>	<b>211,910</b>
<b>Deductions from Additional Tier 1 Capital</b>	<b>-</b>
Bank's a direct or indirect investment in Tier 1 Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other Items Determined by BRSA(-)	-
The amount to be deducted from Additional Tier 1 Capital (-)	-
<b>Total Deductions from Additional Tier 1 Capital</b>	<b>-</b>
<b>Total Additional Tier 1 Capital</b>	<b>211,910</b>
<b>Deductions From Tier 1 Capital</b>	<b>-</b>
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	211,910
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-
<b>Tier 1 Capital</b>	<b>5,208,474</b>
<b>Tier 2 Capital</b>	
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014 )	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014 )	1,445,875
Pledged assets of the shareholders to be used for the Bank's capital increases	-
General Provisions	559,332
<b>Tier 2 Capital Before Deductions</b>	<b>2,005,207</b>
<b>Deductions From Tier 2 Capital</b>	<b>-</b>
Bank's direct or indirect investment in Tier 2 capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common EquityTier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other Items Determined by BRSA(-)	-
<b>Total Deductions From Tier 2 Capital</b>	<b>-</b>
<b>Tier 2 Capital</b>	<b>2,005,207</b>

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**I. Explanations Related to Capital Adequacy Standard Ratio (Continued)**

**Informations related to components of shareholders' equity : (Continued)**

	<b>Current Period 30.06.2014</b>
<b>TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS</b>	<b>7,213,681</b>
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	8,339
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets	
Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years(-)	675
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-
Securitization positions that is deducted -preferably- from the shareholders' equity (Article 20 paragraph 2 ) (-)	-
Other items to be defined by BRSA (-)	23
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%, but exceeding 10% of Common Equity Tier 1 not deducted from Common Equity Tier 1, Tier 1 or Tier 2 (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of the bank (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of bank (-)	-
<b>TOTAL CAPITAL</b>	<b>7,204,644</b>
<b>Amounts below deduction thresholds</b>	<b>-</b>
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%	9,226
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%	-
Mortgage servicing rights	-
Deferred tax assets arising from temporary differences (net of related tax liability)	102,024

**Information related to the components of shareholders' equity:**

	<b>Amount to be considered in equity calculation in current period</b>	<b>Total</b>
Minority shares in Common Equity Tier 1 Capital	-	-
Third parties in Additional Tier 1 Capital	-	-
Third parties in Tier 2 Capital	-	-
Bank's borrowing instruments and related premium (issued before 1.1.2014 ) (*)	1,657,785	1,657,785

(\*) Borrowing items that are not possessed to Communiqué on Equities of Banks (article 7 and 8) will be deducted 10% for each year as of 01.01.2015.

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**I. Explanations Related to Capital Adequacy Standard Ratio (Continued)**

**Information related to the components of prior period shareholders' equity:**

	<b>Prior Period 31.12.2013</b>
<b>CORE CAPITAL</b>	
Paid-in Capital	2,204,390
Nominal Capital	2,204,390
Capital Commitments (-)	-
Inflation Adjustments to Paid-in Capital	200,262
Share Premium	2,565
Share Cancellation Profits	-
Reserves (*)	2,245,489
Inflation Adjustments to Reserves	-
Profit	544,545
Current Period's Profit (*)	535,048
Prior Period's Profit	9,497
Provision for Possible Losses (up to 25% of Core Capital)	-
Income on Sale of Equity Shares and Real Estates	101,391
Primary Subordinated Debts	212,970
Loss (in excess of Reserves) (-)	-
Current Period's Losses	-
Prior Period's Losses	-
Leasehold Improvements on Operational Leases (-)	76,969
Intangible Assets (-)	473,933
Deferred Tax Asset in excess of 10% of Core Capital (-)	-
Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-
<b>Total Core Capital</b>	<b>4,960,710</b>
<b>SUPPLEMENTARY CAPITAL</b>	
General Provisions	537,702
45% of Revaluation Surplus on Movables	-
45% of Revaluation Surplus on Immovables	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	527
Primary Subordinated Debts excluding the portion included in Core Capital	-
Secondary Subordinated Debts	1,462,838
45% of Securities Value Increase Fund	(93,699)
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit/Loss (excluding inflation adjustment of reserves)	-
<b>Total Supplementary Capital</b>	<b>1,907,368</b>
<b>CAPITAL</b>	<b>6,868,078</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>7,485</b>
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at 10% or more	-
Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10% exceeding 10% or more of the Total Core and Supplementary Capitals	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	6,763
Net Book Values of Immovables exceeding 50% of the Capital and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained more than Five Years	631
Securitization Positions to be Deducted from Equity	-
Other Deduction Items	91
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>6,860,593</b>

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**I. Explanations Related to Capital Adequacy Standard Ratio (Continued)**

**Information related to the components of shareholders' equity:**

Issuer	IFC	IFC	BNP Paribas	BNP Paribas	EBRD	BNP Paribas	EBRD
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS0700889081	XS0808626013	XS0780562665	XS0947781315	XS0947781828
Governing law(s) of the instrument	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey
<b>Regulatory treatment</b>							
Subject to 10% deduction as of 1/1/2015	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Eligible at solo/group/group&solo	Available	Available	Available	Available	Available	Available	Available
Instrument type	Credit	Credit	Borrowing	Borrowing	Borrowing	Borrowing	Borrowing
Amount recognised in regulatory capital			Instrument	Instrument	Instrument	Instrument	Instrument
(Currency in mil, as of most recent reporting date)	211.9	21.2	497.7	289.6	137.7	362.0	137.7
Par value of instrument	211.9	106.0	506.7	289.6	137.7	362.0	137.7
Accounting classification	34700001	34701030	34701100	34701100	34701100	34701100	34701100
Original date of issuance	31.07.2007	29.06.2005	04.11.2011	20.07.2012	14.05.2012	27.06.2013	28.06.2013
Perpetual or dated	Demand	Time	Time	Time	Time	Time	Time
Original maturity date	Demand	15.07.2015	04.11.2023	20.07.2024	14.05.2024	27.06.2023	28.06.2023
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available	Available	Available
Optional call date, contingent call dates and redemption amount	31.07.2017	15.07.2010	04.11.2018	20.07.2019	14.05.2019	27.06.2018	28.06.2018
Subsequent call dates, if applicable	-	-	-	-	-	-	-
<b>Coupons / dividends</b>							
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating	Floating	Floating
	LIBOR +	LIBOR +			LIBOR +	Euribor +	LIBOR +
Coupon rate and any related index	3.5%	3.18%	Euribor+4.75%	Euribor+4.75%	5.75%	2.10%	3.40%
Existence of a dividend stopper	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	Available	Nil	Nil	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Convertible or non-convertible</b>							
If convertible, conversion trigger (s)	Repayment						
	option(*)	-	-	-	-	-	-
If convertible, fully or partially	Total	-	-	-	-	-	-
If convertible, conversion rate	(*)	-	-	-	-	-	-
If convertible, mandatory or optional conversion	Optional	-	-	-	-	-	-
If convertible, specify instrument type convertible into	Share	-	-	-	-	-	-
If convertible, specify issuer of instrument it converts into	TEB	-	-	-	-	-	-
<b>Write-down feature</b>							
If write-down, write-down trigger(s)	-	-	-	-	-	-	-
If write-down, full or partial	-	-	-	-	-	-	-
If write-down, permanent or temporary	-	-	-	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	tier 2 debt	Deposit and	Deposit and	Deposit and	Deposit and	Deposit and	Deposit and
	instruments	other	other	other	other	other	other
		receivables	receivables	receivables	receivables	receivables	receivables
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Not Possess	Not Possess	Not Possess	Not Possess	Not Possess	Not Possess	Not Possess
According to article 7 and 8 of Banks' shareholders equity law that are not possessed (**)	Article 7/2 (ç), (f), (i), (j)	Article 8/2 (ğ)	Article 8/2 (ğ)	Article 8/2 (ğ)	Article 8/2 (ğ)	Article 8/2 (ğ)	Article 8/2 (ğ)

(\*) The additional tier 1 borrowing obtained from IFC on 31 June 2007 was structured in such a manner that entitle IFC to convert the borrowing to common shares in case of not paying back on 31 June 2007, at call option date. Conversion ratio will be calculated through valid market data if right is exercised.

(\*\*) Under article 7/2; in subsection Ç, clauses on step-up and incentive to redeem; in subsection i and j conditions of conversion to common shares and write-down are stated. Under article 8/2 in subsection Ğ mechanism of write-down or conversion to common shares are stated.



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**II. Explanations Related to Market Risk**

The Bank’s risk management operations, applied in accordance with Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” and “Regulations about Bank’s Internal Systems” are conducted by The Board of Directors.

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 Parent Bank related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy and the amount subject to Value at Risk (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 historic simulation. These results are also reported daily to the management.

i) Information Related to Market Risk:

	<b>Amount</b>
(I) Capital Requirement against General Market Risk - Standard Method	15,967
(II) Capital Requirement against Specific Risks - Standard Method	751
Capital requirement against Specific Risks of Securitization Positions– Standard Method	-
(III) Capital Requirement against Currency Exchange Risk - Standard Method	10,568
(IV) Capital Requirement against Commodity Risks - Standard Method	-
(V) Capital Requirement against Exchange Risks - Standard Method	-
(VI) Capital Requirement against Market Risks of Options - Standard Method	670
(VII) Capital requirement against Counterparty Credit Risks - Standard Method	28,581
(VIII) Capital Requirement against Market Risks of Banks applying Risk Measurement Model	-
(IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII)	56,537
<b>(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)</b>	<b>706,713</b>

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**III. 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 30 June 2014, the Bank's balance sheet long position is TL5,775,820 (31 December 2013: TL2,269,211 long position), off-balance sheet short position is TL5,748,900 (31 December 2013: TL2,713,582 short position) and as a result net foreign currency short position is TL26,920 (31 December 2013: TL444,371 net short position)

The announced current foreign exchange buying rates of the Bank at 30 June 2014 and the previous five working days in full TL are as follows:

	23.06.2014	24.06.2014	25.06.2014	26.06.2014	27.06.2014	30.06.2014
<b>USD</b>	2.1331	2.1288	2.1271	2.1271	2.1218	2.1191
<b>JPY</b>	0.0209	0.0209	0.0209	0.0209	0.0209	0.0209
<b>EURO</b>	2.8980	2.8958	2.9012	2.8904	2.8922	2.8956

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 30 June 2014 are as follows:

	Monthly Average Foreign Exchange Rate
<b>USD</b>	2.1136
<b>JPY</b>	0.0207
<b>EURO</b>	2.8735

**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 (*)	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
USD	10 increase	1,554	8,212	2	1
USD	10 decrease	(1,554)	(8,212)	(2)	(1)
EURO	10 increase	(2,473)	(672)	1	-
EURO	10 decrease	2,473	672	(1)	-

(\*) 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.

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**III. Explanations Related to Currency Risk (continued)**

**Information on the foreign currency risk of the Bank:**

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	3,135,734	2,664,282	922,725	6,722,741
Banks	80,409	165,768	87,299	333,476
Financial Assets at Fair Value through Profit and Loss (****)	10,873	10,200	175	21,248
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	261	1,695	6,123	8,079
Loans (**)	3,558,916	4,497,432	947,589	9,003,937
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	61,254	-	-	61,254
Held-To-Maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	5	-	5
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	103,976	42,009	374	146,359
<b>Total Assets</b>	<b>6,951,423</b>	<b>7,381,391</b>	<b>1,964,285</b>	<b>16,297,099</b>
<b>Liabilities</b>				
Bank Deposits	20,861	220,368	71,715	312,944
Foreign Currency Deposits (*)	4,700,477	6,866,584	997,088	12,564,149
Money Market Borrowings	-	-	-	-
Funds Provided From Other Financial Institutions	6,137,464	1,857,993	1,075,446	9,070,903
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	24,082	71,294	18,264	113,640
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities (***)	7,084	3,873	326	11,283
<b>Total Liabilities</b>	<b>10,889,968</b>	<b>9,020,112</b>	<b>2,162,839</b>	<b>22,072,919</b>
<b>Net Balance Sheet Position</b>	<b>(3,938,545)</b>	<b>(1,638,721)</b>	<b>(198,554)</b>	<b>(5,775,820)</b>
<b>Net Off-Balance Sheet Position</b>	<b>3,996,444</b>	<b>1,618,591</b>	<b>133,865</b>	<b>5,748,900</b>
Financial Derivative Assets (****)	8,297,489	13,599,486	1,001,621	22,898,596
Financial Derivative Liabilities (****)	4,301,045	11,980,895	867,756	17,149,696
Non-Cash Loans (*****)	2,975,728	3,284,126	161,756	6,421,610
<b>Prior Period</b>				
Total Assets	6,784,916	7,608,071	1,886,138	16,279,125
Total Liabilities	8,431,966	8,143,654	1,972,716	18,548,336
Net Balance Sheet Position	<b>(1,647,050)</b>	<b>(535,583)</b>	<b>(86,578)</b>	<b>(2,269,211)</b>
Net Off-Balance Sheet Position	<b>2,203,401</b>	<b>390,560</b>	<b>119,621</b>	<b>2,713,582</b>
Financial Derivative Assets (****)	6,605,365	11,528,017	606,223	18,739,605
Financial Derivative Liabilities (****)	4,401,964	11,137,457	486,602	16,026,023
Non-Cash Loans (*****)	3,069,829	3,383,713	135,892	6,589,434

(\*) Precious metal accounts amounting to TL558,824 (31 December 2013: TL671,360) are included in the foreign currency deposits.

(\*\*) Foreign currency indexed loans amounting to TL2,373,488 (31 December 2013: TL2,508,336) are included in the loan portfolio.

(\*\*\*) TL19,616 (31 December 2013: TL39,826) expense accruals from derivative financial instruments are deducted from other liabilities.

(\*\*\*\*) Forward asset and marketable securities purchase-sale commitments of TL517,521 (31 December 2013: TL626,064) are added to derivative financial assets and TL759,535 (31 December 2013: TL549,644) has been added to derivative financial liabilities.

(\*\*\*\*\*) TL31,108 (31 December 2013: TL32,146) 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.

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**IV. 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 repricing dates):**

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non- interest Bearing	Total
<b>Current Period</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	7,912,421	7,912,421
Banks	709,541	2,130	4,151	-	-	238,758	954,580
Financial Assets at Fair Value Through							
Profit and Loss	625	22,780	105,499	52,468	17,292	376,751	575,415
Money Market Placements	1,130,283	-	-	-	-	-	1,130,283
Available-For-Sale Financial Assets	474,579	1,296,858	1,246,630	659,500	32,456	20,974	3,730,997
Loans(*)	12,370,870	2,539,480	7,172,817	14,364,757	4,403,602	441,947	41,293,473
Held-To-Maturity Investments	30,568	84,535	192,947	-	-	-	308,050
Other Assets	4,699	-	9,775	54,679	1,458	2,476,541	2,547,152
<b>Total Assets</b>	<b>14,721,165</b>	<b>3,945,783</b>	<b>8,731,819</b>	<b>15,131,404</b>	<b>4,454,808</b>	<b>11,467,392</b>	<b>58,452,371</b>
<b>Liabilities</b>							
Bank Deposits	1,621,764	16,813	10,324	-	-	35,166	1,684,067
Other Deposits	24,659,290	5,626,069	265,240	62,799	191	5,427,713	36,041,302
Money Market Borrowings	1,179,883	-	-	-	-	-	1,179,883
Sundry Creditors	-	-	-	-	-	1,036,689	1,036,689
Marketable Securities Issued	238,703	-	395,567	-	-	-	634,270
Funds Provided From Other Financial Institutions	1,905,586	3,613,525	3,566,632	143,545	115,754	-	9,345,042
Other Liabilities	13,348	107	21,022	216,450	7,108	8,273,083	8,531,118
<b>Total Liabilities</b>	<b>29,618,574</b>	<b>9,256,514</b>	<b>4,258,785</b>	<b>422,794</b>	<b>123,053</b>	<b>14,772,651</b>	<b>58,452,371</b>
Balance Sheet Long Position	-	-	4,473,034	14,708,610	4,331,755	-	23,513,399
Balance Sheet Short Position	(14,897,409)	(5,310,731)	-	-	-	(3,305,259)	(23,513,399)
Off-Balance Sheet Long Position	1,355,350	3,115,636	-	-	-	-	4,470,986
Off-Balance Sheet Short Position	-	-	(581,557)	(3,705,599)	(133,168)	-	(4,420,324)
<b>Total Position</b>	<b>(13,542,059)</b>	<b>(2,195,095)</b>	<b>3,891,477</b>	<b>11,003,011</b>	<b>4,198,587</b>	<b>(3,305,259)</b>	<b>50,662</b>

(\*) Revolving loans amounting to TL6,383,660 are included in "Up to 1 Month" while mark to market differences from hedged loans amounting to TL15,004 are included in "1-5 Years".

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL304,664 assets amounting to TL471,277 subsidiaries amounting to TL177,240 and entities under common control (joint vent.) amounting to TL5, assets held for resale amounting to TL93,819 while other liabilities line includes the shareholders' equity of TL5,500,932.

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**IV. Explanations Related to Interest Rate Risk (Continued)**

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
<b>Prior Period</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	6,811,610	6,811,610
Banks	93,692	4,048	2,045	-	-	224,503	324,288
Financial Assets at Fair Value Through Profit and Loss	6,222	81,065	514,508	61,016	14,872	674,647	1,352,330
Money Market Placements	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	497,168	1,080,022	1,073,855	1,555,819	30,929	20,855	4,258,648
Loans (*)	11,932,821	1,922,493	6,698,651	13,067,450	4,139,381	374,161	38,134,957
Held-To-Maturity Investments	28,988	80,163	183,805	-	-	-	292,956
Other Assets	-	1,948	21,653	29,459	3,252	2,177,527	2,233,839
<b>Total Assets</b>	<b>12,558,891</b>	<b>3,169,739</b>	<b>8,494,517</b>	<b>14,713,744</b>	<b>4,188,434</b>	<b>10,283,303</b>	<b>53,408,628</b>
<b>Liabilities</b>							
Bank Deposits	1,330,881	28,478	8,182	-	-	116,470	1,484,011
Other Deposits	19,667,238	7,272,654	487,812	68,409	-	5,307,850	32,803,963
Money Market Borrowings	1,062,443	-	-	-	-	-	1,062,443
Sundry Creditors	-	-	-	-	-	1,109,670	1,109,670
Marketable Securities Issued	-	278,005	432,271	-	-	-	710,276
Funds Provided From Other Financial Institutions	1,447,824	2,963,171	3,878,348	164,800	117,152	-	8,571,295
Other Liabilities	17,433	17,370	40,792	42,180	3,301	7,545,894	7,666,970
<b>Total Liabilities</b>	<b>23,525,819</b>	<b>10,559,678</b>	<b>4,847,405</b>	<b>275,389</b>	<b>120,453</b>	<b>14,079,884</b>	<b>53,408,628</b>
<b>Balance Sheet Long Position</b>	-	-	3,647,112	14,438,355	4,067,981	-	22,153,448
Balance Sheet Short Position	(10,966,928)	(7,389,939)	-	-	-	(3,796,581)	(22,153,448)
Off-Balance Sheet Long Position	634,851	2,411,576	-	-	-	-	3,046,427
Off-Balance Sheet Short Position	-	-	(1,619,693)	(1,156,183)	(158,017)	-	(2,933,893)
<b>Total Position</b>	<b>(10,332,077)</b>	<b>(4,978,363)</b>	<b>2,027,419</b>	<b>13,282,172</b>	<b>3,909,964</b>	<b>(3,796,581)</b>	<b>112,534</b>

(\*) Revolving loans amounting to TL6,850,037 are included in "Up to 1 Month" while mark to market differences from hedged loans amounting to TL3,404 are included in "1-5 Years".

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL321,832 intangible assets amounting to TL473,933 subsidiaries amounting to TL167,861 and entities under common control (joint vent.) amounting to TL5, assets held for resale amounting to TL83,217 while other liabilities line includes the shareholders' equity of TL5,286,438.

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**IV. Explanations Related to Interest Rate Risk (Continued)**

**Average interest rates applied to monetary financial instruments:**

	<b>EURO</b>	<b>USD</b>	<b>YEN</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	-	0.29	-	8.92
Financial Assets at Fair Value Through Profit and Loss	2.22	4.05	-	9.77
Money Market Placements	-	-	-	9.96
Available-For-Sale Financial Assets	2.94	3.80	-	10.18
Loans	4.14	4.25	3.09	13.29
Held-To-Maturity Investments	-	-	-	14.56
<b>Liabilities</b>				
Bank Deposits	1.42	0.38	-	5.89
Other Deposits	2.07	2.10	1.94	10.30
Money Market Borrowings	-	-	-	8.75
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	10.01
Funds Provided From Other Financial Institutions	1.45	2.54	2.14	7.67
	<b>EURO</b>	<b>USD</b>	<b>YEN</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	-	0.09	-	7.62
Financial Assets at Fair Value Through Profit and Loss	2.86	5.44	-	9.49
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	4.25	5.17	-	9.52
Loans	4.18	4.30	3.46	11.77
Held-To-Maturity Investments	-	-	-	11.34
<b>Liabilities</b>				
Bank Deposits	1.44	1.37	-	5.60
Other Deposits	2.51	2.60	0.16	8.72
Money Market Borrowings	-	-	-	6.68
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	8.32
Funds Provided From Other Financial Institutions	1.67	2.46	2.42	8.12

**Interest rate risk on banking accounts:**

- a) Nature of interest rate risk caused by the banking accounts, significant assumptions on the deposit movement excepting early repayment of the loans and time deposits and measurement frequency of the interest rate risk:

Interest rate risk resulting from the banking accounts whose imposed interest risk that is traced by the bank, as well as been assessing by the related committee in different angle. There is a limit to risk amount defined by the Board of Directors. According to view of market expectation of the bank in terms of currency, is taken care in order to supply balancing between assets and liabilities

Early repayment rate of loans is determined upon reviewing to feedback of previous mortgage rate movements. Repricing days of demand deposit at bank account is settled on basing of demand deposit movements in view of branches and accounts. Accepted assumptions in parallel of result are reflected to issue products in calculation of interest rate sensitivity.

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**IV. Explanations Related to Interest Rate Risk (Continued)**

- b) Economic value differences resulted from interest rate instabilities calculated according to "Regulation on measurement and evaluation of interest rate risk resulting from the banking accounts as per standard shock method":

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity- (Losses)/Equity
TRY	(400)	809,470	11.24%
TRY	500	(870,129)	(12.08)%
EURO	(200)	12,941	0.18%
EURO	200	(10,445)	(0.14)%
USD	(200)	45,000	0.62%
USD	200	(40,366)	(0.56)%
<b>Total (of negative shocks)</b>	<b>(800)</b>	<b>867,411</b>	<b>12.04%</b>
<b>Total (of positive shocks)</b>	<b>900</b>	<b>(920,940)</b>	<b>(12.78)%</b>

**Equity share position risk in banking accounts**

Equity securities which are not publicly traded are booked as their fair value, or otherwise booked as their cost value if calculation of fair value is not determined properly.

**V. 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.

Considering specific stressors related to general market and banking, liquidity position is assessed and managed through various scenarios. The most important of these scenarios is to proceed with net liquid assets/ loans to customers ratio within the limit.

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**V. Explanations Related to Liquidity Risk (Continued)**

**Presentation of assets and liabilities according to their remaining maturities:**

<b>Current Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Undistributed (*)</b>	<b>Total</b>
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	2,276,388	5,636,033	-	-	-	-	-	7,912,421
Banks	238,758	709,541	2,130	4,151				954,580
Financial Assets at Fair Value Through Profit and Loss	-	53,872	57,118	329,774	115,127	19,524	-	575,415
Money Market Placements Available-For-Sale Financial Assets	-	1,130,283	-	-	-	-	-	1,130,283
Loans(**)	20,974	54,423	523,088	1,668,565	1,119,069	344,878	-	3,730,997
Held-To-Maturity Investments	-	12,350,002	2,265,371	7,032,705	14,815,371	4,454,584	375,440	41,293,473
Other Assets	-	-	-	-	-	308,050	-	308,050
	-	4,699	-	9,775	54,679	1,458	2,476,541	2,547,152
<b>Total Assets</b>	<b>2,536,120</b>	<b>19,938,853</b>	<b>2,847,707</b>	<b>9,044,970</b>	<b>16,104,246</b>	<b>5,128,494</b>	<b>2,851,981</b>	<b>58,452,371</b>
<b>Liabilities</b>								
Bank Deposits	35,166	1,621,764	16,813	10,324	-	-	-	1,684,067
Other Deposits	5,427,713	24,659,290	5,626,069	265,240	62,799	191	-	36,041,302
Funds Provided From Other Financial Institutions	-	1,477,714	3,314,872	2,454,348	545,357	1,552,751	-	9,345,042
Money Market Borrowings	-	1,179,883	-	-	-	-	-	1,179,883
Marketable Securities Issued	-	238,703	-	395,567	-	-	-	634,270
Sundry Creditors	-	1,036,689	-	-	-	-	-	1,036,689
Other Liabilities	-	1,514,371	151,563	195,071	284,527	8,335	6,377,251	8,531,118
<b>Total Liabilities</b>	<b>5,462,879</b>	<b>31,728,414</b>	<b>9,109,317</b>	<b>3,320,550</b>	<b>892,683</b>	<b>1,561,277</b>	<b>6,377,251</b>	<b>58,452,371</b>
<b>Liquidity Gap</b>	<b>(2,926,759)</b>	<b>(11,789,561)</b>	<b>(6,261,610)</b>	<b>5,724,420</b>	<b>15,211,563</b>	<b>3,567,217</b>	<b>(3,525,270)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	1,791,995	17,410,845	2,216,474	8,376,876	16,182,591	4,968,207	2,461,640	53,408,628
Total Liabilities	5,424,320	25,185,994	9,110,854	5,273,486	739,579	1,573,978	6,100,417	53,408,628
<b>Liquidity Gap</b>	<b>(3,632,325)</b>	<b>(7,775,149)</b>	<b>(6,894,380)</b>	<b>3,103,390</b>	<b>15,443,012</b>	<b>3,394,229</b>	<b>(3,638,777)</b>	<b>-</b>

(\*) 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.

(\*\*) Revolving loans amounting to TL6,383,600 (31 December 2013: TL6,850,037) are included in "Up to 1 Month" while mark to market differences from hedged loans amounting to TL15,004 (31 December 2013: TL3,404) are included in "1-5 Years".



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**V. Explanations Related to Liquidity Risk (Continued)**

**Securitization positions:**

The Bank does not apply securitization as of 30 June 2014 (31 December 2013: None).

**Credit Risk Mitigation Techniques:**

- a) Process of net-offs of balance sheet and off-balance sheet items and net-offs made through policies and bank’s net-off usage level,

Bank does not perform net-off of balance sheet and off-balance sheet items in credit risk mitigation.

- b) Applications regarding valuation and management of collaterals,

Monetary collaterals are valued at fair value as of reporting date and are included in the risk mitigation process. Mortgages’ legal validity is sustained by mortgage’s timely and fair approval. Changes considerably important in market conditions are monitored.

- c) Types of collaterals received,

In terms of credit risk mitigation bank uses cash, government and treasury bonds, fund, gold, bank guarantee, stock and derivatives as main collateral type. Mortgages on dwelling and commercial real estate reported under different risk class are other main types of collaterals.

- d) Main Guarantor and credit derivatives’ counter party and their credit valuableness,

Guarantor entity’s credit risk value is to be considered in credit risk mitigation process in cases where bank credit customers obtained guarantee from other entities.

- e) Information on Credit mitigation in market or credit risk concentration,

Bank mostly prefers cash, securities such as government and Treasury bond for collateral which have low market and credit risk mitigation risk.

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**V. Explanations Related to Liquidity Risk (Continued)**

**Credit Risk Mitigation Techniques (Continued):**

f) Collaterals in terms of Risk Categories:

**Current Period**

<b>Exposure classifications</b>	<b>Amount</b>	<b>Financial Collaterals</b>	<b>Other/Physical Collaterals</b>	<b>Guarantees and Credit Derivatives</b>
Conditional and unconditional receivables from central governments or central banks	364,372	-	-	-
Conditional and unconditional receivables from regional or local governments	65,847	3,007	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	883	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables and brokerage houses	1,140,371	111,548	-	-
Conditional and unconditional corporate receivables	22,036,407	1,133,326	-	-
Conditional and unconditional retail receivables	11,316,665	328,635	-	-
Conditional and unconditional secured mortgage receivables	2,520,347	-	-	-
Past due receivables	417,310	204	-	-
Receivables in high risk category defined by BRSA	7,652,330	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	1,164,969	-	-	-
<b>Total</b>	<b>46,679,501</b>	<b>1,576,720</b>	<b>-</b>	<b>-</b>

**Prior Period**

<b>Exposure classifications</b>	<b>Amount</b>	<b>Financial Collaterals</b>	<b>Other/Physical Collaterals</b>	<b>Guarantees and Credit Derivatives</b>
Conditional and unconditional receivables from central governments or central banks	143,176	-	-	-
Conditional and unconditional receivables from regional or local governments	56,861	1,533	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	4,286	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	991,461	128,187	-	-
Conditional and unconditional corporate receivables	20,121,169	1,305,357	-	-
Conditional and unconditional retail receivables	8,873,076	281,814	-	-
Conditional and unconditional secured mortgage receivables	2,381,051	-	-	-
Past due receivables	348,506	-	-	-
Receivables in high risk category defined by BRSA	8,093,402	1,226	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	2,587,301	17,656	-	-
<b>Total</b>	<b>43,600,289</b>	<b>1,735,773</b>	<b>-</b>	<b>-</b>

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**V. Explanations Related to Liquidity Risk (Continued)**

**Risk management objectives and policies:**

- a) Strategies and practices on risk management,

The objective of the Risk Management system is to provide that the risks that are derived from the bank’s activities are defined, measured, monitored and controlled through policies, procedures and limits established.

Risk Management functions of the Bank and all of its subsidiaries have been gathered under the Risk Management Group. Group Risk Management reports to the Boards of Directors of TEB through the Audit Committee within the Bank and is responsible for fulfilling its duties of general supervision, notification and recommendation on behalf of the Boards of Directors in line with the principles laid down in this Regulation.

Risk policies and the procedures related there to contain written standards set by the Board of Directors and the “Senior Management” consisting of General Manager, Assistant General Managers and Chief Risk Officer.

Risk policies and related procedures are prepared in compliance with the Banking Law, external legislation and general banking practices and presented to the Senior Management / Board of Directors for approval.

It is the principal duty of all managers to provide compliance with risk policies containing the criteria required for each unit and to provide that TEB Group risk culture is adopted by all employees.

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**V. Explanations Related to Liquidity Risk (Continued)**

**Risk management objectives and policies: (Continued)**

b) Structure and organization of Risk management system,

Risk Management activities consist of; risk measurement, risk monitoring, risk control and reporting. Risk Management activities are performed by Group Risk Management and its staff.

Head of Group Risk Management reports to the Board of Directors via Audit Committee.

c) Risk reporting and measurement systems’ scope and qualification,

- In order to ensure that the results of risk measurement and monitoring are regularly and timely reported to the Board of Directors and to the Senior Management, realization of the following shall be monitored:
- The risks of the Bank are reported in a detailed and reliable manner to the Board of Directors, to the Audit Committee, to the Senior Management, to the auditors, to the banking authorities, to the rating organizations and finally to the public; and more generally, to keep relations with legal authorities, supervisory and rating organizations in matters related to risk management.
- The quantifiable risks are kept within prescribed limits; excesses are identified, stress tests and scenario analyses are performed to evaluate the effect of unexpected market conditions on basic activities and the results are reported to the Board of Directors or to the Senior Management timely and regularly.
- Data on positions and prices is followed up, risk balances are monitored, excesses are identified and monitored, various scenario analyses are performed, value at risk amounts are determined and reported, coordination with other activity fields and units is ensured,
- Daily reports from risk measurement models used by the Bank are generated, these reports are analyzed, it’s ensured that quantifiable risks comply with prescribed limits and the conformity with the limits is monitored,
- Limits defined for each risk on unit/organization basis are aggregated and monitored on a consolidated basis.

The Group Risk Management follows the consequences of the results of risk measurement and monitoring and submits them to the Board of Directors either directly or through the Audit Committee.

i) Credit Risk

Bank has internal rating models for corporate and SME segments. Application and behavioral score cards are used for entity and individual segments.

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**V. Explanations Related to Liquidity Risk (Continued)**

**Risk management objectives and policies: (Continued)**

**ii) Market Risk**

For FX position, limits in different breakdowns are determined by Board of Directors and option operations are considered with delta conjugates.

In regular analysis, net interest income effects originating from interest rates changes are calculated for all interest rates sensitive products and the results are followed up in limits determined by Board of Directors. The shocks which are given to interest rates are changes by each currencies and in linear scenario analysis, not only linear but also sudden shocks are evaluated. These analyses may be performed for both current and targeted balance sheet figures.

According to economical value approach, changes in market interest rates may affect Bank’s assets, liabilities and off balance sheet items values. Bank’s economic value’s sensitivity to interest rate is an important issue for stockholders, management and auditors.

Economic value of a product is net present value that is calculating by discounting expected cash flow.

Economic value of the bank is the net present value of the cash flows that is subtracting expected cash flows of liabilities from net present value of assets and adding off balance sheet items expected cash flows. Economic value approach represents Bank’s value’s sensitivity to interest rate fluctuations.

Market value of equity is defined as the difference between the market value of assets and liabilities. The Board of Directors predefines a limit for market value of equity; shock method is applied to all items to be able to see equity’s influence on market value. Shocks applied may vary based on currencies.

As Economical Value approach considers effects of interest rate changes on all future cash flows, it enables to comprehensively understand effects of interest rate changes in the long run.

In addition to these analyses, Group Risk Management, based on current position, conducts stress testing to be able to predict possible losses as a consequence of exceptional fluctuations. Stress testings prepared by BNP Paribas and TEB Group Risk Management measure the sensitivity created as a result of market price changes based on scenarios. Scenario analysis both on historical and hypothetical basis are conducted

Scenario analysis is applied both to currency and interest rates to be able to understand the effects on current portfolio.

Other than scenario analysis, various stress testings are applied to current portfolio; motive behind which is to see the effects of prior events on current position.

Nominal amount limits defined for bond portfolio, VaR (value at risk) limit for trading portfolio, and PV01 limits set for tracking interest rate risk are calculated daily, tracked and reported to the management.

Both interest rate and liquidity gap calculations are made for each item of the balance sheet. For both calculations, as product based cash flows are formed, repricing, maturity and product based acceptances are also considered.

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**V. Explanations Related to Liquidity Risk (Continued)**

**Risk management objectives and policies: (Continued)**

ii) Market Risk (Continued)

Monthly reports are prepared for Market and Liquidity Risk Committees. Reports include end of the day positions, monthly/annual cumulative profit/loss balances and some positions taken in that month.

All limit and risk positions are represented to Audit Committee and to The Board of Directors.

- d) Procedures on risk management and risk mitigation policies with regular control of their effectiveness.

The Bank maintains legal validation of collaterals used for credit risk mitigation and complies with operational standards which are required for capital adequacy regulation. Market values of collaterals are regularly updated. All physical collaterals are insured. Collateral deficiency in amount or quality is determined by monitoring system and actions are taken by related groups.

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**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	336,163	422,223	307,322	366,380
Balances with the Central Bank of Turkey	853,517	6,265,817	324,975	5,792,967
Other	-	34,701	-	19,966
<b>Total</b>	<b>1,189,680</b>	<b>6,722,741</b>	<b>632,297</b>	<b>6,179,313</b>

**b) Information related to the account of the Central Bank of Turkey:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	853,517	-	324,975	-
Unrestricted time deposit	-	629,784	-	527,994
Restricted time deposit	-	5,636,033	-	5,264,973
<b>Total</b>	<b>853,517</b>	<b>6,265,817</b>	<b>324,975</b>	<b>5,792,967</b>

TL629,784 (31 December 2013: TL527,994) foreign currency unrestricted deposit, TL5,636,033 (31 December 2013: TL5,264,973) foreign currency restricted deposit and TL853,517 (31 December 2013: TL324,975) unrestricted deposit balance comprises of reserve deposits. As of 30 June 2014, the Turkish Lira required reserve ratios are determined to be within the range of 5% and 11.50% depending on the maturity structure of deposits denominated in Turkish Lira (31 December 2013: 5%-11.50% for all Turkish Lira liabilities), and the required reserve ratios for foreign currency deposits and other liabilities within the range of 6% and 13% (31 December 2013: 6%-13% 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:  
None (31 December 2013: 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	-	-	-	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Net book value of unrestricted financial assets at fair value through profit and loss is TL121,083 (31 December 2013: TL653,630)

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**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	81,271	3,904	166,898	11,137
Swap Transactions	257,991	30,867	254,056	16,242
Futures Transactions	-	-	-	-
Options	71,696	8,603	235,910	14,457
Other	-	-	-	-
<b>Total</b>	<b>410,958</b>	<b>43,374</b>	<b>656,864</b>	<b>41,836</b>

**3. Information on banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	561,713	106,082	8,171	59,683
Foreign	59,391	227,394	67,202	189,232
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>621,104</b>	<b>333,476</b>	<b>75,373</b>	<b>248,915</b>

**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	411,492	-	738,279	-
Other	-	-	-	-
<b>Total</b>	<b>411,492</b>	<b>-</b>	<b>738,279</b>	<b>-</b>

a.2) Financial assets available-for-sale subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	1,162,650	-	1,097,509	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>1,162,650</b>	<b>-</b>	<b>1,097,509</b>	<b>-</b>

Net book value of unrestricted financial assets available-for-sale is TL2,156,855 (31 December 2013: TL2,422,860).



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**I. Explanations and Disclosures Related to the Assets (Continued)**

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

b) Information on financial assets available for sale portfolio:

	<b>Current Period</b>	<b>Prior Period</b>
Debt securities	3,710,023	4,237,793
Quoted on a stock exchange	3,710,023	4,237,793
Not quoted	-	-
Share certificates	20,974	20,855
Quoted on a stock exchange (*)	-	1,220
Not quoted	20,974	19,635
Impairment provision (-)	-	-
<b>Total</b>	<b>3,730,997</b>	<b>4,258,648</b>

(\*) Mutual funds participation certificate amount: TL1,220 (30 June 2014: None).

All unquoted available for sale equities are recorded at fair value except for the Bank's investment of TL11,748 which is recorded at cost since its fair value cannot be reliably estimated (31 December 2013: TL10,409).

**5. Information on loans:**

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
Direct loans granted to shareholders	1,592	10	7,130	10
Corporate shareholders	918	-	6,540	-
Real person shareholders	674	10	590	10
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	54,393	-	57,035	-
<b>Total</b>	<b>55,985</b>	<b>10</b>	<b>64,165</b>	<b>10</b>

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**I. Explanations and Disclosures Related to the Assets (Continued)**

**5. Information on loans: (Continued)**

- b) Information on the first and second group loans and other receivables including restructured or rescheduled loans:

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring (*)		
	Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms		Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms	
		Restructured or Rescheduled	Other		Restructured or Rescheduled	Other
<b>Cash Loans</b>						
<b>Non-specialized loans</b>	<b>39,649,007</b>	<b>621,791</b>	<b>-</b>	<b>1,269,026</b>	<b>220,012</b>	<b>-</b>
Working capital loans	-	-	-	-	-	-
Export loans	4,312,509	73,215	-	11,310	6,239	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	604,308	-	-	21	-	-
Consumer loans (**)	10,686,325	288,479	-	405,951	23,939	-
Credit cards	2,328,539	-	-	157,235	4,391	-
Other	21,717,326	260,097	-	694,509	185,443	-
<b>Specialized loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>39,649,007</b>	<b>621,791</b>	<b>-</b>	<b>1,269,026</b>	<b>220,012</b>	<b>-</b>

(\*) 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.

(\*\*) TL15,004 of income accrual resulting from the fair value difference of the hedged item loans is included in the loan balance.

<b>No. of extensions</b>	<b>Performing Loans and Other Receivables (*)</b>	<b>Loans and Other Receivables under Follow-up (*)</b>
1 or 2 times	614,922	215,143
3,4 or 5 times	4,531	4,059
Over 5 times	2,338	810
<b>Total</b>	<b>621,791</b>	<b>220,012</b>

<b>Extension Periods</b>	<b>Performing Loans and Other Receivables (*)</b>	<b>Loans and Other Receivables under Follow-up (*)</b>
0-6 months	171,115	128,462
6-12 months	59,575	10,780
1-2 years	154,835	41,802
2-5 years	208,350	36,884
5 years and over	27,916	2,084
<b>Total</b>	<b>621,791</b>	<b>220,012</b>

(\*) Amounts indicated in tables above was calculated based on criteria stated in "Specific and general allowances for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables" published on the Official Gazette no. 27947 dated 28 May 2011 5th paragraph of the provisional Article 4a.

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**I. Explanations and Disclosures Related to the Assets (Continued)**

**5. Information on loans: (Continued)**

- c) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

	Short Term	Medium and Long Term	Total
<b>Consumer Loans-TL</b>	<b>245,008</b>	<b>10,336,012</b>	<b>10,581,020</b>
Housing Loans	3,913	5,880,238	5,884,151
Vehicle Loans	5,569	607,115	612,684
General Purpose Loans	235,526	3,848,263	4,083,789
Other	-	396	396
<b>Consumer Loans –Indexed to FC</b>	<b>-</b>	<b>53,479</b>	<b>53,479</b>
Housing Loans	-	50,566	50,566
Vehicle Loans	-	-	-
General Purpose Loans	-	2,913	2,913
Other	-	-	-
<b>Consumer Loans-FC (**)</b>	<b>5</b>	<b>26,896</b>	<b>26,901</b>
Housing Loans	-	9,300	9,300
Vehicle Loans	-	9,311	9,311
General Purpose Loans	5	8,285	8,290
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>1,748,358</b>	<b>-</b>	<b>1,748,358</b>
With Installments	662,454	-	662,454
Without Installments	1,085,904	-	1,085,904
<b>Individual Credit Cards-FC</b>	<b>7,183</b>	<b>-</b>	<b>7,183</b>
With Installments	685	-	685
Without Installments	6,498	-	6,498
<b>Personnel Loans-TL</b>	<b>4,394</b>	<b>25,439</b>	<b>29,833</b>
Housing Loans	-	93	93
Vehicle Loans	-	-	-
General Purpose Loans	4,394	25,346	29,740
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>21,249</b>	<b>-</b>	<b>21,249</b>
With Installments	8,991	-	8,991
Without Installments	12,258	-	12,258
<b>Personnel Credit Cards-FC</b>	<b>180</b>	<b>-</b>	<b>180</b>
With Installments	-	-	-
Without Installments	180	-	180
<b>Overdraft Accounts-TL(Real Persons) (*)</b>	<b>391,869</b>	<b>-</b>	<b>391,869</b>
<b>Overdraft Accounts-FC(Real Persons)</b>	<b>9,174</b>	<b>-</b>	<b>9,174</b>
<b>Total</b>	<b>2,427,420</b>	<b>10,441,826</b>	<b>12,869,246</b>

(\*) Overdraft Accounts include personnel loans amounting to TL3,131

(\*\*) Loans granted via branches abroad.

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**I. Explanations and Disclosures Related to the Assets (Continued)**

**5. Information on loans: (Continued)**

d) Information on commercial loans with installments and corporate credit cards:

	Short Term	Medium and Long Term	Total
<b>Commercial loans with installment facility-TL</b>	<b>3,530,408</b>	<b>2,785,552</b>	<b>6,315,960</b>
Business Loans	91,370	130,017	221,387
Vehicle Loans	452,248	368,958	821,206
General Purpose Loans	2,986,790	2,286,577	5,273,367
Other	-	-	-
<b>Commercial loans with installment facility - Indexed to FC</b>	<b>408,412</b>	<b>291,156</b>	<b>699,568</b>
Business Loans	5,588	22,776	28,364
Vehicle Loans	55,634	92,981	148,615
General Purpose Loans	347,190	175,399	522,589
Other	-	-	-
<b>Commercial loans with installment facility –FC</b>	<b>8,675</b>	<b>-</b>	<b>8,675</b>
Business Loans	-	-	-
Vehicle Loans	2,726	-	2,726
General Purpose Loans	5,949	-	5,949
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>706,229</b>	<b>-</b>	<b>706,229</b>
With Installments	178,504	-	178,504
Without Installments	527,725	-	527,725
<b>Corporate Credit Cards-FC</b>	<b>2,575</b>	<b>-</b>	<b>2,575</b>
With Installments	-	-	-
Without Installments	2,575	-	2,575
<b>Overdraft Accounts-TL(Legal Entities)</b>	<b>984,641</b>	<b>-</b>	<b>984,641</b>
<b>Overdraft Accounts-FC(Legal Entities)</b>	<b>105</b>	<b>-</b>	<b>105</b>
<b>Total</b>	<b>5,641,045</b>	<b>3,076,708</b>	<b>8,717,753</b>

e) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	40,562,659	37,451,346
Foreign loans	355,374	343,566
<b>Total</b>	<b>40,918,033</b>	<b>37,794,912</b>

f) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	1,123	-
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>1,123</b>	<b>-</b>

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**I. Explanations and Disclosures Related to the Assets (Continued)**

**5. Information on loans: (Continued)**

g) Specific provisions provided against loans:

	<b>Current Period</b>	<b>Prior Period</b>
Loans and receivables with limited collectability	27,436	23,408
Loans and receivables with doubtful collectability	101,899	88,774
Uncollectible loans and receivables	546,853	415,894
<b>Total</b>	<b>676,188</b>	<b>528,076</b>

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

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

	<b>III. Group Loans and receivables with limited collectability</b>	<b>IV. Group Loans and receivables with doubtful collectability</b>	<b>V. Group Uncollectible loans and receivables</b>
<b>Current period</b> (Gross amount before specific provisions)			
Non-performing loans and receivables which are restructured	-	-	-
Non-performing loans and receivables which are rescheduled	17,308	7,179	5,210
<b>Prior period</b> (Gross amount before specific provisions)			
Non-performing loans and receivables which are restructured	-	-	-
Non-performing loans and receivables which are rescheduled	12,775	7,985	4,612

h.2) The movement of non-performing loans:

	<b>III. Group Loans and receivables with limited collectability</b>	<b>IV. Group Loans and receivables with doubtful collectability</b>	<b>V. Group Uncollectible loans and receivables</b>
<b>Prior period end balance</b>	<b>139,393</b>	<b>222,303</b>	<b>506,425</b>
Additions (+)	362,044	2,757	6,499
Transfers from other categories of non-performing loans (+)	-	277,480	202,049
Transfers to other categories of non-performing loans (-)	277,480	202,049	-
Collections (-)	59,247	55,671	72,758
Write-offs (-)	18	27	72
<b>Corporate and commercial loans</b>	<b>-</b>	<b>-</b>	<b>-</b>
Retail loans	6	10	36
Credit cards	12	17	36
Other	-	-	-
Current period end balance	<b>164,692</b>	<b>244,793</b>	<b>642,143</b>
Specific provision (-)	27,436	101,899	546,853
<b>Net Balances on Balance Sheet</b>	<b>137,256</b>	<b>142,894</b>	<b>95,290</b>

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**I. Explanations and Disclosures Related to the Assets (Continued)**

**5. Information on loans: (Continued)**

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>30 June 2014</b>			
Period End Balance	881	2,208	16,327
Specific Provision (-)	76	753	13,368
<b>Net Balance</b>	<b>805</b>	<b>1,455</b>	<b>2,959</b>
<b>31 December 2013</b>			
Prior Period End Balance	1,854	5,514	13,698
Specific Provision (-)	299	1,503	10,884
<b>Net Balance</b>	<b>1,555</b>	<b>4,011</b>	<b>2,814</b>

The foreign currency loans in the table above are stated in TL in the financial statements of the bank.

h.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	164,692	244,793	642,143
Specific Provision (-)	27,436	101,899	546,853
<b>Loans to Real Persons and Legal Entities (Net)</b>	<b>137,256</b>	<b>142,894</b>	<b>95,290</b>
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
<b>Other Loans and Receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	139,393	222,303	506,425
Specific Provision (-)	23,408	88,774	415,894
<b>Loans to Real Persons and Legal Entities (Net)</b>	<b>115,985</b>	<b>133,529</b>	<b>90,531</b>
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
<b>Other Loans and Receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**6. Information on held-to-maturity investments:**

a.1) Held-to-maturity investments subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	19,861	-	-	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>19,861</b>	<b>-</b>	<b>-</b>	<b>-</b>

a.2) 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	263,532	-	197,274	-
Other	-	-	-	-
<b>Total</b>	<b>263,532</b>	<b>-</b>	<b>197,274</b>	<b>-</b>

Unrestricted financial assets held-to maturity amounting to TL24,657 (31 December 2013:TL95,682).

a.3) Information on held to maturity debt securities:

	Current Period	Prior Period
Government bonds	308,050	292,956
Treasury bills	-	-
Other public sector debt securities	-	-
<b>Total</b>	<b>308,050</b>	<b>292,956</b>

a.4) Information on held to maturity investments:

	Current Period	Prior Period
Debt securities	308,050	292,956
Quoted on a stock exchange	308,050	292,956
Unquoted	-	-
Impairment provision (-)	-	-
<b>Total</b>	<b>308,050</b>	<b>292,956</b>

b) Movement of investments held-to-maturity:

	Current Period	Prior Period
Beginning balance	292,956	-
Foreign currency differences on monetary assets	-	-
Purchases during the year	15,094	292,956
Disposals through sales and redemptions	-	-
Impairment provision (-)	-	-
<b>Closing Balance</b>	<b>308,050</b>	<b>292,956</b>

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**I. Explanations and Disclosures Related to the Assets: (Continued)**

**7. Information on associates (Net):**

- a.1) Information on unconsolidated associates according to Communiqué on Preparing Banks' Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2013: None).
- a.2) Information on the unconsolidated associates: None (31 December 2013: None).
- a.3) Explanations of consolidated associates: None (31 December 2013: None).
- a.4) Information on sector information on consolidated associates: None (31 December 2013: None).
- a.5) Consolidated associates which are quoted on the stock exchange: None (31 December 2013: None).

**8. Information on subsidiaries (Net):**

- a) Information on shareholders' equity of significant subsidiaries:

	<b>TEB Economy Bank N.V.</b>	<b>TEB Faktoring A.Ş.</b>	<b>TEB Yatırım Menkul Değerler A.Ş.</b>	<b>TEB Portföy Yönetimi A.Ş.</b>
Paid-in capital	86,868	30,000	28,794	6,860
Legal reserves	-	9,177	11,803	5,760
Extraordinary reserves	-	15,525	-	-
Marketable securities valuation differences	1,265	-	-	(10)
Other reserves	(173)	(293)	27,819	(107)
Profit/loss	212,573	14,232	12,190	2,275
Prior periods profit/loss	204,429	6,583	8,566	1,830
Current period net profit/loss	8,144	7,649	3,624	445
Leasehold Improvements on Operational				
Leases (-)	22	148	17	-
Intangible Assets (-)	1,116	918	330	317
<b>Total Core Capital</b>	<b>299,395</b>	<b>67,575</b>	<b>80,259</b>	<b>14,461</b>
<b>Supplementary Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital</b>	<b>299,395</b>	<b>67,575</b>	<b>80,259</b>	<b>14,461</b>
<b>Net Usable Equity</b>	<b>299,395</b>	<b>67,575</b>	<b>80,259</b>	<b>14,461</b>

There is no assessment of subsidiaries' internal capital adequacy.

Paid-in capital amount is capital amount registered on Turkish Trade Registration as TRY Currency defined on the main agreement.

Legal reserves is the reserves which is allocated from annual profit, published in Official Gazette on 14 February 2011 numbered 6102, defined in the first paragraph and second paragraph's 3rd item of the Article 519 and Article 520 in accordance with Establishment Laws.

Extraordinary reserves is the reserves that was allocated from after tax profit in compliance with the decisions made on the Annual General Assembly



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**I. Explanations and Disclosures Related to the Assets (Continued)**

**8. Information on subsidiaries (Net): (Continued)**

b) If there is any unconsolidated subsidiary, total equity amount that is lack of subjection to the reasonable justifications of non-consolidate and minimum capital requirement: None (31 December 2013: None).

c) Information on the unconsolidated subsidiaries: None (31 December 2013: None).

d) Information on consolidated subsidiaries:

d.1) Information on the consolidated subsidiaries:

<b>Description</b>	<b>Address (City/ Country)</b>	<b>Bank's share percentage- If different voting percentage (%)</b>	<b>Other shareholders' share percentage (%)</b>
The Economy Bank N.V. (*)	The 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:

<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets</b>	<b>Interest Income</b>	<b>Income from Marketable Securities Portfolio</b>	<b>Current Period Profit / Loss</b>	<b>Prior Period Profit / Loss (**)</b>	<b>Fair Value</b>
1,631,871	300,533	10,447	38,373	1,648	8,144	4,211	-
901,373	68,641	1,330	44,959	-	7,649	7,943	-
135,219	80,608	1,168	6,950	235	3,624	5,777	-
16,936	14,778	479	786	75	445	1,919	-

(\*) As of 30 June 2014, the figures are the converted amount from the financial statements using end-of-period exchange rate for balance sheet and three months average rate for the income statement. The Economy Bank NV consolidates two partners, Stichting Effecten Dienstverlening and Kronenburg Vastgoed B.V.

(\*\*) These figures are shown per BRSA financial statements as of 30 June 2013.

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**I. Explanations and Disclosures Related to the Assets (Continued)**

**8. Information on subsidiaries (Net): (Continued)**

d.2) Information on consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	167,861	167,861
Movements during the period	9,379	-
Purchases	-	-
Bonus shares obtained	9,379	-
Share in current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provision for impairment	-	-
<b>Balance at the end of the period</b>	<b>177,240</b>	<b>167,861</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

d.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.	43,416	34,037
Other Financial Subsidiaries/TEB Yatırım Men.Değ. A.Ş.	70,512	70,512
TEB Portföy Yönetimi A.Ş.	2,058	2,058
<b>Total</b>	<b>177,240</b>	<b>167,861</b>

d.4) Consolidated subsidiaries quoted on the stock exchange: None (31 December 2013: None).

**9. Explanations on entities under common control (joint ventures):**

a) Information on entities under common control (joint ventures):

Entities under common control (joint ventures)	Share of the Parent Bank (%)	Share of the Group (%)	Current Asset	Non-current asset	Long-term receivable	Profit	Loss
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	0.1	33.3	12,891	9,267	454	30,149	(30,469)

b) Accounting method of the reasonable justification of unconsolidated in Joint Ventures that booked on the unconsolidated parent bank's financial statements

The Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., it is presented as joint venture in financial statements however, it is carried by cost value since necessary requirements for consolidation is not met.

**10. Information on finance lease receivables (Net): None (31 December 2013: None).**

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**I. Explanations and Disclosures Related to the Assets (Continued)**

**11. Information on derivative financial assets for hedging purposes:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	14,674	5	56,899	63
Cash flow hedge	55,932	-	55,283	-
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	<b>70,606</b>	<b>5</b>	<b>112,182</b>	<b>63</b>

The Bank has terminated cash flow hedge that takes into account IRS transactions have a nominal value of TL300,000 in Year 2014. According to the related cash flow hedge as of 30 June 2014, accumulated valuation differences negatively amounted TL1,091 is traced on the statement of profit and loss accounted for under equity and these accumulated differences are transferred into income statement, considering periods when hedged transactions have affected or will affect loss and profit.

**12. Information on investment properties:** None (31 December 2013: None).

**13. Information on assets held for sale and discontinued operations:**

	Current Period	Prior Period
Beginning of Period Cost	86,505	64,091
Beginning of Period Accumulated Depreciation (-)	3,288	2,501
<b>Net Book Value</b>	<b>83,217</b>	<b>61,590</b>
Opening Balance	83,217	61,590
Acquired	30,817	67,064
Disposed(-), net	18,302	37,801
Impairment (-)	658	5,463
Depreciation Value (-)	1,255	2,173
Period End Cost	97,911	86,505
Period End Accumulated Depreciation (-)	4,092	3,288
<b>Closing Net Book Value</b>	<b>93,819</b>	<b>83,217</b>

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**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	843,475	-	3,364,258	9,063,453	301,033	31,662	29,991	-	13,633,872
Foreign currency deposits	1,978,856	-	1,998,166	7,396,619	332,363	126,501	172,820	-	12,005,325
Residents in Turkey	1,871,698	-	1,886,434	7,093,686	312,951	81,342	169,940	-	11,416,051
Residents abroad	107,158	-	111,732	302,933	19,412	45,159	2,880	-	589,274
Public sector deposits	549,262	-	249	22,816	7,614	-	-	-	579,941
Commercial deposits	1,715,555	-	813,092	3,199,248	378,620	9,379	15,380	-	6,131,274
Other institutions deposits	39,525	-	51,293	2,217,369	823,499	333	47	-	3,132,066
Precious metals deposits	301,040	-	79,521	157,073	5,475	15,715	-	-	558,824
Interbank deposits	35,166	-	1,561,774	72,540	-	12,566	2,021	-	1,684,067
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	127	-	-	2,003	-	12,566	2,021	-	16,717
Foreign Banks	21,435	-	1,561,774	70,537	-	-	-	-	1,653,746
Special finance houses	13,604	-	-	-	-	-	-	-	13,604
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,462,879</b>	<b>-</b>	<b>7,868,353</b>	<b>22,129,118</b>	<b>1,848,604</b>	<b>196,156</b>	<b>220,259</b>	<b>-</b>	<b>37,725,369</b>

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	868,553	-	3,681,611	6,883,524	766,696	46,239	37,610	-	12,284,233
Foreign currency deposits	1,794,303	-	2,133,375	4,916,572	368,080	115,708	216,797	-	9,544,835
Residents in Turkey	1,682,479	-	2,059,914	4,664,038	350,608	74,017	211,300	-	9,042,356
Residents abroad	111,824	-	73,461	252,534	17,472	41,691	5,497	-	502,479
Public sector deposits	220,770	-	5,665	23,918	348,071	-	-	-	598,424
Commercial deposits	1,975,878	-	1,454,858	3,416,921	459,263	46,560	11,879	-	7,365,359
Other institutions deposits	39,641	-	35,709	1,282,074	965,682	352	16,294	-	2,339,752
Precious metals deposits	408,705	-	114,088	127,414	6,669	14,484	-	-	671,360
Interbank deposits	116,470	-	1,297,495	59,754	-	8,182	2,110	-	1,484,011
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	34	-	220,047	2,024	-	8,182	2,110	-	232,397
Foreign Banks	47,286	-	1,077,448	57,730	-	-	-	-	1,182,464
Special finance houses	69,150	-	-	-	-	-	-	-	69,150
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,424,320</b>	<b>-</b>	<b>8,722,801</b>	<b>16,710,177</b>	<b>2,914,461</b>	<b>231,525</b>	<b>284,690</b>	<b>-</b>	<b>34,287,974</b>

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	6,774,687	5,759,987	6,556,941	6,148,459
Foreign currency saving deposits	1,327,043	1,097,403	4,980,750	4,162,071
Other deposits in the form of saving deposits	205,266	282,197	299,158	327,503
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
<b>Total</b>	<b>8,306,996</b>	<b>7,139,587</b>	<b>11,836,849</b>	<b>10,638,033</b>

(\*) According to the BRSA's circular no 1584 dated on 23 February 2005, accruals are included in the saving deposit amounts.

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**II. Explanations and Disclosures Related to the Liabilities (Continued)**

ii) Deposits of real persons not under the guarantee of saving deposit insurance:

	<b>Current Period</b>	<b>Prior Period</b>
Deposits and accounts in branches abroad	228,798	208,053
Deposits of ultimate shareholders and their close families	770,715	766,595
Deposits of chairman and members of the Board of Directors and their close families	28,136	27,526
Deposits obtained through illegal acts defined in the 282 <sup>nd</sup> 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:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Forward Transactions	59,947	3,993	56,913	5,154
Swap Transactions	232,735	18,364	233,404	31,535
Futures Transactions	-	-	-	-
Options	46,219	5,448	147,561	7,144
Other	-	-	-	-
<b>Total</b>	<b>338,901</b>	<b>27,805</b>	<b>437,878</b>	<b>43,833</b>

3.a) Information on banks and other financial institutions:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	186,487	202,078	161,386	220,561
From Foreign Banks, Institutions and Funds	87,652	7,108,833	370,200	6,040,825
<b>Total</b>	<b>274,139</b>	<b>7,310,911</b>	<b>531,586</b>	<b>6,261,386</b>

As of 30 June 2014, the Bank has borrowings from its related parties amounting to TL4,022,422 (31 December 2013: TL3,088,488).

b) Maturity analysis of borrowings:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Short-term	3,546	6,915,855	220,774	5,779,750
Medium and long-term	270,593	395,056	310,812	481,636
<b>Total</b>	<b>274,139</b>	<b>7,310,911</b>	<b>531,586</b>	<b>6,261,386</b>

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**II. Explanations and Disclosures Related to the Liabilities (Continued)**

c) Information on debt securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank bonds	634,270	-	507,046	-
Treasury bills	-	-	203,230	-
<b>Total</b>	<b>634,270</b>	<b>-</b>	<b>710,276</b>	<b>-</b>

Bond issued by the Bank on 4 March 2013 with a nominal value of TL99,711 maturity of 405 days, with due date of 14 April 2014, with an interest rate of 6.84908% and with an annual compound rate of 6.82406% has started to be publicly traded in bonds and bill market with the ISIN code "TRSTEBK41416".

Bond issued by the Bank on 7 October 2013 with a nominal value of TL350,000 maturity of 148 days, with due date of 5 March 2014, with an interest rate of 7.84266% and with an annual compound rate of 8.02640% has started to be publicly traded in bonds and bill market with the ISIN code "TRQTEBK31411".

Bond issued by the Bank on 9 December 2013 with a nominal value of TL250,000 maturity of 169 days, with due date of 28 May 2014, with an interest rate of 8.85178% and with an annual compound rate of 9.06261% has started to be publicly traded in bonds and bill market with the ISIN code "TRQTEBK51419".

Bond issued by the Bank on 20 May 2013 with a nominal value of TL200,000, maturity of 386 days, with due date of 11 June 2014, with an interest rate of 5.81603% and with an annual compound rate of 5.80650% has started to be publicly traded in bonds and bill market with the ISIN code "TRSTEBK61414".

Bond issued by the Bank on 14 March 2014 with a nominal value of TL250,000 maturity of 132 days, with due date of 23 July 2014, with an interest rate of 10.98568% and with an annual compound rate of 11.37477% has started to be publicly traded in bonds and bill market with the ISIN code "TRQTEBK71417".

Bond issued by the Bank on 21 April 2013 with a nominal value of TL182,122, maturity of 178 days, with due date of 17 October 2014, with an interest rate of 9.85057% and with an annual compound rate of 10.099.33% has started to be publicly traded in bonds and bill market with the ISIN code "TRQTEBKE1416".

Bond issued by the Bank on 3 June 2014 with a nominal value of TL248,454, maturity of 176 days, with due date of 26 November 2014, with an interest rate of 9,10674% and with an annual compound rate of 9,32169% has started to be publicly traded in bonds and bill market with the ISIN code "TRQTEBKK1418".

**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 2013: 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.

c) Explanation on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	-	-	-	-
Between 1-4 Years	-	-	-	-
More than 4 Years	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**II. Explanations and Disclosures Related to the Liabilities (Continued)**

**5. Explanations on financial lease obligations (Net): (Continued)**

d) Explanations regarding operational leases:

For the period ended 30 June 2014, operational lease expenses amounting to TL89,828 (30 June 2013: TL76,314) 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. Negative differences table of derivative financial liabilities for hedging purposes:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	7,146	-	15,433	-
Cash flow hedge	208,772	-	53,822	-
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	<b>215,918</b>	<b>-</b>	<b>69,255</b>	<b>-</b>

The Bank has terminated cash flow hedge that takes into account IRS transactions have a nominal value of TL300,000 in Year 2014. According to the related cash flow hedge as of 30 June 2014, accumulated valuation differences negatively amounted TL1,091 is traced on the statement of profit and loss accounted for under equity and these accumulated differences are transferred into income statement, considering periods when hedged transactions have affected or will affect loss and profit

**7. Information on provisions:**

a) Information on general provisions:

	Current Period	Prior Period
Provisions for First Group Loans and Receivables	451,048	387,103
Additional Provision for Loans and Receivables with Extended Maturities	22,943	52,914
Provisions for Second Group Loans and Receivables	46,204	53,208
Additional Provision for Loans and Receivables with Extended Maturities	6,372	14,860
Provisions for Non-Cash Loans	30,760	28,504
Other	2,005	1,113
<b>Total</b>	<b>559,332</b>	<b>537,702</b>

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 TL112,525 (31 December 2013: TL83,440) is offset from the loans on the balance sheet.

c) Liabilities on unused vacation, bonus and employee termination benefits:

As of 30 June 2014 TL31,715 (31 December 2013: TL24,808) unused vacation provision, TL115,239 (31 December 2013: TL85,927) employee termination benefit provision and TL51,520 (31 December 2013: TL65,013) bonus for the employee are presented under "Reserve for Employee Benefit" in financial statements.

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**II. Explanations and Disclosures Related to the Liabilities (Continued)**

**7. Information on provisions: (Continued)**

d) Information on other provisions:

d.1) Provisions for possible losses: None (31 December 2013: None).

d.2) The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

	<b>Current Period</b>	<b>Prior Period</b>
Provision for legal cases	36,130	35,502
Provision for unindemnified non-cash loans	37,462	34,791
Provision for promotions of credit cards and banking services	12,125	12,204
Other	32,796	18,032
<b>Total</b>	<b>118,513</b>	<b>100,529</b>

**8. Explanations on taxes payable:**

a) Information on current tax liability:

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Tax Payable	31,855	13,070
Taxation on Securities	29,192	26,875
Property Tax	2,043	1,804
Banking Insurance Transaction Tax (BITT)	32,903	28,977
Foreign Exchange Transaction Tax	12	15
Value Added Tax Payable	1,069	6,062
Other (*)	12,756	15,989
<b>Total</b>	<b>109,830</b>	<b>92,792</b>

(\*) Others include income taxes deducted from wages amounting to TL11,026 (31 December 2013: TL11,777) and stamp taxes payable amounting to TL1,252 (31 December 2013: TL1,174).

b) Information on premiums:

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums-Employee	4,765	4,434
Social Security Premiums-Employer	5,543	5,174
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	434	412
Unemployment Insurance-Employer	668	622
Other	-	-
<b>Total</b>	<b>11,410</b>	<b>10,642</b>

c) Explanations on deferred tax liabilities, if any: None (31 December 2013: None).



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**II. Explanations and Disclosures Related to the Liabilities (Continued)**

**9. Information on Shareholders' Equity:**

a) Presentation of Paid-in Capital:

	<b>Current Period</b>	<b>Prior Period</b>
Common stock	2,204,390	2,204,390
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:

<b>Capital System</b>	<b>Paid-in capital</b>	<b>Ceiling</b>
Registered Capital System	2,204,390	-

c) Information on share capital increases and their sources; other information on increased capital shares in current period: None.

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 TL30 (in full TL) is distributed to the founder shares.

h) Information on marketable securities valuation differences:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
From Associates, Subsidiaries, and Entities				
Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference	(41,781)	33	(93,714)	15
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(41,781)</b>	<b>33</b>	<b>(93,714)</b>	<b>15</b>

Government debt securities with TL224,275 nominal value which had been accounted as financial assets available for sale, have been classified as held to maturity investments with their market value amounting to TL287,008 as of 25 September 2013. As of 25 September, accumulated valuation difference amounting to negative TL38,362 for reclassified available for sale securities are followed under shareholders' equity. This accumulated valuation difference is subjected to amortization according to the days to maturity and being transferred to profit/loss accounts in the related periods. As of 30 June 2014, total accumulated valuation difference of these securities followed under shareholders' equity is negative TL33,997 (31 December 2013 :TL36,973).

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**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:

	<b>Current Period</b>	<b>Prior Period</b>
Commitments for credit card expenditure limits	3,958,669	3,545,841
Loan granting commitments	4,357,166	3,853,759
Payment commitment for checks	2,196,773	2,002,630
Forward asset purchase commitments	1,795,739	1,742,558
Tax and fund liabilities from export commitments	23,307	12,503
Commitments for promotions related with credit cards and banking activities	4,698	4,451
Forward deposit purchase commitments	-	101,194
Other irrevocable commitments	258,804	188,342
<b>Total</b>	<b>12,595,156</b>	<b>11,451,278</b>

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:

	<b>Current Period</b>	<b>Prior Period</b>
Letters of Credit	1,282,721	1,356,355
Bank Acceptances	106,622	271,178
Other Commitments	1,880,126	1,420,669
Other Contingencies	449,511	419,412
<b>Total</b>	<b>3,718,980</b>	<b>3,467,614</b>

b.2) Guarantees, surety ships, and similar transactions:

	<b>Current Period</b>	<b>Prior Period</b>
Guarantee Letters	5,157,471	5,333,081
Advance Guarantee Letters	1,009,723	1,159,907
Temporary Guarantee Letters	522,395	477,487
Guarantee Letters Given for Customs	340,149	377,222
Other Guarantee Letters	635,936	526,708
<b>Total</b>	<b>7,665,674</b>	<b>7,874,405</b>

c) Total amount of non-cash loans:

	<b>Current Period</b>	<b>Prior Period</b>
Non-cash loans given against achieving cash loans	731,516	781,422
With maturity of 1 year or less than 1 year	16,407	6,361
With maturity of more than 1 year	715,109	775,061
Other non-cash loans	10,653,138	10,560,597
<b>Total</b>	<b>11,384,654</b>	<b>11,342,019</b>

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**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
<b>Interest on loans (*)</b>				
Short term loans	1,211,245	62,012	866,642	56,291
Medium and long term loans	852,369	87,134	757,861	80,047
Interest on non-performing loans	16,334	-	15,061	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>2,079,948</b>	<b>149,146</b>	<b>1,639,564</b>	<b>136,338</b>

(\*) Includes fees and commissions obtained from cash loans amounting to TL51,424 (30 June 2013: TL55,274).

**b) Information on interest received from banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	-	-	-	-
Domestic banks	11,653	86	1,294	111
Foreign banks	2,034	502	1,425	359
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>13,687</b>	<b>588</b>	<b>2,719</b>	<b>470</b>

**c) Information on interest received from securities portfolio:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets held for Trading	19,441	753	27,185	440
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	189,968	41	137,529	18
Investments Held-to-Maturity	17,248	-	-	-
<b>Total</b>	<b>226,657</b>	<b>794</b>	<b>164,714</b>	<b>458</b>

**d) Interest received from Subsidiaries and Associates:**

	Current Period	Prior Period
Interest received from Subsidiaries and Associates	25	239

**2. a) Information on interest on funds borrowed (\*) :**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
The Central Bank of Turkey	-	-	-	-
Domestic banks	5,319	2,615	3,519	2,845
Foreign banks	12,080	70,620	19,126	51,590
Branches and head office abroad	-	-	-	-
Other financial institutions	-	6,600	-	6,199
<b>Total</b>	<b>17,399</b>	<b>79,835</b>	<b>22,645</b>	<b>60,634</b>

(\*) Includes fees and commission expenses of cash loans amounting to TL2,520 (30 June 2013: TL2,621).

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**IV. Explanations and Disclosures Related to the Statement of Income (Continued)**

**b) Information on interest expense to associates and subsidiaries:**

	<b>Current Period</b>	<b>Prior Period</b>
Interest expenses to associates and subsidiaries	698	820

**c) Information on interest expenses on securities issued:**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Interest Expense on securities issued	28,048	-	18,204	-
<b>Total</b>	<b>28,048</b>	<b>-</b>	<b>18,204</b>	<b>-</b>

**d) Distribution of interest expenses on deposits based on maturity of deposits:**

<b>Account Name</b>	<b>Demand Deposits</b>	<b>Time Deposits</b>					<b>Accumulated Deposits</b>	<b>Total</b>
		<b>Up to 1 Month</b>	<b>Up to 3 Months</b>	<b>Up to 6 Months</b>	<b>Up to 1 Year</b>	<b>More than 1 Year</b>		
<b>TL</b>								
Bank deposits	-	10,327	16	-	516	39	-	10,898
Saving deposits	-	156,975	388,189	28,042	1,140	1,055	-	575,401
Public sector deposits	-	69	806	2,876	-	-	-	3,751
Commercial deposits	-	54,938	192,447	16,745	322	12	-	264,464
Other deposits	-	7,811	97,192	35,127	550	701	-	141,381
7 days call accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>230,120</b>	<b>678,650</b>	<b>82,790</b>	<b>2,528</b>	<b>1,807</b>	<b>-</b>	<b>995,895</b>
<b>FC</b>								
Foreign currency deposits	-	17,919	92,939	4,519	1,468	3,273	-	120,118
Bank deposits	-	103	607	-	-	-	-	710
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	574	1,259	46	181	-	-	2,060
<b>Total</b>	<b>-</b>	<b>18,596</b>	<b>94,805</b>	<b>4,565</b>	<b>1,649</b>	<b>3,273</b>	<b>-</b>	<b>122,888</b>
<b>Grand Total</b>	<b>-</b>	<b>248,716</b>	<b>773,455</b>	<b>87,355</b>	<b>4,177</b>	<b>5,080</b>	<b>-</b>	<b>1,118,783</b>

**3. Information on net trading income:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Income</b>	<b>7,625,334</b>	<b>3,779,524</b>
Gains on capital market operations	35,348	105,563
Gains on derivative financial instruments (*)	1,988,649	1,406,754
Foreign exchange gains (**)	5,601,337	2,267,207
<b>Losses (-)</b>	<b>7,760,111</b>	<b>3,689,211</b>
Losses on capital market operations	19,999	50,200
Losses on derivative financial instruments (*)	2,532,542	1,288,243
Foreign exchange losses (**)	5,207,570	2,350,768

(\*) As of 30 June 2014, foreign exchange loss on hedging transactions are TL40,950 (30 June 2013: TL41,967 net profit)

(\*\*) Foreign exchange gains on derivative financial transactions are TL11,874 (30 June 2013: TL68,206 foreign exchange losses).

**4. Information on other operating income:**

Other operating income of the bank consists of reversals of specific provisions which are booked in earlier periods amount to TL57,537 (30 June 2013: TL58,005) and in addition to this transaction costs collected from customers and income generated from asset sales.

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**IV. Explanations and Disclosures Related to the Statement of Income (Continued)**

**5. Provision expenses of banks for loans and other receivables:**

	<b>Current Period</b>	<b>Prior Period</b>
Specific provisions for loans and other receivables	208,254	176,400
III. Group Loans and Receivables	55,607	48,545
IV. Group Loans and Receivables	67,984	60,494
V. Group Loans and Receivables	84,663	67,361
General provision expenses	21,630	102,789
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	-
Financial assets at fair value through profit and loss	-	-
Investment securities available for sale	-	-
Impairment provision expense	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Investments held to maturity	-	-
Other	839	2,055
<b>Total</b>	<b>230,723</b>	<b>281,244</b>

**6. Information on other operating expenses:**

	<b>Current Period</b>	<b>Prior Period</b>
Personnel expenses	392,021	346,707
Reserve for employee termination benefits	15,887	13,118
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	40,864	32,556
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	12,481	6,485
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	658	1,102
Depreciation expenses of assets to be disposed	1,255	1,186
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	323,835	290,213
Operating lease expenses	89,828	76,314
Maintenance expenses	12,711	10,765
Advertisement expenses	34,833	42,822
Other expenses	186,463	160,312
Loss on sales of assets	40	792
Other (*)	167,947	126,679
<b>Total</b>	<b>954,988</b>	<b>818,838</b>

(\*) Included in other TL3,902 (30 June 2013: TL19,007) is premiums paid to the Saving Deposit Insurance Fund, TL41,496 (30 June 2013: TL40,335) is other taxes and duties paid.

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**IV. Explanations and Disclosures Related to the Statement of Income (Continued)**

**7. Information on tax provision for continued and discontinued operations:**

- a) As of 30 June 2014, the current tax charge is TL127,785 (30 June 2013: TL31,086 deferred tax charge). Deferred tax charge is TL48,836 (30 June 2013: TL73,316 deferred tax charge).
- b) Deferred tax benefit on temporary differences resulted from continued operations is TL48,836 (30 June 2013: TL73,316 deferred tax charge).
- c) Tax reconciliation:

	<b>Current Period</b>	<b>Prior Period</b>
<b>Profit before tax</b>	<b>369,227</b>	<b>440,510</b>
<b>Additions</b>	<b>37,755</b>	<b>109,637</b>
Nonallowable expenses	16,278	7,146
General loan loss provision	21,477	102,491
<b>Deductions</b>	<b>(6,770)</b>	<b>(28,137)</b>
Dividend income	(19,166)	(4,910)
Other	12,396	(23,227)
<b>Taxable Profit / (Loss)</b>	<b>400,212</b>	<b>522,010</b>
Corporate tax rate	% 20	20%
<b>Tax calculated</b>	<b>80,042</b>	<b>104,402</b>
Effect of tax account adjustment in the prior period	(1,093)	-
<b>Tax expense</b>	<b>78,949</b>	<b>104,402</b>

**8.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 (30 June 2013: None).
- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (30 June 2013: None).
- c) Profit or loss attributable to minority shares: None (30 June 2013: None).

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**IV. Explanations and Disclosures Related to the Statement of Income (Continued)**

**9. If the other items in the income statement exceed 10% of the income statement total accounts amounting to at least 20% of these items:**

	<b>Current Period</b>	<b>Prior Period</b>
<b><u>Other fees and commissions received</u></b>		
Card fee and commissions	308,121	207,696
Insurance commissions	38,030	24,194
Intelligence fee and commissions	34,337	30,120
Settlement expense provision, eft, swift, agency commissions	17,280	14,454
Transfer commissions	14,321	12,416
Fund management fees	8,783	11,604
Commissions and fees earned from correspondent banks	2,541	3,148
Other	125,347	96,802
<b>Total</b>	<b>548,760</b>	<b>400,434</b>
<b><u>Other fees and commissions paid</u></b>		
Credit cards commissions and fees	159,281	99,907
Settlement expense provision, eft, swift, agency commissions	10,652	5,231
Commissions and fees paid to correspondent banks	4,283	3,041
Other	23,837	30,236
<b>Total</b>	<b>198,053</b>	<b>138,415</b>

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**V. 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:**

Balance sheet items of previous periods are presented as of 31 December 2013; income/expense items of previous periods are presented as of 30 June 2013.

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	97	7,967	20,666	10	12,228	376,434
Balance at end of period	1,123	7,943	30,518	10	21,936	392,380
Interest and commission income	25	89	899	96	1,017	152

Direct and indirect shareholders of the Bank balance above includes TL28,926 and other entities included in the risk group balance above includes TL18,561 placement in "Banks".

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	64	8,368	2,815	4	35,486	396,822
Balance at end of period	97	7,967	20,666	10	12,228	376,434
Interest and commission income received	239	90	1,565	23	1,222	312

Subsidiaries, associates and entities under common control balance above includes TL97, direct and indirect shareholders of the Bank balance above includes TL13,536 and other entities included in the risk group balance above includes TL666 placement in "Banks".

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	55,298	44,929	1,148,318	471,343	667,056	236,958
Balance at end of period	28,213	55,298	1,862,255	1,148,318	567,201	667,056
Interest on deposits	698	820	15,093	6,860	10,326	3,761



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**V. 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	-	-	11,369,222	8,489,076	664,232	3,628
End of period	-	-	16,195,478	11,369,222	519,257	664,232
Total income/loss	-	-	(43,396)	(9,614)	(810)	(5)
Hedging transactions purposes						
Beginning of period	-	-	480,718	830,956	-	-
End of period	-	-	257,500	480,718	-	-
Total income/loss	-	-	29,424	17,874	-	-

d) As of 30 June 2014, the total amount of remuneration and benefits provided for the senior management of the Bank is TL15,769 (30 June 2013: TL17,382).

**VI. Explanations on Post Balance Sheet Events**

None.

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**SECTION SIX**

**INDEPENDENT AUDITOR’S REVIEW REPORT**

**I. Explanations on the Independent Auditor’s Limited Review Report**

The unconsolidated financial statements of the Bank were reviewed by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent auditor’s limited review report dated 31 July 2014 is presented preceding the financial statements.

**II. Other Footnotes and Explanations Prepared by the Independent Auditors**

None.