EVALUATION OF FINANCIAL STATUS, PROFITABILITY AND SOLVENCY

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

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

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

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

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

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

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

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

Within the framework of the agreements signed between our Bank and various banks and financial institutions in 2005 and 2007, TEB has two subordinated debts with a total amount of US$ 150 million.

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

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

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

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

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